

Compliance Audit

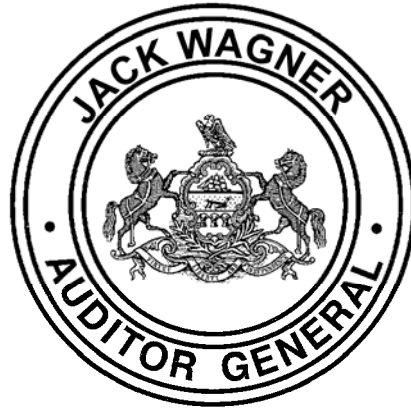
of the

Commonwealth of Pennsylvania  
Department of Public Welfare  
***Lawrence County Assistance Office***

Audit Period

March 18, 2003 to November 18, 2005





Compliance Audit

of the

Commonwealth of Pennsylvania  
Department of Public Welfare  
*Lawrence County Assistance Office*

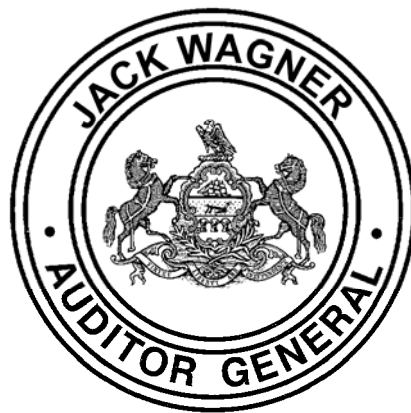
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# CONTENTS

	Page
REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE .....	1
BACKGROUND INFORMATION .....	4
OBJECTIVES, SCOPE, AND METHODOLOGY .....	5
FINDINGS AND RECOMMENDATIONS	
I. Random Eligibility Audit Results	
Finding 1 - CAO personnel failed to follow applicable DPW procedures .....	8
Finding 2 - CAO personnel failed to obtain and/or document information required in establishing recipient eligibility .....	10
II. Overpayment Control System	
Finding 3 – Untimely Verification and Referral of Overpayments and Over-Issuances Totaling \$3,448 Occurred as a Result of Procedural Deficiencies in the Overpayment Control System .....	12
AUDIT SUMMARIES .....	18
GLOSSARY .....	19
APPENDIX.....	20
AUDIT REPORT DISTRIBUTION LIST .....	21



## **Report of Independent Auditors on Compliance**

The Honorable Edward G. Rendell  
Governor  
Commonwealth Of Pennsylvania  
Harrisburg, Pennsylvania 17120

Dear Governor Rendell:

The Department of Public Welfare, through its County Assistance Offices, determines eligibility for cash assistance, medical assistance, and food stamp benefits according to established policies and procedures. By the authority of Pennsylvania Code, Title 55, Chapter 109, the Department of the Auditor General audits these County Assistance Offices.

This report contains the results of our audit of the Lawrence County Assistance Office, covering the period March 18, 2003 to November 18, 2005. Procedures included determining the County Assistance Office's compliance with Department of Public Welfare regulations, governing laws, and administrative rules regarding the disbursement of benefits and the management of the County Assistance Office. We examined, on a test basis, evidence in support of benefits provided, reviewed documentation of County Assistance Office actions and interviewed County Assistance Office personnel and welfare recipients. We also evaluated the Overpayment Control System.

Our report details findings and recommendations that resulted from our eligibility review and our review of the Overpayment Control System.

It should be noted, that as a result of Internal Revenue Code §6103, the Department of the Auditor General no longer has access to Income Eligibility Verification System Exchanges 4 and 5. Because this poses a scope limitation, exceptions may exist beyond those disclosed during our audit. In addition, overpayment amounts stated in this audit report are limited by the Department of Public Welfare's Automated Restitution Referral and Computation system, which does not calculate overpayments beyond a two-year period.

This report is intended for the benefit of the Lawrence County Assistance Office management, Department of Public Welfare officials, and Office of Inspector General officials. It is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

JACK WAGNER  
Auditor General

January 12, 2006



**Commonwealth of Pennsylvania  
Department of Public Welfare  
Lawrence County Assistance Office**

**BACKGROUND INFORMATION**  
**AND**  
**OBJECTIVES, SCOPE, AND METHODOLOGY**

## ***Background Information***

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### **Department of Public Welfare**

The Department of Public Welfare (DPW) provides money, Food Stamps, Medical Assistance and other services to needy recipients in Pennsylvania. DPW administers these services locally through a County Assistance Office (CAO), or in larger counties, through a District Office (DO). We conduct audits in all 67 counties throughout Pennsylvania.

DPW, through its Office of Income Maintenance, is responsible for analyzing, interpreting, developing and maintaining the regulatory policy for all federal and state funded public assistance benefit programs. DPW also provides policy clarifications to guide the application of its regulations.

DPW created the Cash Assistance Handbook (CAH), the Food Stamp Handbook (FSH), and the Medicaid Eligibility Handbook (MEH) to provide guidance to income maintenance (caseworkers) at the CAOs and DOs. The handbooks give the caseworker direction on how to use financial and non-financial information to determine an individual's eligibility for cash assistance, food stamp, and medical assistance benefits. The CAH provides guidance on Temporary Assistance to Needy Families (TANF) and General Assistance (GA). TANF is a federally-funded program which provides money for dependent children who are needy because financial support is not available from their parents. The payment is made to parents or relatives who care for the children in family homes. GA is a state-funded program which provides money primarily to single individuals and childless couples who do not have enough income to meet their basic needs. The FSH provides guidance for administering the Food Stamp Program which is operated jointly by the U.S. Department of Agriculture, Food and Nutrition Service, and DPW. The MEH provides guidance for administering the Medical Assistance Program to clients who are eligible for cash assistance, Nonmoney Payment, or Medically Needy Only benefits. DPW makes either direct payment to medical practitioners and vendors for services, medications, and medical supplies, or a capitation payment to contracted managed care organizations.

## ***Objectives, Scope, and Methodology***

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The Department of the Auditor General (Department), Bureau of Public Assistance Audits conducts audits of CAOs to determine compliance with DPW regulations that pertain to recipient eligibility and the disbursement of cash and food stamps. Additionally, the Bureau reviews the CAO's management policies and their implementation as they relate to the areas we audited. Audit reports providing factual, relevant and useful information are then sent by the Auditor General to the Governor, DPW, the Office of Inspector General and certain state legislators.

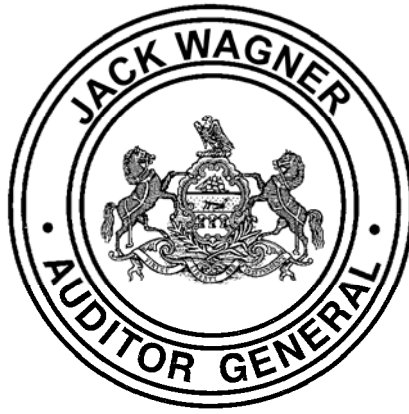
The audit included eligibility reviews of a sample of public assistance cases for the audit period March 18, 2003 to November 18, 2005. We also reviewed the CAO's implementation of procedures the Overpayment Control System to determine compliance with regulations and policies.

Results from the eligibility reviews of the sample of public assistance cases as well as the procedural reviews apply only to CAO files, records, and systems. However, because DPW establishes the CAO policies and procedures as well as maintains their computer information system, the deficiencies and/or exceptions identified during our audit may need to be corrected by DPW. Therefore, our recommendations are directed to DPW as well as the CAO.

As previously noted, due to Internal Revenue Code §6103, the Department no longer has access to recipient resource information contained on the Income Eligibility Verification System (IEVS) Exchanges 4 and 5. (Exchange 4 contains information from the Social Security Administration earnings reference file and Exchange 5 contains information from the Internal Revenue Service unearned income file.) This poses a scope limitation, as the Department cannot ascertain whether the CAO is reviewing information from these two resources as required by Section 1137 of the Social Security Act. Furthermore, without access the Department is unable to verify that the CAO is using all recipient resource information in determining recipient eligibility and calculating benefit amounts.

Reviews of the public assistance cases and the Overpayment Control System detected instances of noncompliance; therefore, we submitted findings in these areas.

During the June 15, 2006 exit conference, the Department's staff reviewed these findings and recommendations with the Lawrence CAO representatives. We have included CAO personnel comments, where applicable, in this report.



**Commonwealth of Pennsylvania  
Department of Public Welfare  
Lawrence County Assistance Office**

**FINDINGS AND RECOMMENDATIONS**

## ***Findings and Recommendations***

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### **I. Random Eligibility Audit Results**

During the course of our audit, we examined 173 out of 1,340 cases from the Lawrence CAO to determine if personnel properly maintained case records in accordance with DPW's policies and procedures, and properly disbursed authorized benefits to eligible recipients in accordance with the rules and regulations established by DPW. We also notified CAO personnel when we discovered ineligible persons receiving assistance.

Title 55 of the Pennsylvania Code provides criteria for determining public assistance eligibility. Chapter 109 of Title 55 provides for the Department to audit the decisions of the CAOs against the rules and regulations established by DPW.

Our audit included an examination of the case record material as it relates to the proper interpretation and application of the rules and regulations of DPW pertaining to the recipient's eligibility for public assistance. The criteria for our review included, but was not limited to, DPW's:

- Cash Assistance Handbook (CAH);
- Food Stamp Handbook (FSH);
- Supplemental Handbook (SH);
- Income Eligibility Verification System (IEVS) Manual;
- Automated Restitution Referral and Computation (ARRC) Manual;
- Client Information System (CIS) Manual; and
- Operations Memorandum (OPS) & Policy Clarifications.

Our audit disclosed 31 exceptions in 24 of the 173 cases examined. The most significant exceptions are discussed in the following findings:

- CAO personnel failed to follow applicable DPW procedures (refer to Finding No. 1); and
- CAO personnel failed to obtain and/or document information required in establishing recipient eligibility (refer to Finding No. 2).

#### **Finding 1 - CAO personnel failed to follow applicable DPW procedures**

During our review of random case records, we found three cases where criminal history procedures were not followed according to DPW policies. CAO personnel failed to verify that recipients were compliant with court-ordered payment plans.

## ***Findings and Recommendations***

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As a condition of eligibility, recipients who have a criminal history must have either paid all fines and costs associated with the conviction or must be in compliance with a court ordered payment plan. DPW policy states that the caseworker will verify compliance with these requirements at the time of application and reapplication.

DPW policies and procedures for verifying criminal history is contained in the CAH.

Failure to verify this information at application and/or reapplication resulted in \$6,657 in overpayments.

### **Recommendations**

When criminal history is indicated, the CAO should direct its personnel to follow proper procedure and verify a recipient's compliance with court-ordered payment plans at application and reapplication.

### **CAO Management Response**

In a June 26, 2006 memorandum to Department personnel, the Lawrence CAO Executive Director provided the following response:

“The Lawrence CAO had already identified the documentation of compliance with Probation and Parole here to be a problem. Beginning in late fall, the Lawrence County Assistance Office began discussions with the Clerk of Courts and Probation and Parole to update and improve our system for verifying compliance. On December 14, 2005 the Executive Director, the Income Maintenance Manager, and a supervisor met with the Director of Adult Probation and Parole. As a direct result of this meeting, their office appointed . . . to be the liaison to our office, we developed an updated fax form, and we made arrangements to fax the request forms to their office twice daily. On January 19, 2006 we issued a comprehensive Criminal History Inquiry memo to all staff, complete with the new procedure, instructions to verify compliance at all applications and renewals, and instructions as to how to use the Internet to determine if an individual had fines.”

## ***Findings and Recommendations***

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### **Finding 2 - CAO personnel failed to obtain and/or document information required in establishing recipient eligibility**

During our audit, the verification for establishing recipient eligibility was absent from examined case records which resulted in 12 exceptions. Case records and/or CIS information lacked detailed documentation of client and CAO actions. Application forms were missing and determination of benefits received such as childcare, eating and living arrangements, school attendance and resources could not be verified. Also, employability and participation in training were not verified by CAO personnel through a proper review of the Agreement of Mutual Responsibility (AMR). Finally, the social security numbers of recipients and/or Legally Responsible Relatives were missing or incorrect, or known to the CAO, but not entered into the IEVS.

The CAH, FSH, and IEVS Manual, Chapter 1, establish the procedures to be followed when obtaining and documenting recipient eligibility.

These exceptions occurred because caseworkers failed to review AMRs at application/reapplication with clients. Case records did not detail the case narrative with specific dates and events for self-sufficiency goals. Not maintaining current documentation in case records contributed to poor case management.

### **Recommendations**

The CAO should implement stricter internal controls for tracking and retaining PA 600s and AMRs. CAO supervisors should stress to caseworkers the importance of following established DPW policies and procedures for maintaining case records and processing information obtained from recipients and collateral sources, as designated in the above cited handbooks. The CAO should also stress the need to clearly narrate recipient and caseworker actions in the case record.

### **CAO Management Response**

In a June 26, 2006 memorandum to Department personnel, the Lawrence CAO Executive Director provided the following response:

“With regard to the specifics of this finding, most surrounded the failure to record the social security numbers of Legally Responsible Relatives on the IEVS system, or two cases of missing AMR’s and / or a PA 600. We have



## ***Findings and Recommendations***

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retrained staff through supervisory meetings of the need to enter these social security numbers, We have also identified the need to retrain our RESET workers, who were not actually carrying the eligibility for their TANF cases, so that they will maintain control over all the AMR's and documents in their particular cases. This standardized training begins July 7, 2006. Centralizing the cases will achieve greater control. Additionally, understanding the need to insure that all information regarding special allowances requests is fully documented, we have just completed Special Allowance training for all staff. [The audit supervisor] has been given copies of the packets which we developed to assist in the correct delivery of and documentation of these requests. Templates for suggested narratives are included. Sample packets will be sent via regular mail to attach to this response."

### **Status of Prior Audit Finding**

#### **Overpayments and Other Exceptions Totaling \$16,768 Occurred as a Result of Recipients Withholding Information and Case Record Maintenance Exceptions**

Our current audit covering the period March 18, 2003 to November 18, 2005 disclosed that inadequate/incorrect recipient information and case record management exceptions continue to occur at the Lawrence CAO; therefore, a repeat finding is warranted. Refer to Findings 1 and 2 located on pages 8 through 10 for additional discussion on these issues.

## ***Findings and Recommendations***

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### **II. Overpayment Control System**

#### **Finding 3 - Untimely Verification and Referral of Overpayments and Over-Issuances Totaling \$3,448 Occurred as a Result of Procedural Deficiencies in the Overpayment Control System**

We reviewed the Lawrence CAO Overpayment Control System to determine if CAO personnel properly investigated suspected overpayments, controlled and documented investigations, and referred verified overpayments timely. From 182 entries listed as pending, completed, or overpayment on the ARRC Daily Caseload Detail Report dated June 21, 2005 we selected 25 cases.

Our review disclosed the following exceptions:

- **In one case, CAO personnel failed to complete the referral data preventing timely notification to OIG.**

The SH, Section 910.51 provides that the CAO will refer all overpayments to the OIG within 60 days from the date the CAO verifies the overpayment occurred.

The section further provides that in order to recover through recoupment, the OIG must notify the client of the cash overpayment claim within six months of the date the CAO first identified the overpayment, or within one year of the date the CAO first identifies the overpayment, as long as the delay in obtaining verification was caused by an outside source.

This exception occurred because the CAO staff did not have controls in place to refer the overpayment within the required timeframes. Failure to complete the Overpayment Referral Data Input form and forward it to the OIG within the required 60 days delayed and jeopardized the recovery of the incorrectly disbursed over-issuance of \$1,286.

#### **Recommendations**

The CAO should instruct personnel to compute all verified overpayments within 60 days of receipt of that verification. Also, the CAO should review internal control procedures for tracking wage information, computing verified overpayments, and reviewing computed overpayments.

## ***Findings and Recommendations***

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- **In one case, CAO personnel failed to change the disposition code in the ARRC system after verification was determined.**

This exception occurred because CAO personnel failed to update a pending ARRC disposition code to “C” when the CAO received case verification indicating that an overpayment occurred. Also, caseworker supervisors may have failed to use available reports and ARRC file information.

Failure to change the disposition code in the ARRC system after verification was determined resulted in inaccurate reports and impeded and hindered recovery of the potential overpayment totaling \$2,162.

The ARRC Manual provides guidelines for updating disposition codes in the ARRC system after verification.

### **Recommendations**

The CAO should require personnel to update the disposition codes in the ARRC system when verification is received to determine whether or not an overpayment exists. Additionally, CAO management should require their staff to utilize ARRC reports to monitor the status of overpayments.

- **In seven cases, CAO personnel failed to contact non-responding employers.**

These exceptions occurred when caseworkers failed to contact employers or employers failed to respond to initial requests for wage verification within 45 days of the initial request. Caseworkers failed to timely contact employers within ten days to verify employer addresses.

Failure to contact employers timely may have delayed procedures to recover incorrectly disbursed benefits. Also, failure to contact employers hindered procedures to send a second PA78 request.

These deficiencies occurred because caseworkers failed to adhere to the overpayment investigation required timeframes. Additionally, CAO supervisors failed to review the “Non-Responding Employer” list. Caseworkers did not contact non-responding employers due to a lack of procedural controls.

## ***Findings and Recommendations***

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Chapter 910 of the Supplemental Handbook and the ARRC manual provide procedures and guidelines for contacting non-responding employers.

### Recommendations

The CAO should instruct personnel to contact employers within 10 work days after reviewing the “Non-responding Employer” list. Caseworkers should also verify employer addresses.

### CAO Management Response

In a June 26, 2006 memorandum to Department personnel, the Lawrence CAO Executive Director provided the following response:

“In general, the CAO has an overpayment unit which specializes in the follow up necessary to complete referrals, and one supervisor to control this. In addition, each caseworker identifies overpayments and enters them into the system. To assist the supervisor, the IM Manager will now be pulling up the non-responding employer list on a semi-monthly basis to monitor that this list is being addressed. Updating of disposition codes is already monitored by the supervisor.

A training summary for IVES and ARRC was prepared in Feb. 2005, reviewed with staff, and placed on the local web. A copy of this document is attached. Supervisors will be reminded of this procedure at the next supervisory meeting and will be instructed to share it with their units. We have discussed with the responsible worker his failure to enter the overpayment discovery into the system, which caused the majority of the dollar error.”

## ***Findings and Recommendations***

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### **Status of Prior Audit Finding**

#### **Untimely Verification and Referral of Overpayments and Over-Issuances Totaling \$6,111 Occurred as a Result of Procedural Deficiencies in the Overpayment Investigation Control System**

Our current audit covering the period March 18, 2003 to November 18, 2005 disclosed that procedural deficiencies continue to exist at the Lawrence CAO in the execution of the Overpayment Control System; therefore, a repeat finding is warranted. Refer to the bullets in Finding 3 on pages 12 and 13 for additional discussion on these issues.



**Commonwealth of Pennsylvania  
Department of Public Welfare  
Lawrence County Assistance Office**

**AUDIT SUMMARIES  
GLOSSARY  
AND  
APPENDIX**

## ***Audit Summaries***

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### **Random Eligibility Audit Results**

	Cases at CAO	Cases Reviewed	Cases with Errors
<b><u>Current</u></b>	<b>1,340</b>	<b>173</b>	<b>24</b>
<b><u>Prior</u></b>	<b>1,061</b>	<b>274</b>	<b>44</b>

### **Other Results**

<b><u>PROGRAM</u></b>	<b><u>No. of Cases</u></b>	<b><u>Monetary Effect</u></b>
<b>Overpayment Control System:</b>		
CAO personnel failed to complete the overpayment referral, preventing timely notification to OIG.	1	\$1,286
CAO personnel failed to change the disposition code in the ARRC system after verification was determined.	1	2,162
CAO personnel failed to contact non-responding employer timely.	7	0
<b>TOTALS: - All Programs:</b>	<b>9</b>	<b>\$3,448</b>



## ***Glossary***

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### **Administrative Underpayment:**

Cash and/or food stamp benefits to which recipients were entitled but did not receive because of County Assistance Office error.

### **Case Closure:**

Equal to one month of cash and/or food stamp benefits that were not paid/issued to recipients as a result of the Department's audit establishing recipient ineligibility.

### **Client Information System (CIS):**

The on-line data base which contains the information necessary to authorize cash, Medicaid, and food stamps.

### **Closed Case:**

A case that is no longer being issued welfare benefits.

### **Countable Income:**

Income that is not exempt or excluded from benefit determination.

### **Legally Responsible Relative (LRR):**

A spouse or the biological or adoptive parent of a TANF dependent child, a TANF minor parent, or a GA unemancipated minor child under age 19 or a GA minor parent. This term does not include putative fathers.

### **Reimbursement:**

Money owed by recipients for cash benefits they received while waiting for a lump sum payment from sources such as a lawsuit, insurance, Supplemental Security Income, etc.

### **Supplemental Security Income (SSI):**

A federal program funded by general tax revenues and administered by the Social Security Administration. Provides cash to aged, blind, and disabled persons who have little or no income to meet basic needs for food, clothing, and shelter. Received in lieu of cash grants from Public Welfare; however, SSI recipients can qualify for food stamps and medicare. Both children and adults can qualify for SSI.

### **Support Pass-Through (SPT):**

An increase in the recipient's cash benefits which occurs when the Domestic Relations Office forwards child support money for recipients to the Department of Public Welfare. Because food stamp benefits are based on a recipient's income, this increase in cash benefits may result in a concurrent, but not equal, decrease in the recipient's food stamps.

## ***Appendix***

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### Abbreviations Used in Report

ARRC	Automated Restitution Referral and Computation System
AFDC	Aid to Families with Dependent Children
AMR	Agreement of Mutual Responsibility
CAH	Cash Assistance Handbook
CAO	County Assistance Office
CIS	Client Information System
DO	District Office
DPW	Department of Public Welfare
FSH	Food Stamp Handbook
GA	General Assistance
IEVS	Income Eligibility Verification System
IM	Income Maintenance
IMCW	Income Maintenance Caseworker
LRR	Legally Responsible Relative
MEH	Medical Eligibility Handbook
OIG	Office of Inspector General
OPS	Operations Memorandum
PAEM	Public Assistance Eligibility Manual
RESET	Road to Economic Self-Sufficiency through Employment and Training
SH	Supplemental Handbook
SPT	Support Pass-Through
SSA	Social Security Administration
SSI	Supplemental Security Income
TANF	Temporary Assistance for Needy Families

## ***Audit Report Distribution List***

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This report was originally distributed to the following:

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### County Assistance Office

Katherine Keech  
Executive Director  
Lawrence County Assistance Office

Diane Iervoline  
Chairperson  
Lawrence County Board of Assistance

This report is a matter of public record. Copies of this report may be obtained from the Pennsylvania Department of the Auditor General, Office of Communications, 318 Finance Building, Harrisburg, PA 17120. If you have any questions regarding this report or any other matter, you may contact the Department by accessing our website at [www.auditorgen.state.pa.us](http://www.auditorgen.state.pa.us).