

Compliance Audit

of the

Commonwealth of Pennsylvania
Department of Public Welfare
Philadelphia County Assistance Office
Tioga District

Audit Period

July 26, 2003 to December 2, 2005



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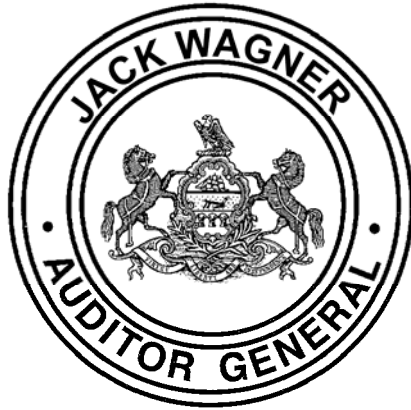
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CONTENTS

	Page
REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE	1
BACKGROUND INFORMATION	4
OBJECTIVES, SCOPE, AND METHODOLOGY	5
FINDINGS AND RECOMMENDATIONS	
I. Eligibility Audit Results	
Finding 1 - Inadequate Internal Control Procedures For Closing The Case When The Recipient Can Not Be Located	9
Finding 2 - Failure To Correctly Determine Recipient Benefits.....	10
II. Drug and Alcohol Treatment Program	
Finding 3 - Failure to Monitor, Verify, and Document Recipient Participation in a Drug and Alcohol Treatment Program	12
III. Overpayment Control System	
Finding 4 - Untimely Verification And Referral Of Overpayments And Over-Issuances Totaling \$2,992 Occurred As A Result Of Procedural Deficiencies In The Overpayment Control System	14
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 stamps 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 cash and food stamp eligibility at the Philadelphia County Assistance Office, Tioga District, covering the period July 26, 2003 to December 2, 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 Drug and Alcohol Treatment Program and the Overpayment Control System.

Our report details findings and recommendations that resulted from our eligibility review, our review of the Drug and Alcohol Treatment Program, 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 Philadelphia County Assistance Office, Tioga District 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

March 1, 2006

**Commonwealth of Pennsylvania
Department of Public Welfare
Philadelphia County Assistance Office
Tioga District**

BACKGROUND INFORMATION
AND
OBJECTIVES, SCOPE, AND METHODOLOGY

Background Information

Department of Public Welfare

The Department of Public Welfare (DPW) provides money, Food Stamps (FS), Medical Assistance (MA) 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 (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 of services, medications, and medical supplies, or a capitation payment to contracted managed care organizations.

Objectives, Scope, and Methodology

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 (OIG) and certain state legislators.

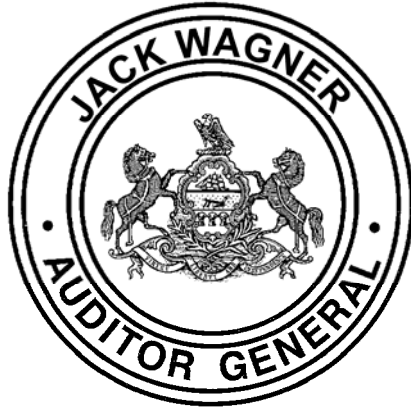
The audit included eligibility reviews of a sample of public assistance cases for the audit period July 26, 2003 to December 2, 2005. We also reviewed the CAO's implementation of procedures for the Drug and Alcohol Treatment Program (DATP) and the Overpayment Control System to determine compliance with 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, DATP, and the Overpayment Control System detected instances of noncompliance; therefore, we submitted findings in these areas.

During the September 27, 2006 exit conference, the Department's staff reviewed these findings and recommendations with the CAO representatives. We have included CAO personnel comments, where applicable, in this report.



**Commonwealth of Pennsylvania
Department of Public Welfare
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FINDINGS AND RECOMMENDATIONS

Findings and Recommendations

I. Eligibility Audit Results

During the course of our audit, we examined 151 out of 4,054 cases from the Philadelphia CAO, Tioga District 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 66 exceptions in 42 of the 151 cases examined. The most significant exceptions are discussed in the following findings:

- Inadequate Internal Control Procedures For Closing The Case When The Recipient Can Not Be Located (refer to Finding No. 1); and
- Failure To Correctly Determine Recipient Benefits (refer to Finding No. 2).

Findings and Recommendations

Finding 1 - Inadequate Internal Control Procedures For Closing The Case When The Recipient Can Not Be Located

As part of our review, we require recipients to meet with auditors for scheduled interviews. The purpose of the interview is to substantiate specific case record information. When recipients failed to attend the interview, the CAO notified the recipient of his/her requirements to comply with the audit interview. The notice also indicated that, if the recipient did not respond in a timely manner, benefits would be closed.

A total of 24 recipients did not respond, indicating that they had moved and did not notify the CAO. The CAO was obligated to close these cases and discontinue paying monthly benefits totaling \$14,276.

The CAH, FSH, and SH provide policies and procedures to follow for properly closing and adjusting recipients' benefits due to a change in a recipients residence or living arrangements.

Recommendation

We recommend that the CAO regularly review a sample of cases to help identify instances where recipients' living arrangements have changed, including where they reside. This could help to eliminate at least some improper disbursement of benefits.

Management Response

The CAO disagreed with our finding that they have inadequate internal controls in place.

Auditor's Conclusion

The Department acknowledges the CAO's disagreement that they have inadequate internal controls in place. However, through our sampling of cases, we uncovered these discrepancies and contend that the CAO would have similar results.

Findings and Recommendations

Finding 2 - Failure To Correctly Determine Recipient Benefits

Our audit disclosed that CAO personnel incorrectly determined eligibility amounts for special allowances.

A special allowance is a cash payment authorized for supportive services necessary to enable an Employment and Training Program participant to prepare for, seek, accept, or maintain education, employment, or training. Special allowances are not covered by the regular public assistance grant. As determined by the caseworker, a participant in this program is eventually required to register for work.

Special allowances for transportation and childcare were issued to recipients to attend training and work-related activities. Exceptions occurred when caseworkers failed to ensure that clients were attending training and work-related activities before issuing special allowances. Sixteen exceptions occurred when recipients received special allowances to which they were not entitled, resulting in \$6,732 in overpayments.

The CAH and FSH provide policies and procedures to follow for determining special allowance requirements.

Recommendation

The CAO personnel should closely monitor cases in which special allowances are issued. When the CAO is notified that recipients have not attended training, completed job searches, or accepted employment, caseworkers should review the related special allowances. CAO caseworkers should also calculate and file any overpayments, where applicable.

Management Response

Management provided no written response to this finding.

Findings and Recommendations

Status of Prior Audit Finding

Overpayments and Other Exceptions Totaling \$9,565 Occurred as a Result of Recipients Withholding Information and Case Record Maintenance Exceptions

Our current audit covering the period July 26, 2003 to December 2, 2005 disclosed that inadequate/incorrect recipient information and case record management exceptions continue to occur at the Philadelphia CAO, Tioga District; therefore, a repeat finding is warranted. Refer to Findings 1 and 2 located on pages 9 and 10 for additional discussion on these issues.

Findings and Recommendations

II. Drug and Alcohol Treatment Program

Finding 3 - Failure to Monitor, Verify, and Document Recipient Participation in a Drug and Alcohol Treatment Program

We reviewed 35 cases on the October 3, 2005 Active GA report at the Philadelphia CAO, Tioga District to determine if these recipients were eligible to receive GA benefits and to verify that the documentation supporting authorization of benefits was complete and accurate. These recipients receive public assistance while undergoing drug and alcohol treatment at a Pennsylvania Department of Health approved facility.

Twelve exceptions occurred when personnel failed to monitor, verify, and document recipient participation in the Drug and Alcohol Treatment Program.

CAO personnel verified the existence of a drug and alcohol problem and verified the recipient's registration into the program. However, attendance, progress, and continued participation in treatment was neither monitored nor verified.

CAH, Section 105.45 provides that the CAO will monitor the client's progress and document continued participation in treatment. The treatment center is not required to apprise the CAO of the client's status; consequently, it is the CAO's responsibility to ensure that the monitoring process continues. Notes on telephone contacts must be entered in the case record and forms received must be kept in the record. The client is ineligible if he fails to participate in or comply with the treatment program without good cause.

Failure to monitor, verify and document recipients' attendance, progress, and continued participation in treatment increased the probability of errors and resulted in overpayments of \$7,225. Furthermore, two cases were closed, resulting in the discontinuance of monthly benefits in the amount of \$410.

Recommendation

The CAO should establish policies and implement procedures to periodically review CAH, Section 105.43, "Physical or Mental Disability," Section 105.431, "Documentation of Disability," and Section 105.45, "Undergoing Treatment for a Drug or Alcohol Problem," with all caseworkers.

Findings and Recommendations

Management Response

Management provided no written response to this finding.

Status of Prior Audit Finding

Overpayments and Over-Issuances Totaling \$2,859 Occurred as a Result of Procedural Deficiencies in the Oversight of the General Assistance Cases Coded D07, Undergoing Drug and/or Alcohol Treatment

Our current audit covering the period July 26, 2003 to December 2, 2005 disclosed that the Drug and Alcohol Treatment Program exceptions continue to exist at the Philadelphia CAO, Tioga District; therefore, a repeat finding is warranted. Refer to Finding 3 on page 12 for additional discussion on this issue.

Findings and Recommendations

III. Overpayment Control System

Finding 4 - Untimely Verification And Referral Of Overpayments And Over-Issuances Totaling \$2,992 Occurred As A Result Of Procedural Deficiencies In The Overpayment Control System

We reviewed the Philadelphia CAO, Tioga District Overpayment Control System to determine if CAO personnel properly investigated suspected overpayments, controlled and documented investigations, and referred verified overpayments timely. From 2,002 entries listed as pending, completed, or overpayment (O coded) on the ARRC Daily Caseload Detail Report dated August 23, 2005, we selected 52 cases.

Our review disclosed the following exceptions:

- **In 11 cases, CAO personnel failed to ensure a Request for Employment Information was sent timely.**

The initial request was not sent timely in 1 case and the second request was not sent timely in 10 cases.

Exceptions occurred because CAO personnel failed to ensure an initial and/or a second PA78 was sent timely. Potential overpayments discovered through IEVS result in an automatic generation of a PA78. However, if no response is received after the first PA78 is sent, the CAO is required to manually request income verification after contacting the employer. CAO personnel should verify employer addresses and make any corrections before sending a second request.

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

Failure to ensure that the first PA78 was sent timely in one case resulted in an overpayment of \$202.

Findings and Recommendations

Recommendation

CAO caseworkers should send the initial and second PA78 requests for income verification to the employer as required by DPW policies and procedures. Also, CAO personnel should review reports generated for follow-up and address verification within the required timeframes.

Management Response

Management provided no written response to this finding.

- **In 17 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 ensure that the initial and second PA78s were sent timely resulted in overpayments of \$1,393 and over-issuances of \$1,397.

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

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

Recommendation

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

Management Response

Management provided no written response to this finding.

Findings and Recommendations

Status of Prior Audit Finding

Untimely Verification and Referral of Overpayments and Over-Issuances Totaling \$7,276 Occurred as a Result of Procedural Deficiencies in the Overpayment Control System

Our current audit covering the period July 26, 2003 to December 2, 2005 disclosed that procedural deficiencies continue to exist at the Philadelphia CAO, Tioga District in the execution of the Overpayment Control System; therefore, a repeat finding is warranted. Refer to the bullets in Finding 4 on pages 14 and 15 for additional discussion on these issues.

**Commonwealth of Pennsylvania
Department of Public Welfare
Philadelphia County Assistance Office
Tioga District**

**AUDIT SUMMARIES
GLOSSARY
AND
APPENDIX**

Audit Summaries

Eligibility Audit Results

	Cases at CAO	Cases Reviewed	Cases with Errors
<u>Current</u>	4,054	151	42
<u>Prior</u>	2,401	309	21

Other Results

<u>PROGRAM</u>	<u>No. of Cases</u>	<u>Monetary Effect</u>
Drug and Alcohol Treatment Program:		
CAO personnel failed to verify and monitor participation.	<u>35</u>	<u>\$ 7,635</u>
Overpayment Control System:		
CAO personnel failed to request employment information timely.	11	\$ 202
CAO personnel failed to contact non-responding employer timely.	<u>17</u>	<u>2,790</u>
Subtotal:	<u>28</u>	<u>\$ 2,992</u>
TOTALS: - All Programs:	<u>63</u>	<u>\$10,627</u>

Glossary

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

Abbreviations Used in Report

ARRC	Automated Restitution Referral and Computation System
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
MA	Medical Assistance
MEH	Medicaid Eligibility Handbook
OIG	Office of Inspector General
OPS	Operations Memorandum
SH	Supplemental Handbook
TANF	Temporary Assistance to Needy Families

Audit Report Distribution List

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