

Compliance Audit

of the

Commonwealth of Pennsylvania
Department of Public Welfare
Washington County Assistance Office
Valley District

Audit Period

January 31, 2004 to January 6, 2006



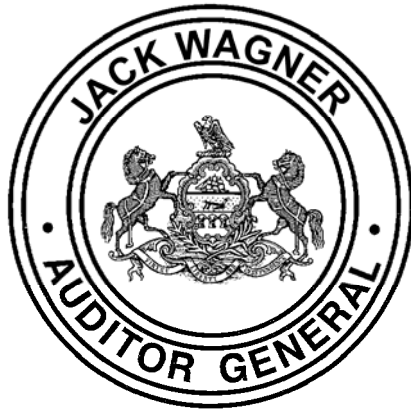
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Report of Independent Auditors on Compliance

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 Washington County Assistance Office, Valley District, covering the period January 31, 2004 to January 6, 2006. 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 Washington County Assistance Office, Valley 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

February 10, 2006

**Commonwealth of Pennsylvania
Department of Public Welfare
Washington County Assistance Office
Valley District**

BACKGROUND INFORMATION
AND
OBJECTIVES, SCOPE, AND METHODOLOGY

Background Information

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 (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.

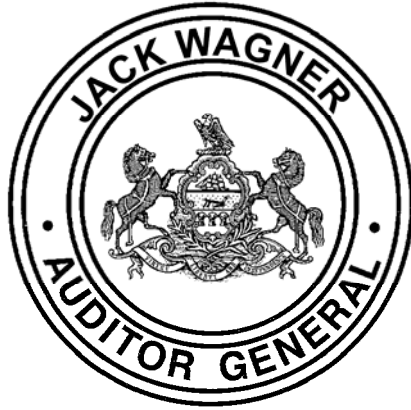
The audit included eligibility reviews of a sample of public assistance cases for the audit period January 31, 2004 to January 6, 2006. We also reviewed the CAO's implementation of procedures for the Overpayment Control System to determine compliance with regulations and policies.

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 (SSA) earnings reference file and Exchange 5 contains information from the Internal Revenue Service unearned income file.) This poses a scope limitation, as the Department can not 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 16, 2006 exit conference, the Department's staff reviewed these findings and recommendations with the Washington CAO, Valley District representatives. We have included CAO personnel comments, where applicable, in this report.



**Commonwealth of Pennsylvania
Department of Public Welfare
Washington County Assistance Office
Valley District**

FINDINGS AND RECOMMENDATIONS

Findings and Recommendations

I. Random Eligibility Audit Results

During the course of our audit, we examined 106 out of 325 case records from the Washington CAO, Valley 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 37 exceptions in 28 of the 106 cases examined. The most significant exceptions are discussed in the following findings:

- CAO lacks procedures for identifying instances where recipients fail to provide proper eligibility information (refer to Finding 1);
- CAO personnel failed to obtain and/or document information required in establishing recipient eligibility (refer to Finding 2); and
- CAO personnel failed to follow applicable DPW procedures (refer to Finding 3).

Findings and Recommendations

Finding 1 - CAO lacks procedures for identifying instances where recipients fail to provide proper eligibility information

During our audit, we disclosed that the CAO lacks procedures for identifying instances where recipients failed to properly report income. Failure to provide proper information to the CAO resulted in five exceptions and overpayments totaling \$2,208.

Lack of CAO procedures for identifying instances when recipients fail to provide information may continue to result in benefits being improperly disbursed.

Recommendation

The CAO should consider regularly reviewing a sample of cases to help identify instances where recipients are providing improper information. This would help to eliminate at least some improper disbursement of benefits.

CAO Management Response

In a June 30, 2006 response received by the Department of the Auditor General personnel, the Executive Director stated:

“The Washington CAO agrees with the Auditor General’s recommendations. The CAO has held unit meetings in May, 2006 and reviewed the reporting requirements for all programs and stressed to staff that they review these requirements with all applicants/recipients during interviews. Comprehensive Supervisory reviews will be completed monthly to try and identify instances where recipients are providing improper information.”

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 eight exceptions. Case records and/or CIS information lacked detailed documentation of client and CAO actions. Employability assessment forms (PA 1663’s) were missing from the case records and social security numbers (SSN’s) of Legally Responsible Relatives were incorrectly entered into CIS.

Findings and Recommendations

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 were not properly instructed to have recipients complete PA 1663's at application. Also, caseworkers were not properly trained to update the CIS system.

Recommendations

The CAO 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 update expired PA 1663's at applications. Additionally, personnel should also verify SSN's before entering them into CIS.

CAO Management Response

In a June 30, 2006 response received by the Department of the Auditor General personnel, the Executive Director stated:

“The Washington CAO agrees with the Auditor General’s finding. The CAO agrees that the proper completion of employability forms and the correct data entry of social security numbers is DPW procedure. A review of IEVS policy and all applicable procedures was completed at unit meetings in June, 2006 to increase the awareness of staff to the importance of following established departmental procedures. Although there were procedural errors, the errors cited in the audit didn’t result in any instances of client ineligibility or financial errors.”

Finding 3 - CAO personnel failed to follow applicable DPW procedures

Our audit revealed that exceptions occurred because CAO personnel failed to follow applicable DPW procedures. The most notable exceptions are grouped into the following areas:

Findings and Recommendations

- **Support Pass-Through (SPT) adjustment**

SPT adjustments are increases in recipients' cash benefits which occur when the Domestic Relations Office forwards child support money for recipients to DPW for the recipient. Because food stamp benefits are based on a recipient's income, this increase in cash benefits may result in a decrease in the recipient's food stamps. The FSH establishes provisions for adjusting the SPT to the food stamp benefits.

Nine exceptions, resulting in \$221 in over-issuances and \$134 in underpayments, occurred because the automated system failed to timely adjust the SPT to the recipient's food stamp benefits at application/reapplication, even though the information was directly available to the CAO.

Recommendations

SPT income should be reviewed at all applications and reapplications. Because the SPT is automatically posted on CIS, the Department of Public Welfare should consider updating its system software so that the SPT is adjusted to the food stamp benefits timely.

CAO Management Response

In a June 30, 2006 response received by the Department of the Auditor General personnel, the Executive Director stated:

“The Washington CAO agrees with the Auditor General’s recommendations. Appendix A of FSH Chapter 550 has been reviewed during unit meetings. This outlines procedures for adjusting SPT as income or a resource, based on information which cues alerts on the CIS alert system. Alert 39 is generated when the support is to be treated as income and is different from the previous month and 36 is generated if the support is a resource and is more than \$99 for the calendar month. In addition, IMCWs have been reminded to review support amounts at all applications and reapplications.”

- **Supplemental Security Income (SSI)**

General Assistance (GA) benefits for individuals with medical issues, also known as Interim Assistance, are conditional upon the recipient's application for federal SSI

Findings and Recommendations

benefits. In addition, the recipient is required to appeal a decision by the Social Security Administration (SSA) if an application for benefits is denied.

During our audit, we found two exceptions where GA recipients did not appeal unfavorable SSA decisions, resulting in recipients continuing to receive benefits without meeting all the conditions of eligibility. Overpayments were written in the amount of \$390 in cases where the recipient failed to comply with the SSI requirements.

These exceptions occurred because the caseworker did not properly utilize information on IEVS which would have indicated whether the client applied for SSI or appealed an unfavorable decision.

The Cash Assistance Handbook and the Supplemental Handbook cite the CAO's responsibilities in the application process.

Recommendations

The CAO should ensure that caseworkers are properly trained to be able to identify the eligibility requirements for GA. The CAO should also review IEVS procedures and set controls for determining SSI applications, denials and appeals.

CAO Management Response

In a June 30, 2006 response received by the Department of the Auditor General personnel, the Executive Director stated:

“The Washington CAO agrees with the Auditor General’s recommendations. IEVS procedures, along with the Cash and Supplemental handbooks, relating to SSI will be reviewed at unit meetings in July, 2006 to help staff prevent the types of errors cited in the audit report.”

Findings and Recommendations

Status of Prior Audit Finding

Overpayments and Other Deficiencies Totaling \$36,761 Occurred as a Result of Recipients Withholding Information and Case Record Maintenance Exceptions

Our current audit covering the period January 31, 2004 to January 6, 2006 disclosed that inadequate/incorrect recipient information and case record management exceptions continue to occur at the Washington County CAO, Valley District; therefore, a repeat finding is warranted. Refer to Findings 1, 2, and 3 located on pages 9 to 12 for additional discussion on these issues.

Findings and Recommendations

II. Overpayment Control System

Finding 4 - Untimely Verification and Referral of Overpayments and Over-Issuances Totaling \$4,302 Occurred as a Result of Procedural Deficiencies in the Overpayment Control System

We reviewed the Washington CAO, Valley District Overpayment Control System to determine if CAO personnel properly investigated suspected overpayments, controlled and documented investigations, and referred verified overpayments timely. From 228 entries listed as pending, completed, or overpayment (O coded) on the ARRC Daily Caseload Detail Report dated September 15, 2005, we selected 55 cases.

Our review disclosed the following exceptions:

- **In 10 cases, CAO personnel failed to complete the referral 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 identified the overpayment, as long as the delay in obtaining verification was caused by an outside source.

These exceptions occurred because the CAO staff did not have controls in place to refer overpayments 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 overpayments/over-issuances totaling \$4,302.

Recommendations

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

Findings and Recommendations

- **In 16 cases, CAO personnel failed to ensure a Request for Employment Information was sent timely.** The initial request was not sent timely in 2 cases and the second request was not timely in 14 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.

Recommendations

The 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.

- **In 12 cases, CAO personnel failed to document the status of Overpayment Referrals in case records.**

ARRC Procedures Release 500 provides that in order for the OIG to prosecute a non-responding employer, the date the overpayment is identified, as well as the date of and response to third party verification requests must be included on CIS. If the necessary information is not provided, the OIG will return the case to the CAO for correction. The caseworker is required to contact the non-responding employer and prepare a narrative outlining the status of the overpayment referral in the case record.

Failure to complete required case record information impeded investigation, and hindered recovery, of potential overpayments.

These exceptions occurred because CAO personnel failed to narrate and document the processing of the overpayment in the case record.

Findings and Recommendations

Recommendations

The CAO should require personnel to document the status of Overpayment Referrals in the case record

CAO Management Response

In a June 30, 2006 response received by the Department of the Auditor General personnel, the Executive Director stated:

“The Washington CAO agrees with the Auditor General’s recommendations.

Management and supervisory staff are to review all system-generated ARRC reports to identify areas that need completed/corrected. The monitoring of these reports and the establishment of corrective action plans for individual workers, areas and the office are a daily activity. In addition, the CAO has also established a procedure to review MAPPER reports on a monthly basis to supplement the ARRC review process. This serves as a double check to insure that all cases are processed and completed timely.

CAO follows the procedure outlined in OPS Memo 98-10-03. The non-responding list is reviewed daily. Employer is contacted if possible using the work number or Infospace.Com and other relevant websites. CAO has pre-formatted narrative that addresses all the attempts of contacting the employer for correct address.”

Status of Prior Audit Finding

Untimely Verification and Referral of Overpayments and Over-Issuances Totaling \$2,878 Occurred as a Result of Procedural Deficiencies in the Overpayment Control System

Our current audit covering the period January 31, 2004 to January 6, 2006 disclosed that procedural deficiencies continue to exist at the Washington CAO, Valley 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 to 16 for additional discussion on these issues.

**Commonwealth of Pennsylvania
Department of Public Welfare
Washington County Assistance Office
Valley District**

**AUDIT SUMMARIES
GLOSSARY
AND
APPENDIX**

Audit Summaries

Random Eligibility Audit Results

	Cases at CAO	Cases Reviewed	Cases with Errors
<u>Current</u>	325	106	37
<u>Prior</u>	368	368	140

Other Results

<u>PROGRAM</u>	<u>No. of Cases</u>	<u>Monetary Effect</u>
Overpayment Control System:		
CAO personnel failed to make referrals timely.	10	\$4,302
CAO personnel failed to request employment information timely.	16	0
CAO personnel failed to document Overpayment Referrals.	<u>12</u>	<u>0</u>
TOTALS:	<u>38</u>	<u>\$4,302</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.

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
IMCWs	Income Maintenance Caseworker(s)
MAPPER	Maintaining Preparing Producing Executive Reports
MEH	Medicaid Eligibility Handbook
OIG	Office of Inspector General
OPS	Operations Memorandum
PAEM	Public Assistance Eligibility Manual
SH	Supplemental Handbook
SPT	Support Pass-Through
SSA	Social Security Administration
SSI	Supplemental Security Income
SSN	Social Security Number
TANF	Temporary Assistance to Needy Families

Audit Report Distribution List

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