

Compliance Audit

of the

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

Audit Period

April 10, 2004 to November 18, 2005





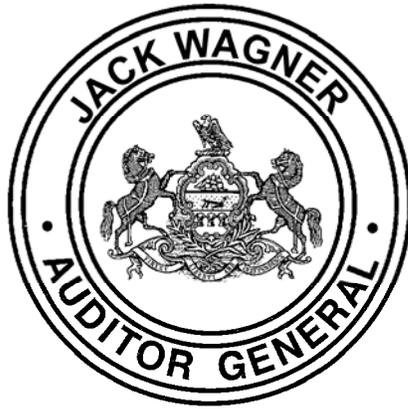
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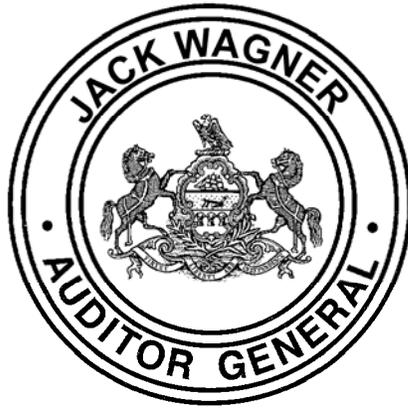
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## **Report of Independent Auditors on Compliance**

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 Bradford County Assistance Office, covering the period April 10, 2004 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 Bradford 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

December 14, 2005

**Commonwealth of Pennsylvania  
Department of Public Welfare  
Bradford 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 of 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 (OIG) and certain state legislators.

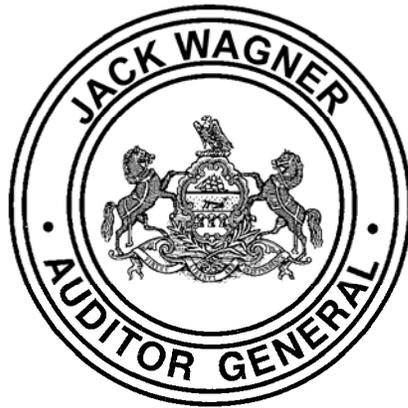
The audit included eligibility reviews of a sample of public assistance cases for the audit period April 10, 2004 to November 18, 2005. We also reviewed the CAO's implementation of procedures for the Overpayment Control System.

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 earned 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 19, 2006 exit conference, the Department's staff reviewed these findings and recommendations with the Bradford CAO representatives. We have included CAO personnel comments, where applicable, in this report.



**Commonwealth of Pennsylvania  
Department of Public Welfare  
Bradford 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 119 out of 518 case records from the Bradford 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 23 exceptions in 23 of the 119 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 No. 1);
- CAO personnel incorrectly determined recipient benefits (refer to Finding No. 2);
- CAO personnel failed to follow applicable DPW procedures (refer to Finding No. 3); and
- CAO personnel failed to obtain and/or document information required in establishing recipient eligibility (refer to Finding No. 4).

## ***Findings and Recommendations***

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### **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 did not disclose criminal history and failed to maintain compliance with court-ordered payment plans. Failure to provide proper information to the CAO resulted in one exception with an overpayment of \$2,870.

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 23, 2006 memorandum to Department personnel, the Bradford CAO Executive Director provided the following response:

“In response to Finding 1, the Bradford CAO will:

- Review with staff the importance of effective interviewing to obtain client information.
- Continue to foster a positive working relationship with the Bradford County Collections Office.
- Expand targeted supervisory reviews to include a cross check with IEVS Exchange 10 (JNET) in regard to TANF cases.”

### **Finding 2 - CAO personnel incorrectly determined recipient benefits**

Our audit disclosed that in three exceptions totaling \$2,186 in over-issuances, CAO personnel incorrectly adjusted Supplemental Security Income received by the recipient.

## ***Findings and Recommendations***

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Also income reported by the recipient exceeded the Federal Poverty Income Guidelines test.

Chapter 910 of the SH, the CAH, the FSH, and the ARRC Manual contain policies and procedures to follow to correctly determine recipient benefits.

The computation and budgeting determination exceptions were caused by the personnel's failure to properly calculate benefits in accordance with DPW policies and procedures. CAO personnel failed to take countable earned income and unearned income and allowable deductions into consideration when completing the budget process.

### **Recommendations**

The CAO should instruct personnel to review DPW policies and procedures for determining cash and food stamp benefits by considering all income and allowable deductions when completing the budgeting process.

### **CAO Management Response**

In a June 23, 2006 memorandum to Department personnel, the Bradford CAO Executive Director provided the following response:

“In response to Finding 2, the Bradford CAO will:

- Refresher training will be held on IEVS and income budgeting.”

### **Finding 3 - CAO personnel failed to follow applicable DPW procedures**

Our audit revealed exceptions where Support Pass Through (SPT) payments were not adjusted to the recipients food stamp benefit.

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.

## ***Findings and Recommendations***

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Five exceptions occurred because the automated system failed to timely adjust SPT to the recipient's food stamp benefits at application/reapplication, even though the information was directly available to the CAO, resulting in \$171 in over-issuances.

### **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 23, 2006 memorandum to Department personnel, the Bradford CAO Executive Director provided the following response:

“In response to finding 3, the Bradford CAO will:

- Conduct a Targeted Supervisory Review of Cash Assistance cases receiving SPT income.”

### **Finding 4 - 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 nine exceptions. Case records and/or CIS information lacked detailed documentation of client and CAO actions. Also, the social security numbers of Legally Responsible Relatives (LRRs) were missing or incorrect and 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 the CAO has weak internal controls for entering LRRs into IEVS. Case records which lacked required information and material may have been the result of cases being transferred numerous times to different caseworkers. Not maintaining current documentation in case records contributed to poor case management.

## ***Findings and Recommendations***

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### Recommendations

The CAO should stress to caseworkers the importance of following established DPW policies and procedures for maintaining case records cited in the above handbooks. The CAO should also enter the social security numbers of LRRs into IEVS at applications and reapplications.

### CAO Management Response

In a June 23, 2006 memorandum to Department personnel, the Bradford CAO Executive Director provided the following response:

“In response to Finding 4:

- On October 18<sup>th</sup> 2005 the Bradford CAO staff received a memo in regard to the requirement to enter the social security numbers of absent LRR’s into IEVS at application and renewal. Compliance with this requirement is to be reviewed by supervisors in case record reviewed and additional refresher training will be provided as required.
- The Bradford CAO has implemented the mandatory use of ECIS narrative templates to address the area of insufficient case narratives.”

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

#### **Overpayments and Other Exceptions Totaling \$1,587 Occurred as a Result of Recipients Withholding Information and Case Record Maintenance Exceptions**

Our current audit covering the period April 10, 2004 to November 18, 2005 disclosed that inadequate/incorrect recipient information and case record management exceptions continue to occur at the Bradford County CAO; therefore, a repeat finding is warranted. Refer to Findings 1, 2, 3 and 4 located on pages 9 through 11 for additional discussion on these issues.

## *Findings and Recommendations*

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

#### **Finding 5 - Untimely Verification and Referral of Overpayments and Over-Issuances Totaling \$924 Occurred as a Result of Procedural Deficiencies in the Overpayment Control System**

We reviewed the Bradford CAO Overpayment Control System to determine if CAO personnel properly investigated suspected overpayments, controlled and documented investigations, and referred verified overpayments timely. From 319 entries listed as pending, completed, or overpayment on the ARRC Daily Caseload Detail Report dated August 25, 2005, we selected 53 cases.

Our review disclosed the following exceptions:

- **In three cases, 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.

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 incorrectly disbursed over-issuances of \$924.

#### **Recommendations**

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

## ***Findings and Recommendations***

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- **In ten cases, CAO personnel failed to update the ARRC system after verification was determined.**

Exceptions occurred because CAO personnel failed to update a pending ARRC disposition code to “N” when the CAO received case verification indicating that an overpayment did not occur. 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 and failure to enter verified information into the ARRC system resulted in inaccurate reports and impeded determining the number and status of overpayment investigations.

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. Also, the CAO should enter verified information into the ARRC system to allow the ARRC system to update the disposition codes. Additionally, CAO management should require their staff to utilize ARRC reports to monitor the status of overpayments.

### CAO Management Response

In a June 23, 2006 memorandum to Department personnel, the Bradford CAO Executive Director provided the following response:

“In response to Finding 5:

- On March 22, 2006 all staff attended ARRC refresher training.
- On June 14<sup>th</sup>, 2006 Bradford CAO implemented the use of a data spread sheet containing pending overpayments. Timely review based on policy is SH 910 and feed back to management is required.
- Management will monitor ARRC reports on a weekly basis.”

## ***Findings and Recommendations***

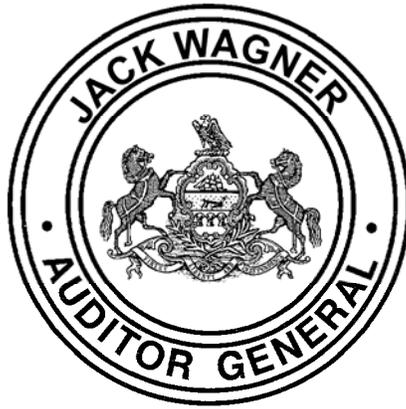
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### **Status of Prior Audit Finding**

#### **Untimely Verification and Referral of Overpayments and Over-Issuances Totaling \$1,526 and Overstated and Understated Overpayments Totaling \$62 Occurred as a Result of Procedural Deficiencies in the Overpayment Control System**

Our current audit covering the period April 10, 2004 to November 18, 2005 disclosed that procedural deficiencies continue to exist at the Bradford CAO in the execution of the Overpayment Control System; therefore, a repeat finding is warranted. Refer to the bullets in Finding 5 on pages 13 and 14 for additional discussion on these issues.



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

**AUDIT SUMMARIES  
GLOSSARY  
AND  
APPENDIX**

## ***Audit Summaries***

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### **Random Eligibility Audit Results**

	<b>Cases at CAO</b>	<b>Cases Reviewed</b>	<b>Cases with Errors</b>
<b><u>Current</u></b>	<b>518</b>	<b>119</b>	<b>23</b>
<b><u>Prior</u></b>	<b>455</b>	<b>204</b>	<b>14</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 form timely.	3	\$ 924
CAO personnel failed to update the ARRC system after verification was determined.	10	0
<b>TOTALS: - All Programs:</b>	<b>13</b>	<b>\$ 924</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

AG	Department of the Auditor General
AFDC	Aid to Families with Dependent Children
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
ECIS	Electronic Client Information System
FSH	Food Stamp Handbook
GA	General Assistance
IEVS	Income Eligibility Verification System
IMCW	Income Maintenance Caseworker
LRR	Legally Responsible Relative
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
SSI	Supplemental Security Income
TANF	Temporary Assistance to Needy Families

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

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This report was originally distributed to the following:

### Commonwealth of Pennsylvania

The Honorable Edward G. Rendell  
Governor

The Honorable Donald L. Patterson  
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Office of Inspector General

The Honorable Jake Corman  
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Senate of Pennsylvania

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Department of Public Welfare

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Local 668 S.E.I.U. AFL-CIO

### County Assistance Office

Sharon Dunmore  
Executive Director  
Bradford County Assistance Office

Marilyn Bok  
Chairperson  
Bradford 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).