

Compliance Audit

of the

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

Audit Period

February 14, 2004 to April 28, 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 cash and food stamp eligibility at the Philadelphia County Assistance Office, Federal District, covering the period February 14, 2004 to April 28, 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 Philadelphia County Assistance Office, Federal 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

September 7, 2006



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

**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 (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 recipients 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 February 14, 2004 to April 28, 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 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 January 19, 2007 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  
Philadelphia County Assistance Office  
Federal District**

**FINDINGS AND RECOMMENDATIONS**

## ***Findings and Recommendations***

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

During the course of our audit, we examined 139 out of 3,858 cases from the Philadelphia CAO, Federal 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 54 exceptions in 26 of the 139 cases examined. The most significant exceptions are discussed in the following findings:

- Failure To Obtain And/Or Document Information Required In Establishing Recipient Eligibility (refer to Finding No. 1);
- Failure To Follow Applicable DPW Procedures (refer to Finding No. 2);
- Inadequate Procedures For Identifying Instances Where The Recipient Fails To Provide Proper Eligibility Information (refer to Finding No. 3);
- Inadequate Internal Control Procedures For Closing The Case When The Recipient Can Not Be Located (refer to Finding No. 4); and
- Failure To Correctly Determine And/Or Calculate Recipient Benefits (refer to Finding No. 5).

## ***Findings and Recommendations***

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### **Finding 1 - Failure 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 21 exceptions. Authorization of Information (PA4), Agreement of Mutual Responsibility (AMR) and Application forms were missing from the case records and the social security number of a recipient was known to the CAO, but not entered into the IEVS.

The CAH, FSH, and IEVS Manual, Chapter 1, establish the procedures for obtaining and documenting recipient eligibility.

These exceptions occurred because caseworkers failed to review AMRs and all required forms at application/reapplication with recipients. Failure to maintain current documentation including PA4's in the case records contributed to poor case management.

#### **Recommendation**

We recommend that the CAO ensure that caseworkers are aware of 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.

#### **Management Response**

CAO management provided no written response to this finding.

### **Finding 2 - Failure To Follow Applicable DPW Procedures**

Our audit revealed that exceptions occurred because CAO personnel failed to follow applicable DPW procedures. The most notable exceptions occurred as a result of the CAO personnel's failure to properly utilize the ARRC system.

The ARRC system is a data base system designed to track potential overpayments from the point of discovery through the verification and calculation process to the automated transfer of the established claim to OIG.

## ***Findings and Recommendations***

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During our audit, we found that CAO personnel failed to compute overpayments or failed to compute overpayments timely on ARRC. This resulted in six exceptions, totaling \$2,086 in overpayments/over-issuances. When verification of an overpayment was received by the CAO, overpayments were not computed on ARRC within the required 60 days. Also, CAO personnel incorrectly entered data on ARRC.

Chapter 910 of the SH and the ARRC Manual both provide guidelines for computing overpayments correctly and timely.

### Recommendation

We recommend that the CAO instruct personnel to timely compute overpayments. All verified overpayments should be processed within 60 days of receipt of verification. We also recommend that the CAO implement internal control procedures to ensure the proper completion of the recommended tasks.

### Management Response

CAO management provided no written response to this finding.

### **Finding 3 - Inadequate Procedures For Identifying Instances Where The Recipient Fails To Provide Proper Eligibility Information**

During our audit, we determined that the CAO failed to identify instances where recipients did not accurately report eligibility information. In six instances, recipients failed to:

- Properly report income;
- Report change in household composition;
- Disclose criminal history; and
- Maintain compliance with court-ordered payment plans.

Inadequate procedures for detecting these errors resulted in the payment of excessive benefits to which recipients were not entitled. Overpayments of \$7,892 were written in these cases. In addition, one case was closed, resulting in the discontinuance of \$205 in monthly benefits.



## ***Findings and Recommendations***

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### Recommendation

We recommend that the CAO regularly review 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.

### Management Response

CAO management provided no written response to this finding.

### **Finding 4 - 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 was required to send notice to the recipient of his/her requirements to comply with the audit interview and that, if the recipient did not respond in a timely manner, benefits would be closed.

In three cases, recipients did not respond to the notice; therefore, the CAO was obligated to close the cases and discontinue paying out a total of \$1,389 in monthly benefits. Lack of internal controls for detecting these errors also resulted in the payment of excessive benefits to which the recipient is not eligible. Overpayments of \$390 were written for these cases.

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

CAO management provided no written response to this finding.

## ***Findings and Recommendations***

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### **Finding 5 - Failure To Correctly Determine And/Or Calculate Recipient Benefits**

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

A special allowance is a cash payment authorized for supportive services necessary to enable an Employment and Training 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 clothing and transportation were issued to recipients to attend training and work-related activities. Exceptions occurred when recipients failed to attend these activities. CAO personnel were aware that recipients had not attended the activities, but took no action to recoup special allowances that were not used for their intended purpose. Thirteen exceptions occurred, resulting in \$20,183 in overpayments.

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

#### **Recommendation**

We recommend that the CAO 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, we recommend that the CAO review the related special allowances. We also recommend that the CAO calculate and file any overpayments, where applicable.

#### **Management Response**

CAO management provided no written response to this finding.

## ***Findings and Recommendations***

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

#### **Overpayments and Other Exceptions Totaling \$19,382 Occurred as a Result of Recipients Withholding Information and Case Record Maintenance Exceptions**

Our current audit covering the period February 14, 2004 to April 28, 2006 disclosed that inadequate/incorrect recipient information and case record management exceptions continue to occur at the Philadelphia CAO, Federal District; therefore, a repeat finding is warranted. Refer to Findings 1, 2, 3, 4 and 5 located on pages 9 through 12 for additional discussion on these issues.

## ***Findings and Recommendations***

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

#### **Finding 6 - Untimely Verification and Referral of Overpayments and Over-Issuances Totaling \$3,336 Occurred as a Result of Procedural Deficiencies in the Overpayment Control System**

We reviewed the Philadelphia CAO, Federal District's Overpayment Control System to determine if CAO personnel properly investigated suspected overpayments, controlled and documented investigations, and referred verified overpayments timely. From 1,781 entries listed as pending, completed, or overpayment on the ARRC Daily Caseload Detail Report dated January 27, 2006, we selected 51 cases.

Our review disclosed the following exceptions:

- **In two cases, deficiencies occurred when CAO personnel completed the calculation of the overpayment, but failed to complete the referral within 60 days.**

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 recipient 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.

Although CAO personnel completed the calculation of the overpayment, deficiencies occurred because CAO staff did not follow procedures that are 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 over-issuances of \$719.

## ***Findings and Recommendations***

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### Recommendation

We recommend that the CAO follow procedures that are in place to ensure that overpayments are referred within the 60 day timeframe.

- **In five 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 initiating procedures to recover incorrectly disbursed benefits. Failure to contact employers also delayed initiating procedures to send a second PA78 request. These exceptions resulted in overpayments of \$1,386 and over-issuances of \$1,231.

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.

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

### Recommendation

We recommend that the CAO contact employers within 10 work days after reviewing the “Non-responding Employer” list. We also recommend that the CAO verify employer addresses.

### Management Response

CAO management provided no written response to this finding.

## ***Findings and Recommendations***

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

#### **Untimely Verification and Referral of Overpayments and Over-Issuances Totaling \$1,831 and Overstated and Understated Overpayments Totaling \$228 Occurred as a Result of Procedural Deficiencies in the Overpayment Control System**

Our current audit covering the period February 14, 2004 to April 28, 2006 disclosed that procedural deficiencies continue to exist at the Philadelphia CAO, Federal District in the execution of the Overpayment Control System; therefore, a repeat finding is warranted. Refer to Finding 6 located on page 14 for additional discussion on this issue.

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

**AUDIT SUMMARIES  
GLOSSARY  
AND  
APPENDIX**

## ***Audit Summaries***

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### **Eligibility Audit Results**

	<b>Cases at CAO</b>	<b>Cases Reviewed</b>	<b>Cases with Errors</b>
<b><u>Current</u></b>	<b>3,858</b>	<b>139</b>	<b>26</b>
<b><u>Prior</u></b>	<b>3,624</b>	<b>305</b>	<b>59</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 make referrals timely.	2	\$ 719
CAO personnel failed to contact non-responding employer timely.	5	2,617
<b>Total:</b>	<b>7</b>	<b>\$3,336</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:**

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:**

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:**

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

AMR	Agreement of Mutual Responsibility
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
MEH	Medicaid Eligibility Handbook
OIG	Office of Inspector General
OPS	Operations Memorandum
SH	Supplemental Handbook
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 Estelle B. Richman  
Secretary  
Department of Public Welfare

The Honorable Edwin B. Erickson  
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Public Health and Welfare Committee  
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Federal District

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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).