

Compliance Audit

of the

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

Audit Period

July 10, 2004 to October 13, 2006



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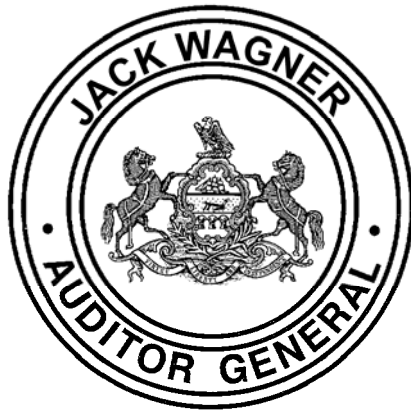
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Report of Independent Auditors on Compliance

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 cash and food stamp eligibility at the Philadelphia County Assistance Office, North District, covering the period July 10, 2004 to October 13, 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 Drug and Alcohol Treatment Program.

Our report details a finding and recommendations that resulted from our eligibility review. No exceptions were disclosed during our review of the Drug and Alcohol Treatment Program.

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, North 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

November 6, 2006

**Commonwealth of Pennsylvania
Department of Public Welfare
Philadelphia County Assistance Office
North 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 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

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

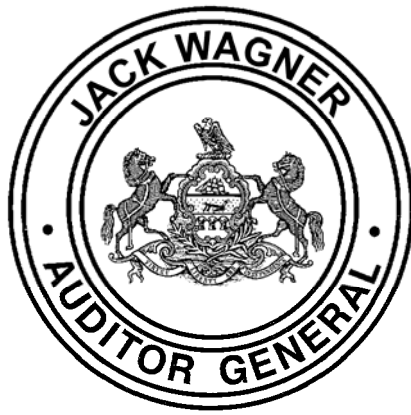
The audit included eligibility reviews of a sample of public assistance cases for the audit period July 10, 2004 to October 13, 2006. We also reviewed the CAO's implementation of procedures for the Drug and Alcohol Treatment Program (DATP) to determine compliance with regulations and policies.

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.

Review of the public assistance cases detected instances of noncompliance; therefore, we submitted a finding in this area. Review of the DATP determined that CAO personnel complied with required guidelines; therefore, we submitted no finding or observation in this area.

During the June 1, 2007 exit conference, the Department's staff reviewed the finding 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
North District**

FINDING AND RECOMMENDATIONS

Finding and Recommendations

Eligibility Audit Results

During the course of our audit, we examined 137 out of 3,915 cases from the Philadelphia CAO, North 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 39 exceptions in 23 of the 137 cases examined. The most significant exceptions are discussed in the following finding:

Finding - 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

Finding and Recommendations

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. Two exceptions occurred, resulting in \$3,661 in overpayments. In addition, \$808 was paid in one case where the recipient did not meet all eligibility requirements.

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

Recommendation

We recommend that the CAO Management ensure that cases in which special allowances are issued are closely monitored. When the CAO is notified that recipients have not attended training, completed job searches, or accepted employment, we recommend that the related special allowances are reviewed. We also recommend that the CAO Management ensure that overpayments are calculated and filed, where applicable.

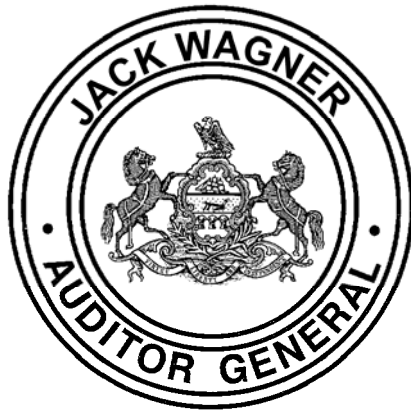
Management Response

CAO Management provided no written response to this finding.

Status of Prior Audit Finding

Overpayments and Other Exceptions Totaling \$10,029 Occurred as a Result of Recipients Withholding Information and Case Record Maintenance Exceptions

Our current audit covering the period July 10, 2004 to October 13, 2006 disclosed that inadequate/incorrect recipient information and case record maintenance exceptions continue to occur at the Philadelphia CAO, North District; therefore, a repeat finding is warranted. Refer to the Finding located on page 8 for additional discussion on these issues.



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

STATUS OF PRIOR AUDIT FINDING

Status of Prior Audit Finding

Overpayments Totaling \$3,927 and Case Closures Totaling \$1,243 Occurred as a Result of Procedural Deficiencies in the Drug and Alcohol Treatment Program

The prior audit period covered January 19, 2002 to July 9, 2004 and we reviewed 26 cases. The prior response to this finding indicated DPW and Philadelphia CAO, North District personnel agreed in part with our recommendations and initiated corrective actions.

No finding or observation was noted in our current audit.

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

**AUDIT SUMMARY
GLOSSARY
AND
APPENDIX**

Audit Summary

Eligibility Audit Results

	Cases at CAO	Cases Reviewed	Cases with Errors
<u>Current</u>	3,915	137	23
<u>Prior</u>	3,714	240	57

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:

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

Abbreviations Used in Report

ARRC	Automated Restitution Referral and Computation System
CAH	Cash Assistance Handbook
CAO	County Assistance Office
CIS	Client Information System
DATP	Drug and Alcohol Treatment Program
DO	District Office
DPW	Department of Public Welfare
FSH	Food Stamp Handbook
GA	General Assistance
IEVS	Income Eligibility Verification System
MEH	Medicaid Eligibility Handbook
OPS	Operations Memorandum
SH	Supplemental Handbook
SSI	Supplemental Security Income
TANF	Temporary Assistance to Needy Families

Audit Report Distribution List

This report was originally distributed to the following:

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The Honorable Estelle B. Richman
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Department of Public Welfare

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North District

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