

Compliance Audit

of the

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

Audit Period

July 3, 2004 to May 12, 2006





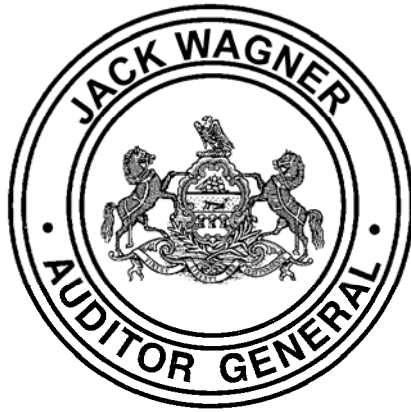
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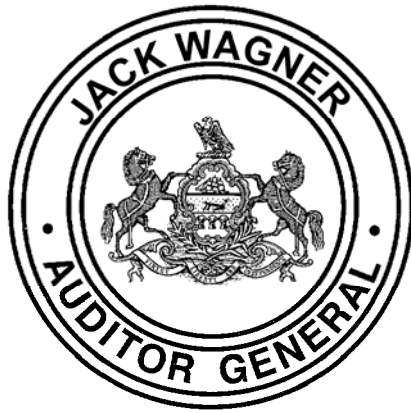
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## **Report of Independent Auditors on Compliance**

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 Pike County Assistance Office, covering the period July 3, 2004 to May 12, 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 Emergency Fund Advancement Account and the Petty Cash Fund.

Our report details a finding and recommendation that resulted from our eligibility review. No exceptions were disclosed during our review of the Emergency Fund Advancement Account and our review of the Petty Cash Fund.

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 Pike 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

June 27, 2006



**Commonwealth of Pennsylvania  
Department of Public Welfare  
Pike 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 (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 and certain state legislators.

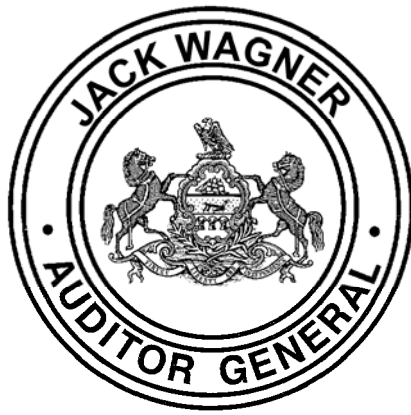
The audit included eligibility reviews of a sample of public assistance cases for the audit period July 3, 2004 to May 12, 2006. We also reviewed the CAO's implementation of procedures for the Emergency Fund Advancement Account (EFAA) and the Petty Cash Fund (PCF) to determine compliance with regulations 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. Reviews of the EFAA and the PCF determined that CAO personnel complied with required guidelines; therefore, we submitted no findings or observations in these areas.

During the November 7, 2006 exit conference, the Department's staff reviewed these findings and recommendations with the CAO representatives. We have included CAO personnel comments, where applicable, in this report.



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

**FINDING AND RECOMMENDATION**

## ***Finding and Recommendation***

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### **Eligibility Audit Results**

During the course of our audit, we examined 86 out of 197 cases from the Pike 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 19 of the 86 cases examined. The most significant exceptions are discussed in the following finding:

#### **Finding - 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 four instances, recipients failed to:

- Properly report income; and
- Report change in address.

## ***Finding and Recommendation***

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This resulted in recipients receiving benefits without meeting all eligibility requirements. Overpayments of \$1,405 were written in these cases. In addition, one case was closed, resulting in the discontinuance of \$115 in monthly benefits.

Inadequate procedures for identifying instances where recipients fail to provide information may continue to result in benefits being improperly disbursed.

### **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**

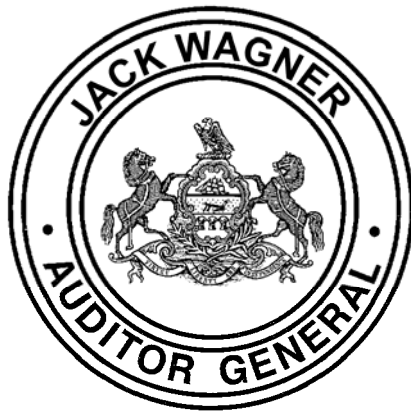
In a memorandum to Department personnel, the Pike CAO Executive Director provided the following response:

“In the regular course of doing business Pike CAO staff reviews a considerable number of cases every month. As a part of this review process, whenever the information provided by the client appears suspect we make a referral to our Welfare Fraud Investigator to verify the information reported by the client. Since February 2006 we have averaged 14 referrals per month. It is the intent of the Pike CAO to double the amount of these referrals in an effort to eliminate some of the improper disbursement of benefits caused by client misinformation.”

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

#### **Overpayments and Other Exceptions Totaling \$6,046 Occurred as a Result of Recipients Withholding Information and Case Record Maintenance Exceptions**

Our current audit covering the period July 3, 2004 to May 12, 2006 disclosed that inadequate/incorrect recipient information exceptions continue to occur at the Pike CAO; 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  
Pike County Assistance Office**

**AUDIT SUMMARY  
GLOSSARY  
AND  
APPENDIX**

***Audit Summary***

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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>197</b>	<b>86</b>	<b>19</b>
<b><u>Prior</u></b>	<b>160</b>	<b>160</b>	<b>17</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

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
EFAA	Emergency Fund Advancement Account
FSH	Food Stamp Handbook
GA	General Assistance
IEVS	Income Eligibility Verification System
MEH	Medicaid Eligibility Handbook
OPS	Operations Memorandum
PCF	Petty Cash Fund
SH	Supplemental Handbook
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  
Chair  
Public Health and Welfare Committee  
Senate of Pennsylvania

Lynn F. Sheffer  
Comptroller  
Public Health and Human Services  
Department of Public Welfare

The Honorable Vincent Hughes  
Democratic Chair  
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Bureau of Financial Operations  
Department of Public Welfare

The Honorable Frank Oliver  
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### County Assistance Office

Michael Zegalia  
Executive Director  
Pike County Assistance Office

Chairperson  
Pike 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).