



**DEPARTMENT OF PUBLIC WELFARE'S
TANF PROGRAM**

McKEAN COUNTY ASSISTANCE OFFICE

**AUDIT REPORT FOR THE PERIOD
JANUARY 1, 2011 TO DECEMBER 31, 2011**

COMMONWEALTH OF PENNSYLVANIA

EUGENE A. DEPASQUALE - AUDITOR GENERAL

DEPARTMENT OF THE AUDITOR GENERAL



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EUGENE A. DePASQUALE
AUDITOR GENERAL

Report of Independent Auditors

The Honorable Tom Corbett
Governor
Commonwealth of Pennsylvania
Harrisburg, Pennsylvania 17120

Dear Governor Corbett:

We have conducted an audit of the McKean County Assistance Office (CAO) pursuant to Section 109.1 of Title 55 of the Pennsylvania Code and Sections 402 and 403 of the Fiscal Code. Our audit pertained to non-financial eligibility requirements for participation in the TANF (Temporary Assistance to Needy Families) program and, when applicable, compliance with certain aspects of the RESET (Road to Economic Self-Sufficiency through Employment and Training) program. The specific objectives of our audit were to determine:

- Whether the CAO properly considered non-financial eligibility requirements when making TANF eligibility determinations;
- Whether recipients were correctly exempted from RESET requirements; and
- Whether recipients received TANF benefits when they did not comply with RESET requirements.

The audit period was January 1, 2011 through December 31, 2011.

Report of Independent Auditors (Continued)

When TANF benefits are paid to recipients who are not eligible for the benefits, the cost of the resulting improper payments could be significant to Pennsylvania taxpayers. In addition, when recipients are incorrectly exempted from RESET requirements or when recipients fail to comply with RESET requirements, they receive benefits without participating in required training or a work-related activity that is designed to prepare them for employment.

Our audit resulted in the following finding.

Finding - Failure to Ensure Compliance with RESET Requirements

During the exit conference, we reviewed this finding and recommendations with the McKean CAO management. We have included the CAO and the Department of Public Welfare (DPW) management comments, where applicable, in this report.

Sincerely,

A handwritten signature in black ink, appearing to read "Eugene A. DePasquale". The signature is fluid and cursive, with a long horizontal stroke at the end.

EUGENE A. DEPASQUALE
Auditor General

June 24, 2014

CONTENTS

	Page
BACKGROUND INFORMATION	1
OBJECTIVES, SCOPE, AND METHODOLOGY	4
FINDING AND RECOMMENDATIONS	
Finding - Failure to Ensure Compliance with RESET Requirements	5
APPENDIX.....	8
AUDIT REPORT DISTRIBUTION LIST	11

Background Information

The Department of Public Welfare (DPW) is responsible for the administration of public assistance benefits to eligible recipients in Pennsylvania. Benefits include Temporary Assistance to Needy Families (TANF), a federally funded program that provides cash assistance to families with dependent children who are deprived of the care or support of one or both parents due to absence or incapacity of one parent or unemployment of one or both parents. Recipients in the TANF program are paid a cash benefit in addition to their MA (Medical Assistance) benefits and most TANF recipients also receive SNAP (Supplemental Nutrition Assistance Program) benefits. In order to qualify for TANF, applicants must fall within established income and resource limits and meet the nonfinancial eligibility criteria for TANF which are age, deprivation of care or support and presence of a specified relative. The list below describes who may receive TANF.

- Dependent child - A child under 18 years of age, or an 18 year old, who is a full time student in a secondary or vocational school. The child or 18 year old full time student must be living with a specified relative and must be deprived of the care or support of one or both parents due to absence, incapacity, or unemployment.
- Specified Relative - An adult relative who lives with a TANF deprived child and who exercises care and control of the TANF deprived child. A pregnant woman with no other children may be eligible for herself until the child is born, if she meets all the income and resource limits and the child would be eligible for TANF when born.
- Essential Person - An individual who is related to the TANF deprived child may be included as a member of the TANF budget group if they are ineligible for TANF in their own right, but qualify for General Assistance. (During the audit period of this report General Assistance was in effect; it was discontinued in July, 2012)
- Mandatory Budget Group Members - Individuals who live with the TANF deprived child and who also qualify for TANF benefits, but are not the specified relative. Mandatory budget group members include biological or adoptive parents, siblings or half-siblings of the TANF child who also meet age and deprivation criteria or minor parents who do not meet exemption from living with specified relative.

Adults receiving assistance through TANF are required to work or participate in a work related program known as The Road to Economic Self-Sufficiency through Employment and Training (RESET). The RESET program is intended to help individuals prepare for employment to attain long term success by offering job related activities, education, job skills training and support in order to progress toward a job earning wages that lead to self sufficiency for themselves and their families. Participants are required to work 20 or 30 hours a week depending on the age of the dependent children in the household and whether the adult TANF recipient has received TANF benefits more than 5 years. Adult recipients who have received TANF benefits for more than

Background Information

five years are considered Extended TANF recipients because they have technically exhausted their TANF eligibility as per the Personal Responsibility and Work Opportunity Reconciliation Act. TANF recipients can also receive Special Allowances (SPALs) which are supplemental payments to cover the cost of clothing, child care, transportation, tools, and other items necessary for them to participate in training or work activities.

Participation in the RESET program is mandatory; however, recipients may be exempt from participating if one of three conditions are met and documented in the recipient's case record.

- Disability - Recipient verifies the disability and time period of disability by obtaining a Medical Assessment Form (MAF) completed by his or her health care provider.
- Caring for a disabled household member - Verification of this exemption is a Caregiver Form which is completed by the disabled household member's health care provider indicating that an in home caregiver is required.
- Caring for a child less than 1 year of age (Newborn exemption) - A single custodial parent in a one-parent household caring for a child under the age of 12 months may be exempt. A recipient is eligible for this exemption for 12 months in a lifetime.

Recipients who do not meet any of the three exemptions, but who are experiencing hardships such as domestic violence; homelessness; or physical or mental inability to perform his or her assigned work, may be granted *good cause* to not participate for some or all of the required RESET hours while continuing to receive TANF benefits.

Eligibility determinations are based on federal and state regulations specifying which individuals qualify for TANF benefits. The Code of Federal Regulations (CFR) contains the applicable federal regulations: CFR Title 45 - Public Welfare, Chapter 11(2)(Office of Family Assistance Administration for Children and Families, Department of Health and Human Services) Part 261. The Pennsylvania Code contains the applicable state regulations. The policies and procedures in place to ensure compliance with regulations are contained in the DPW's Cash Assistance Handbook. The Public Welfare Code (62 P.S.) contains state statutes applicable to public assistance.

The amount of TANF benefits a family is eligible to receive is based on the Family Size Allowance (FSA). The FSA is based on the family's county of residence and the "group" their county is assigned. Counties are assigned into four groups based on the cost of living in the county. A family of four would receive the following monthly cash amounts based on the "group" of their county of residence:

Background Information

- Group 1 = \$514
- Group 2 = \$497
- Group 3 = \$479
- Group 4 = \$454

Relevant information about recipients is recorded and maintained in DPW's Client Information System (CIS). This information is used to determine eligibility status and category of aid. The CAO is to update information on CIS when new information becomes available.

Objectives, Scope, And Methodology

To achieve our audit objectives regarding eligibility, we obtained a combined four quarters of data files from the Department of Public Welfare of all recipients determined by the CAO to be eligible for TANF benefits during our audit period January 1, 2011 to December 31, 2011. We selected a random sample of 25 recipients from the audit population of 1,211 recipients from the McKean CAO.

For each recipient selected in our sample, we tested to determine whether all TANF recipients met non-financial eligibility requirements to receive TANF benefits as per DPW regulations and administrative policies. If eligible TANF recipients were required to participate in RESET as a condition of receiving TANF benefits we tested compliance with RESET requirements and exemptions from RESET requirements to determine whether pertinent DPW regulations and administrative policies were followed. We also verified the amount of Special Allowances (SPALs) paid while the recipient was not meeting their work requirements. For example, if a recipient routinely used his or her “transportation” SPAL to attend a work program 10 hours/week, but was required to work 30 hours/week and did not, we cited this SPAL amount as money paid while the recipient was not meeting his or her work requirements.

The criteria we used to test cases in our sample include the Code of Federal Regulations (CFR), the Pennsylvania Code, Title 55 and DPW’s Cash Assistance Handbook.

Finding and Recommendations

Finding - Failure to Ensure Compliance with RESET Requirements

In 2 of the 25 cases we tested, the RESET requirements were not met. In these cases, recipients did not comply with RESET requirements but continued to receive \$83 to \$115 per month which is their portion of the Family Size Allowance as described in the Objectives, Scope, and Methodology of this report. In some of these instances the CAO was following current DPW policy, but this still allowed recipients significant periods of time where they received their portion of the Family Size Allowance while not meeting RESET requirements.

Table 1 below details the time periods during which recipients were paid their portion of the TANF Family Size Allowance while they were not meeting RESET participation requirements. The table also shows that recipients were not paid special allowances while they were not meeting RESET participation requirements.

Table 1

	Audit Sample Number	Not Meeting RESET Requirements		Special Allowances Paid
		From	To	
1.	AG-68	03/21/11	05/08/11	\$0.00
2.	AG-80	01/01/11	04/07/11	0.00
	Totals			\$0.00

These instances of noncompliance with RESET occurred because:

- CAO management failed to ensure that recipients were re-referred to a program after they were terminated from a program.
- CAO management failed to ensure that recipients were placed in another program after being terminated from a contracted program.

Recommendations

The DPW and CAO management should:

- Improve monitoring and other internal controls to eliminate or significantly reduce the multiple causes of RESET noncompliance found during our audit.

DPW's Management Response

Finding and Recommendations

DPW disagrees with this finding. DPW headquarters staff, along with the CAO, reviewed the cases that the AG cited as deficient and does not agree with all of the exceptions cited as deficiencies for the individual cases. Although the procedures in place during the audit period (which extends back to January 1, 2011) worked well and were effective, it should be noted that since that time additional procedures have been implemented to make monitoring even more effective and to ensure that recipients are meeting eligibility requirements. The following responses to the issues identified by the AG support DPW's position on this finding.

After a client is terminated from a contracted program the CAO is required to conduct a compliance review. This review will evaluate the client's current circumstances and determine if there was Good Cause for being terminated from the program. Based on the review the client may be referred back to a program if appropriate. The client could also be subject to sanction, referred to a different contracted program or engaged in a CAO directed program based on the individual circumstances of that client.

The CAO staff is required to conduct a compliance review with all clients that are terminated from contracted programs or are not meeting their required hours. The CAO works with the client to set up a time frame for the client to come to the CAO for the meeting. There are various reasons why a compliance review could be delayed in an effort to ensure that the client has every opportunity to participate in the compliance review process. The Client Information System (CIS) requires that the caseworker set a follow up date to ensure that the compliance review has taken place within required time frames. DPW headquarters staff reviews lists of clients that are waiting for their compliance review; they also work with the CAO to ensure that the clients are seen in a timely fashion.

DPW has also taken the following steps to ensure accurate and timely benefit delivery:

Workload Dashboard was introduced during September of 2008, providing Income Maintenance Caseworkers (IMCWs) and CAO management with a system that more easily allows for tracking of applications and maintenance requirements on case records.

Supervisors hold monthly meetings to review findings from previous audits and to review policy with IMCWs to ensure that the audit findings are addressed. Supervisors also hold individual monthly conferences to review each worker's Comprehensive Supervisory Review (CSR) results and to offer additional individual training to ensure that compliance with policy is maintained.

Desk guides are available for caseworkers and OIM staff on the following:

- Cash Assistance Handbook
- Using CIS (Client Information System)
- Using IEVS (Income and Eligibility Verification System)

Finding and Recommendations

Beginning July 1, 2012, applicants for TANF must, as a condition of eligibility, complete at least 3 job searches per week while the application for benefits is pending, unless the applicant is exempt from work requirements or establishes Good Cause.

Auditor's Conclusion

We acknowledge DPW's efforts to provide appropriate resources to recipients to assist their participation in a work related activity and to provide an environment that promotes an individual's self-sufficiency. However, as noted in the table on page 5 of this report, DPW's poor oversight and lack of monitoring creates periods of time when resources are paid while recipients are not participating in a work related program or activity. Cases cited in the finding document recipients who received benefits for months while they were not participating in a work related program or activity. When there is a delay in the re-referral of a recipient in a work related program or activity, the case records do not always include documentation of good cause for the delay.

Recipients who are terminated from a program are required to participate in a compliance review with the CAO. Recipients continue to receive benefits during the time period needed to conduct their compliance review and they continue to receive benefits until they are referred to and participating in another program. Although the CAO performed compliance reviews in a timely manner the CAO failed to timely re-refer recipients to another program. As a result benefits continued to be paid while recipients were not complying with RESET requirements.

Appendix

Additional Information Provided by DPW

The Department of Public Welfare (DPW) is responsible for the administration of public assistance benefits to eligible recipients in Pennsylvania. Benefits include Temporary Assistance to Needy Families (TANF), a federally funded program that provides cash assistance to families with dependent children who are deprived of the care or support of one or both parents due to absence or incapacity of one parent or unemployment of one or both parents. Recipients in the TANF program are paid a cash benefit in addition to their Medical Assistance (MA) benefits and most TANF recipients also receive Supplemental Nutrition Assistance Program (SNAP) benefits. In order to qualify for TANF, applicants must fall within established income and resource limits and meet the non-financial eligibility criteria for TANF, which are age, deprivation of care or support and presence of a specified relative.

Adults receiving assistance through TANF are required to work or participate in a work related program known as The Road to Economic Self-Sufficiency through Employment and Training (RESET). The RESET program is intended to help individuals prepare for employment to attain long-term success by offering job related activities, education, job skills training and support in order to progress toward a job earning wages that lead to self-sufficiency for themselves and their families. Participants are required to work 20 or 30 hours a week depending on the age of the dependent children in the household and whether the adult TANF recipient has received TANF benefits more than 5 years. Adult recipients who have received TANF benefits for more than 5 years are considered Extended TANF recipients because they have technically exhausted their TANF eligibility as per the Personal Responsibility and Work Opportunity Reconciliation Act. TANF recipients can also receive Special Allowances (SPALs) which are supplemental payments to cover the cost of clothing, child care, transportation, tools, and other items necessary for them to participate in training or work activities.

Participation in the RESET program is mandatory; however, recipients may be exempt from participating if one of three conditions is met and documented in the recipient's case record. Recipients who do not meet any of the three exemptions, but who are experiencing hardships such as domestic violence, homelessness, or physical or mental inability to perform his or her assigned work, may be granted Good Cause to not participate for some or all of the required RESET hours while continuing to receive TANF benefits.

Eligibility determinations are based on federal and state regulations specifying which individuals qualify for TANF benefits. The Code of Federal Regulations (CFR) contains the applicable federal regulations: CFR Title 45 - Public Welfare, Chapter II (2) (Office of Family Assistance Administration for Children and Families, Department of Health and Human Services). The Pennsylvania Code contains the applicable state regulations. The policies and procedures in place to ensure compliance with regulations are contained in the DPW's Cash Assistance

Appendix

Handbook. The Public Welfare Code (62 P.S.) contains state statutes applicable to public assistance.

The amount of TANF benefits a family is eligible to receive is based on the Family Size Allowance (FSA). The FSA is based on the family's county of residence and the "group" their county is assigned. Counties are assigned into four "groups" based on the cost of living in the county.

Detailed Audit Methodology Discussion

The auditors' methodology included verifying the amount of SPALS paid while the recipient was not meeting his or her work requirements. The rules applied in this methodology are not codified in policy.

The criteria to determine eligibility for SPALS as outlined in 55 Pa. Code 165.41 and as indicated in the Cash Assistance Handbook (CAH) section 135.6 is that the individual is a participant in RESET. A participant is defined as an individual who agrees to participate or is participating in a mutually agreed upon approved work or work related activity. SPALS enable the individual to participate in employment or an approved work related activity.

According to 55 Pa Code 165.31, the work participation requirement is that a nonexempt individual shall accept referral to, work in and retain employment in which the individual is able to engage and participate in work activities as specified on the Agreement of Mutual Responsibility (AMR).

The recipient's willful failure or refusal to participate may result in a sanction. The auditors' methodology applied here does not include DPW's adherence to state regulation, state statute and federal regulations requiring advance notice prior to effecting any adverse action [55 PA Code § 133.4 (b); 62 P.S. 432.17; 45 CFR § 206.10]. An advance notice must be mailed at least 10 days prior to a reduction or discontinuance of a benefit, per these regulations. However, current policy guidance in CAH section 177.3 states the advance notice must be mailed at least 15 days prior to the effective date of action reducing or discontinuing benefits. Therefore, an improper receipt of cash benefits does not begin until the expiration of an advance notice. This requirement precludes calculating ineligibility from the day a client no longer meets financial or non-financial eligibility requirements. The auditors' finding does not account for DPW's adherence to these eligibility policies and procedures. The rules the auditors applied in this methodology were not current policy or guidelines.

Please note that the AG's Office is required to audit DPW's adherence to its policies and procedures as specified in 55 PA Code § 109.1(b), *Cooperative Working Agreements*, which states, "The Statutes of the Commonwealth provide a basis for the cooperative working

Appendix

agreement that exists between the Department of the Auditor General and the Department. The Department, through the County Boards of Assistance, is responsible for determining the eligibility of applicants for financial assistance, Medical Assistance, and Food Stamps, and recipients of these programs under the rules and regulations established by the Department. ***The Department of the Auditor General is responsible for the auditing of these decisions against the rules and regulations of the Department*** (emphasis added). With these specific rights and responsibilities in mind, the Department and the Auditor General will work in mutual cooperation to fulfill their individual obligations as effectively and efficiently as possible.”

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