

Compliance Audit

of the

Commonwealth of Pennsylvania
Department of Public Welfare
Mercer County Assistance Office

Audit Period

September 20, 2003 to March 17, 2006



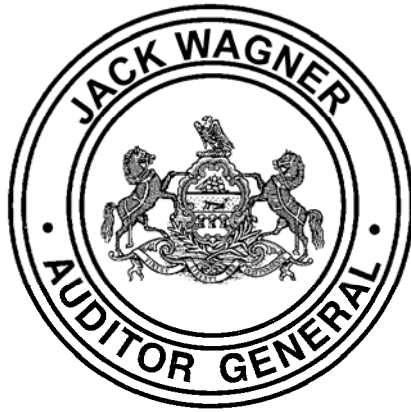
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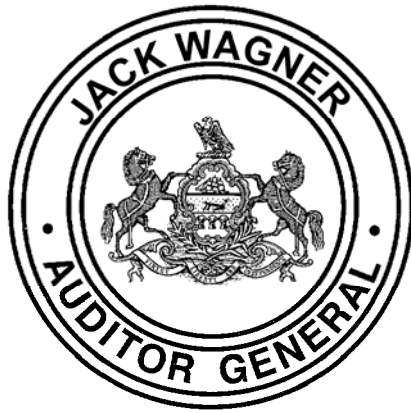
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Report of Independent Auditors on Compliance

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 of the Mercer County Assistance Office, covering the period September 20, 2003 to March 17, 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 Overpayment Control System.

Our report details findings and recommendations that resulted from our eligibility review and our review of the Overpayment Control System. No exceptions were disclosed during our review of the Emergency Fund Advancement Account.

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 Mercer 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 23, 2006

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

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 (OIG) and certain state legislators.

The audit included eligibility reviews of a sample of public assistance cases for the audit period September 20, 2003 to March 17, 2006. We also reviewed the CAO's implementation of procedures for the Emergency Fund Advancement Account (EFAA) and 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 (IEVS) Exchanges 4 and 5. (Exchange 4 contains information from the Social Security Administration (SSA) 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. Review of EFAA determined that CAO personnel complied with required guidelines; therefore, we submitted no findings or observations in this area.

Objectives, Scope, and Methodology

During the October 31, 2006 exit conference, the Department's staff reviewed these findings and recommendations with the Mercer CAO representatives. We have included CAO personnel comments, where applicable, in this report.

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

FINDINGS AND RECOMMENDATIONS

Findings and Recommendations

I. Eligibility Audit Results

During the course of our audit, we examined 137 out of 1,548 cases from the Mercer 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.

Of the 137 cases in our sample, 18 were confidential cases. Public assistance cases are classified as confidential when the recipient is either a CAO employee or their relative. Due to the confidential nature of these cases, the records are normally kept separate from the rest of the case records. Usually, access to the confidential case records is restricted.

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 137 cases examined. The most significant exceptions are discussed in the following findings:

- Inadequate Procedures For Identifying Instances Where The Recipient Fails To Provide Proper Eligibility Information (refer to Finding No. 1); and
- Failure To Obtain And/Or Document Information Required In Establishing Recipient Eligibility (refer to Finding No. 2).

Findings and Recommendations

Finding 1 - 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 5 instances, recipients failed to:

- Properly report income; and
- Properly report resources.

This resulted in recipients receiving benefits without meeting all eligibility requirements. Overpayments of \$4,981 were written in these cases.

Lack of CAO procedures for identifying instances when 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.

Finding 2 - 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 10 exceptions. Case records lacked detailed documentation of recipient and CAO actions, including the Common Application form (PA-600), Client Authorization form (PA-4) and the AMR. Finally, the social security numbers of recipients and/or Legally Responsible Relatives (LRRs) were missing and 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 the case records for all required forms at application/reapplication. Also, the caseworkers failed to review the

Findings and Recommendations

CIS screens for the required entry of the LRRs social security numbers. Failure to maintain current documentation in case records and update the proper IEVS and CIS screens contributed to poor case management.

Recommendations

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. We also recommend that the CAO instruct personnel of the need to clearly narrate recipient and caseworker actions in the case record.

Management Response

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

“The Mercer County Assistance Office management team agrees with the recommendations contained in the 2006 Compliance Audit Report under Finding 1 and 2. Mercer County Assistance Office management has already implemented the following corrective action:

- CAO management and supervisory personnel will continue to conduct periodic in-house reviews of pertinent regulations, policies and procedures to ensure CAO personnel utilize all applicable criteria in making eligibility determinations and in maintaining case records;
- CAO management and supervisory personnel will continue to periodically conduct Comprehensive Supervisory Reviews and/or Targeted Supervisory Reviews of sample cases to help insure accuracy; and
- CAO management and supervisory personnel will continue to conduct ongoing staff training that addresses the problems related to any deficiencies noted in this audit; and
- CAO supervisory personnel in their weekly unit meetings continue to stress the importance of following policies and procedures for maintaining case records and processing information obtained from recipients and collateral sources.”

Findings and Recommendations

Status of Prior Audit Finding

Overpayments and Other Deficiencies Totaling \$13,421 Occurred as a Result of Recipients Withholding Information and Case Record Maintenance Exceptions

Our current audit covering the period September 20, 2003 to March 17, 2006 disclosed that inadequate/incorrect recipient information and case record management exceptions continue to occur at the Mercer CAO, therefore, a repeat finding is warranted. Refer to Findings 1 and 2 located on page 9 for additional discussion on these issues.

Findings and Recommendations

II. Overpayment Control System

Finding 3 - Untimely Verification and Referral of Overpayments and Over-Issuances Totaling \$5,198 Occurred as a Result of Procedural Deficiencies in the Overpayment Control System

We reviewed the Mercer CAO Overpayment Control System to determine if CAO personnel properly investigated suspected overpayments, controlled and documented investigations, and referred verified overpayments timely. From 76 entries listed as pending on the ARRC Daily Caseload Detail Report dated November 29, 2005 we selected 25 cases.

Our review disclosed the following exceptions:

- **In nine cases CAO personnel failed to compute verified overpayments.**

Exceptions occurred when verification of an overpayment was received by the CAO, but the overpayment was not computed on the ARRC system. In these instances, wage verification was not forwarded to clerical personnel appropriately. Since no follow-up was performed to ensure that these overpayments were computed, OIG was not notified within the required 60 days. Failure to notify the OIG within the required 60 days jeopardized the recovery of incorrectly disbursed benefits of \$2,824 and over-issuances of \$2,374.

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

Recommendations

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

Findings and Recommendations

- **In ten 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 also 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 or starting procedures to send a second PA78 request.

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 Supplemental Handbook and the ARRC manual provide procedures and guidelines for contacting non-responding employers.

Recommendations

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

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

“The Mercer County Assistance Office agrees with the recommendations contained in the Compliance Audit Report under Finding 3. Mercer County Assistance Office management has implemented as a corrective action.

The Mercer County Assistance Office in cooperation with Northwest Staff Development office, worked to develop an Automated Restitution Referral and Computation (ARRC) re-fresher [sic] training class for Income

Findings and Recommendations

Maintenance Casework staff in. [sic] ARRC re-fresher [sic] training which was delivered in November 2003 covered the following items:

- Manual entry of overpayment information in the ARRC system within timeframes; and
- Timely submission of PA-78s requesting employment and income verification from employers; and
- Contact of those non-responding employer within 55 days of the initial PA-78; and
- Timely completion of overpayment referrals to the Office of Inspector General; and
- Reviews of ARRC for completeness and accuracy of overpayment referrals within 24-hours of data entry; and
- Continued updating of the ARRC system to indicate the status of all overpayment investigations.

Review of ARRC policy and procedures with staff continues when any changes are identified on the OIM Intranet site.

CAO management continues to require that all supervisors monitor the ARRC reports on the status of overpayments and to incorporate those reviews into the weekly individual conferences with Income Maintenance Workers in their supervisory units. To assist with the monitoring efforts the ARRC coordinator prints and distributes ARRC reports to each supervisor on a monthly basis.

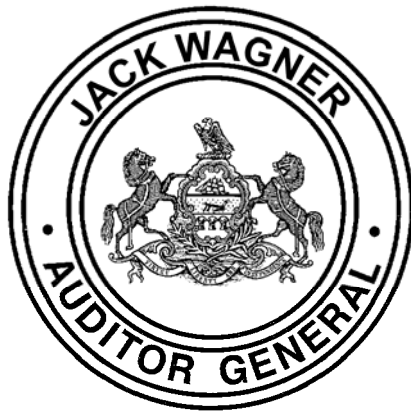
In addition, CAO management and supervision continue to require that Income Maintenance Caseworker devote at least one half day per workweek to ARRC and Income Eligibility Verification System (IEVS) work.”

Findings and Recommendations

Status of Prior Audit Finding

Untimely Verification and Referral of Overpayments and Over-issuances Totaling \$26,961 Occurred as a Result of Procedural Deficiencies in the Overpayment Control System

Our current audit covering the period September 20, 2003 to March 17, 2006 disclosed that procedural deficiencies continue to exist at the Mercer CAO in the execution of the Overpayment Control System; therefore, a repeat finding is warranted. Refer to the bullets in Finding 3 on pages 12 and 13 for additional discussion on these issues.



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

**AUDIT SUMMARIES
GLOSSARY
AND
APPENDIX**

Audit Summaries

Random Eligibility Audit Results

	Cases at CAO	Cases Reviewed	Cases with Errors
<u>Current</u>	1,548	137	19
<u>Prior</u>	1,294	228	33

Other Results

<u>PROGRAM</u>	<u>No. of Cases</u>	<u>Monetary Effect</u>
Overpayment Control System:		
CAO personnel failed to compute verified overpayments.	9	\$5,198
CAO personnel failed contact non-responding employers.	<u>10</u>	<u>0</u>
TOTALS: - All Programs:	<u>19</u>	<u>\$5,198</u>

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 (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

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
EFAA	Emergency Fund Advancement Account
FSH	Food Stamp Handbook
GA	General Assistance
IEVS	Income Eligibility Verification System
LRR	Legally Responsible Relative
MEH	Medicaid Eligibility Handbook
OIG	Office of Inspector General
OIM	Office of Income Maintenance
OPS	Operations Memorandum
SH	Supplemental Handbook
SPT	Support Pass-Through
SSA	Social Security Administration
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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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.