

Compliance Audit

of the

Commonwealth of Pennsylvania
Department of Public Welfare
Perry County Assistance Office

Audit Period

September 17, 2004 to March 30, 2006



Compliance Audit

of the

Commonwealth of Pennsylvania
Department of Public Welfare
Perry County Assistance Office

Audit Period

September 17, 2004 to March 30, 2006



CONTENTS

	Page
REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE	1
BACKGROUND INFORMATION	4
OBJECTIVES, SCOPE, AND METHODOLOGY	5
FINDINGS AND RECOMMENDATIONS	
I. Eligibility Audit Results	
Finding 1 - Inadequate Internal Control Procedures For Closing The Case When The Recipient Can Not Be Located	9
Finding 2 - Failure To Correctly Calculate Recipient Benefits	10
Finding 3 - Failure To Follow Applicable DPW Procedures.....	12
II. Overpayment Control System	
Finding 4 - Untimely Verification And Referral Of Overpayments And Over-Issuances Totaling \$1,607 Occurred As A Result Of Procedural Deficiencies In The Overpayment Control System	14
STATUS OF PRIOR AUDIT FINDINGS	
Procedural Deficiencies Exist in the Oversight of the Emergency Fund.....	18
Procedural Deficiencies Exist in the Oversight of the Petty Cash Fund.....	18
AUDIT SUMMARIES	20
GLOSSARY	21

CONTENTS

APPENDIX.....	22
AUDIT REPORT DISTRIBUTION LIST	23

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 Perry County Assistance Office covering the period September 17, 2004 to March 30, 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, Overpayment Control System, and the Petty Cash Fund.

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 Perry 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

May 25, 2006

**Commonwealth of Pennsylvania
Department of Public Welfare
Perry 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 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.

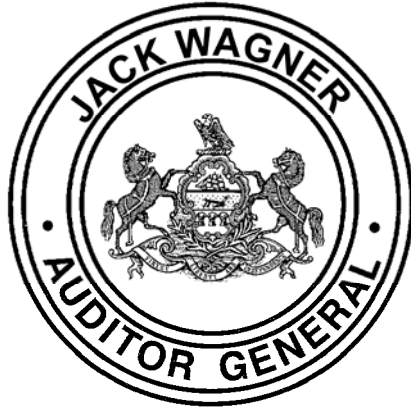
The audit included eligibility reviews of a sample of public assistance cases for the audit period September 17, 2004 to March 30, 2006. We also reviewed the CAO's implementation of procedures for the Emergency Fund Advancement Account (EFAA), Overpayment Control System, and the Petty Cash Fund (PCF) 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 (IEVS) 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 12, 2007 exit conference, the Department's staff reviewed these findings and recommendations with the Perry CAO representatives. We have included CAO management comments, where applicable, in this report.



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

FINDINGS AND RECOMMENDATIONS

Findings and Recommendations

I. Eligibility Audit Results

During the course of our audit, we examined 99 out of 289 cases from the Perry 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 management when we discovered ineligible persons receiving assistance.

Of the 99 cases in our sample, 1 was a confidential case. 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 30 exceptions in 22 of the 99 cases examined. The most significant exceptions are discussed in the following findings:

- Inadequate Internal Control Procedures For Closing The Case When The Recipient Can Not Be Located (refer to Finding 1);
- Failure To Correctly Calculate Recipient Benefits (refer to Finding 2); and
- Failure To Follow Applicable DPW Procedures (refer to Finding 3).

Findings and Recommendations

Finding 1 - 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 notified the recipient of his/her requirements to comply with the audit review. The notice also indicated that, if the recipient did not respond in a timely manner, benefits would be closed.

A total of three recipients did not respond and did not notify the CAO. The CAO was obligated to close these cases and discontinue paying monthly benefits totaling \$1,654. Lack of internal controls for detecting these errors also resulted in the payment of excessive benefits to which the recipient is not eligible.

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

Recommendation

We recommend that the CAO management regularly review a sample of cases to help identify instances where recipients are continually non-compliant and fail to cooperate with eligibility requirements. This could help to eliminate at least some improper disbursement of benefits.

Management Response

In a January 26, 2007 memorandum to this Department, the Perry CAO Executive Director agreed with the finding and provided the following comment:

“The CAO will continue to closely review and will investigate as appropriate instances where recipients are continually non-compliant or are routinely non-cooperative.”

Findings and Recommendations

Finding 2 - Failure To Correctly Calculate Recipient Benefits

Our audit revealed that exceptions occurred because CAO management failed to correctly calculate recipient benefits. The most notable exceptions are grouped into the following areas:

- **Incorrectly computed cash benefits**

Our audit disclosed that in two instances, CAO management incorrectly computed recipient cash benefits, resulting in overpayments of \$117 and \$125 in underpayments.

The CAH contains policies and procedures to follow to correctly determine recipient benefits.

The computation exceptions were caused by the CAO management's failure to properly calculate benefits in accordance with DPW policies and procedures. CAO management failed to consider countable earned income (income that is not exempt or excluded from benefit determination) and unearned income when completing the budget process.

Recommendation

We recommend that the CAO management ensure that personnel are properly trained to determine cash and food stamp benefits. We also recommend that the CAO consider all income and allowable deductions when completing the budgeting process.

Management Response

In a January 26, 2007 memorandum to this Department, the Perry CAO Executive Director agreed with the finding and provided the following comment:

“One instance was a CIS conversion error, and one error was a budget error.

The CAO agrees that we must consider all income and all allowable deductions when completing the budgeting process. Retrospective budget procedures are no longer required.

Findings and Recommendations

Income Maintenance Supervisors will review income and deductions at a meeting with all Income Maintenance staff in the CAO in February, 2007. Discussion will include that 'if an IMCW questions a system calculation they will double check it'."

- **Special allowances not monitored by CAO management**

A special allowance is a cash payment authorized for supportive services necessary to enable an ETP 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 accept employment. CAO management were aware that recipients had not accepted this employment, but took no action to recoup special allowances that were not used for their intended purpose. One exception occurred, resulting in \$900 in overpayments. Our audit also disclosed one exception where a special allowance for child care was issued twice for the same time period. This exception resulted in a \$90 overpayment.

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

Recommendation

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

Management Response

In a January 26, 2007 memorandum to this Department, the Perry CAO Executive Director agreed with the finding and provided the following comment:

Findings and Recommendations

“The CAO agrees that when an allowance is not used for its intended purpose, and/or a client does not participate in training/work as agreed, an overpayment occurs. The CAO will continue to monitor client participation and use of special allowances. The CAO agrees that an overpayment is to be calculated and filed if there is an instance when a client fails to participate and/or uses a special allowance for a reason other than its intended purpose. Responsibility to authorize special allowances for supportive services and to monitor participation in employment/training activity has been reassigned since the occurrence of these exceptions and since the retirement of the previous IMCW. Expectations will be reviewed at an individual monthly conference on January 29, 2007.”

Finding 3 - Failure To Follow Applicable DPW Procedures

Our audit revealed that exceptions occurred because CAO management failed to follow applicable DPW procedures. The most notable exceptions are grouped into the following areas:

- **Support Pass-Through (SPT) adjustment**

SPT adjustments are increases in recipients' cash benefits which occur when the Domestic Relations Office forwards child support money for recipients to DPW for the recipient. Because food stamp benefits are based on a recipient's income, this increase in cash benefits may result in a decrease in the recipient's food stamps. The FSH establishes provisions for adjusting the SPT to the food stamp benefits.

Eight exceptions, resulting in \$370 in over-issuances, occurred because the automated system failed to consistently adjust the SPT to the recipient's food stamp benefits, even though the information was directly available to the CAO.

Recommendation

We recommend that the CAO management review SPT income to ensure that it is consistently adjusted on the system, and make manual adjustments when the system fails.

Findings and Recommendations

We also recommend that DPW investigate the cause of what appears to be a system failure.

Management Response

In a January 26, 2007 memorandum to this Department, the Perry CAO Executive Director agreed with the finding and provided the following comment:

“The CAO agrees that the automated system does not consistently adjust the support pass through to recipient’s food stamp benefits.

Income Maintenance Supervisors will review support pass through income procedures at a meeting with all Income Maintenance staff in the CAO in February, 2007. Discussion will include ‘system failures and manual adjustments’.”

Status of Prior Audit Finding

Overpayments and Other Exceptions Totaling \$6,045 Occurred as Result of Recipients Withholding Information and Case Record Maintenance Exceptions

Our current audit covering the period September 17, 2004 to March 30, 2006 disclosed that incorrect recipient information and case record management exceptions continue to occur at the Perry CAO; therefore, a repeat finding is warranted. Refer to Findings 1, 2 and 3 located on pages 9 through 12 for additional discussion on these issues.

Findings and Recommendations

II. Overpayment Control System

Finding 4 - Untimely Verification And Referral Of Overpayments And Over-Issuances Totaling \$1,607 Occurred As A Result Of Procedural Deficiencies In The Overpayment Control System

We reviewed the Perry CAO's Overpayment Control System to determine if CAO management properly investigated suspected overpayments, controlled and documented investigations, and referred verified overpayments timely. From 138 entries listed as pending or completed on the ARRC Daily Caseload Detail Report dated January 13, 2006, we selected 39 cases.

Our review disclosed that in four cases, deficiencies occurred when CAO management completed the calculation of the overpayment, but failed to complete the referral within the 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 management completed the calculation of the overpayment, deficiencies occurred because no controls were 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 overpayments of \$495 and over-issuances of \$1,112.

Findings and Recommendations

Recommendation

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

Management Response

In a January 26, 2007 memorandum to this Department, the Perry CAO Executive Director agreed with the finding and provided the following comment:

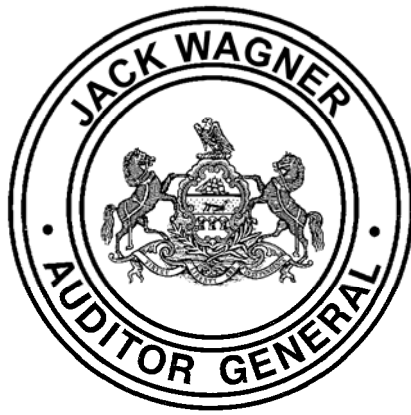
“The CAO agrees with the recommendation.

Income Maintenance Supervisors will meet with all Income Maintenance staff in the CAO in February, 2007. They will review internal control procedures for tracking wage information, and for reviewing computed overpayments. Discussion will include ‘all verified overpayments must be computed and completed within 60 days of receipt of verification’. Also, supervisors will monitor the ARRC system for pending dispositions and progress regarding timely actions.”

Status of Prior Audit Finding

Untimely Verification and Referral of Overpayments Totaling \$1,117 and Understated Overpayments Totaling \$540 Occurred as a Result of Procedural Deficiencies in the Overpayment Control System

Our current audit covering the period September 17, 2004 to March 30, 2006 disclosed that procedural deficiencies continue to exist at the Perry CAO in the execution of the Overpayment Control System; therefore, a repeat finding is warranted. Refer to Finding 4 on page 14 for additional discussion on this issue.



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

STATUS OF PRIOR AUDIT FINDINGS

Status of Prior Audit Findings

Procedural Deficiencies Exist in the Oversight of the Emergency Fund Advancement Account

The prior audit period covered December 15, 2001 to September 16, 2004, and we reviewed ten case records.

The prior response to this finding indicated DPW and CAO management agreed with our recommendations and initiated corrective actions.

No finding or observation was noted in our current audit.

Procedural Deficiencies Exist in the Oversight of the Petty Cash Fund

The prior audit period covered December 15, 2001 to September 16, 2004, and we reviewed five disbursement.

The prior response to this finding indicated CAO management agreed with our recommendations and initiated corrective actions.

No finding or observation was noted in our current audit.

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

**AUDIT SUMMARIES
GLOSSARY
AND
APPENDIX**

Audit Summaries

Eligibility Audit Results

	Cases at CAO	Cases Reviewed	Cases with Errors
<u>Current</u>	289	99	22
<u>Prior</u>	254	154	31

Other Results

<u>PROGRAM</u>	<u>No. of Cases</u>	<u>Monetary Effect</u>
Overpayment Control System:		
CAO management failed to make referrals timely.	<u>4</u>	<u>\$1,607</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:

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:

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

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
OIG	Office of Inspector General
OPS	Operations Memorandum
PCF	Petty Cash Fund
SH	Supplemental Handbook
SPT	Support Pass-Through
TANF	Temporary Assistance to Needy Families

Audit Report Distribution List

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
Public Health and Welfare Committee
Senate of Pennsylvania

Richard Polek
Chief of Audit Resolution Section
Bureau of Financial Operations
Department of Public Welfare

The Honorable Frank Oliver
Chair
Health and Human Services Committee
Pennsylvania House of Representatives

Joanne Glover
Director of Operations
Office of Income Maintenance
Department of Public Welfare

The Honorable George Kenney
Republican Chair
Health and Human Services Committee
Pennsylvania House of Representatives

Kathy Jellison
President
PA Social Services Union
Local 668 S.E.I.U. AFL-CIO

The Honorable Donald L. Patterson
Inspector General
Office of Inspector General

County Assistance Office

Antonio Andrade
Executive Director
Perry County Assistance Office

Ray C. Dillman
Chairperson
Perry 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.