

Compliance Audit

of the

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

Audit Period

June 19, 2004 to April 7, 2006



Compliance Audit

of the

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

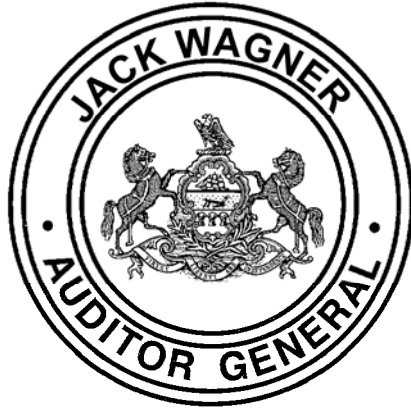
Audit Period

June 19, 2004 to April 7, 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 Obtain And/Or Document Information Required In Establishing Recipient Eligibility	9
II. Overpayment Control System	
Finding 3 - Untimely Verification and Referral of Overpayments and Over-Issuances Totaling \$3,671 Occurred as a Result of Procedural Deficiencies in the Overpayment Control System	11
STATUS OF PRIOR AUDIT FINDING	
County Assistance Office Personnel Failed to Provide Case Records Timely	16
AUDIT SUMMARIES	18
GLOSSARY	19
APPENDIX.....	20
AUDIT REPORT DISTRIBUTION LIST	21



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 or medical eligibility at the Philadelphia County Assistance Office, Center District, covering the period June 19, 2004 to April 7, 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 Overpayment Control System.

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 Philadelphia County Assistance Office, Center 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

August 24, 2006

**Commonwealth of Pennsylvania
Department of Public Welfare
Philadelphia County Assistance Office
Center 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 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.

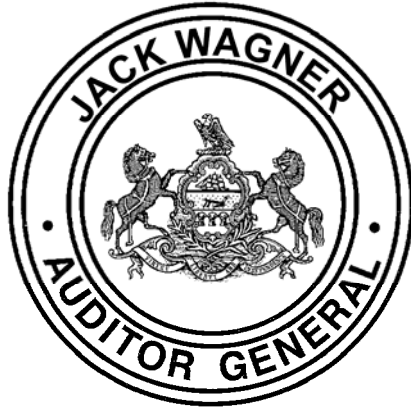
The audit included eligibility reviews of a sample of public assistance cases for the audit period June 19, 2004 to April 7, 2006. We also reviewed the CAO's implementation of procedures for the Overpayment Control System to determine compliance with regulations and policies.

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 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 December 1, 2006 exit conference, the Department's staff reviewed these findings and recommendations with the Philadelphia CAO, Center District representatives. We have included CAO personnel comments, where applicable, in this report.



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

FINDINGS AND RECOMMENDATIONS

Findings and Recommendations

I. Eligibility Audit Results

During the course of our audit, we examined 151 out of 4,385 cases from the Philadelphia CAO, Center 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 22 exceptions in 16 of the 151 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 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 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 interview. The notice also indicated that, if the recipient did not respond in a timely manner, benefits would be closed.

A total of 3 recipients did not respond, indicating that they had moved and did not notify the CAO. The CAO was obligated to close these cases and discontinue paying monthly benefits totaling \$1,076.

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

Recommendation

We recommend that the CAO regularly review a sample of cases to help identify instances where recipients living arrangements have changed, including where they reside. This could help to eliminate at least some improper disbursement of benefits.

Management Response

Management provided no written response to this finding.

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. Specifically, Childcare forms (PA1583), Authorization/Instruction sheets (PW764), and Agreement of Mutual Responsibility (AMR) forms were missing. Also, the social security numbers of recipients were missing or incorrect.

Findings and Recommendations

The CAH, FSH, and IEVS Manual, Chapter 1, establish the procedures for obtaining and documenting recipient eligibility.

These exceptions occurred because caseworkers failed to file forms in the case records and case records did not detail the case narrative with specific dates and events for self-sufficiency goals. Failure to maintain current documentation in case records contributed to poor case management.

Recommendation

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.

Management Response

Management provided no written response to this finding.

Status of Prior Audit Finding

Overpayments and Other Exceptions Totaling \$7,628 Occurred as a Result of Recipients Withholding Information and Case Record Maintenance Exceptions

Our current audit covering the period June 19, 2004 to April 7, 2006 disclosed that inadequate/incorrect recipient information and case record management exceptions continue to occur at the Philadelphia CAO, Center District; 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 \$3,671 Occurred as a Result of Procedural Deficiencies in the Overpayment Control System

We reviewed the Philadelphia CAO, Center District's Overpayment Control System to determine if CAO personnel properly investigated suspected overpayments, controlled and documented investigations, and referred verified overpayments timely. From 2,310 entries listed as pending or overpayment on the ARRC Daily Caseload Detail Report dated January 5, 2006, we selected 52 cases.

Our review disclosed the following exceptions:

- **In 3 cases, CAO personnel failed to complete the referral preventing timely notification to OIG.**

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.

This 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 identified the overpayment, as long as the delay in obtaining verification was caused by an outside source.

These exceptions occurred because the CAO staff did not follow procedures that are in place to refer overpayments within the required timeframes. Failure to complete the Overpayment Referral and forward it to the OIG within the required 60 days delayed and jeopardized the recovery of over-issuances totaling \$2,042.

Recommendation

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

Management Response

Management provided no written response to this finding.

- **In 22 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 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 and jeopardized the recovery of over-issuances totaling \$1,629.

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.

Chapter 910 of the Supplemental Handbook and the ARRC manual provide procedures and guidelines for contacting non-responding employers.

Recommendation

We recommend that the CAO instruct personnel to contact employers within 10 work days after reviewing the “Non-responding Employer” list. We also recommend that caseworkers verify employer addresses.

Management Response

Management provided no written response to this finding.

Findings and Recommendations

Status of Prior Audit Finding

Untimely Verification and Referral of Overpayments and Over-Issuances Totaling \$9,697 Occurred as a Result of Procedural Deficiencies in the Overpayment Control System

Our current audit covering the period June 19, 2004 to April 7, 2006 disclosed that procedural deficiencies continue to exist at the Philadelphia CAO, Center District in the execution of the Overpayment Control System; therefore, a repeat finding is warranted. Refer to bullets in Finding 3 on page 11 and 12 for additional discussion on this issue.



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

STATUS OF PRIOR AUDIT FINDING

Status of Prior Audit Finding

County Assistance Office Personnel Failed to Provide Case Records Timely

The prior audit period covered June 22, 2002 to June 18, 2004 and we reviewed 297 cases. The prior response to this finding indicated DPW and CAO personnel agreed with our recommendations and initiated corrective actions.

In the current audit, we noted no deficiencies with regards to the CAO providing case records timely.

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

**AUDIT SUMMARIES
GLOSSARY
AND
APPENDIX**

Audit Summaries

Eligibility Audit Results

	Cases at CAO	Cases Reviewed	Cases with Errors
<u>Current</u>	4,385	151	16
<u>Prior</u>	3,790	297	9

Other Results

<u>PROGRAM</u>	<u>No. of Cases</u>	<u>Monetary Effect</u>
Overpayment Control System:		
CAO personnel failed to make referrals timely.	3	\$ 2,042
CAO personnel failed to contact non-responding employer timely.	<u>22</u>	<u>1,629</u>
TOTAL:	<u>25</u>	<u>\$3,671</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:

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
FSH	Food Stamp Handbook
IEVS	Income Eligibility Verification System
OIG	Office of Inspector General
OPS	Operations Memorandum
SH	Supplemental Handbook

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

Denise Chambers
Executive Director
Philadelphia County Assistance Office

Doreen Mort
District Administrator
Philadelphia County Assistance Office
Center District

Dr. Allener Rogers, Chairperson
Philadelphia 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.