

DOCUMENT RESUME

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[Followup on Recommendations concerning Erroneous Aid to Families with Dependent Children Payments]. HRD-79-87; B-164031(3). March 22, 1978. 2 pp. + 2 enclosures (9 pp.).

Report to Secretary, Department of Health, Education, and Welfare; by Gregory J. Ahart, Director, Human Resources Div.

Issue Area: Federally Sponsored or Assisted Income Security Programs: Payment Processes, Procedures, and Systems (1309).
Contact: Human Resources Div.
Budget Function: Income Security: Public Assistance and Other Income Supplements (604).
Organization Concerned: Social Security Administration; Social and Rehabilitation Service.

A 1976 letter report contended that Ohio and New York City were making erroneous Aid to Families with Dependent Children (AFDC) payments because they had problems stopping payments in a timely manner to recipients determined to be ineligible. It was estimated that Ohio misspent about \$5 million in 1 year and that New York misspent about \$9 million annually. The letter recommended that HEW: determine whether other States have similar problems and, if so, help those States to correct them; monitor corrective action taken by Ohio to insure that it was effective; and determine whether New York City's problems could be corrected. A March 1977 followup indicated that some action was in progress, but none had been completed, and there were no results reported at that time. The following were reported in a November 1977 followup: HEW had not determined whether there are other States that have similar problems and, because of staffing problems and higher priority work, it had no plans to do so; HEW had reviewed Ohio's payment system and determined that appropriate corrective action had been taken; and HEW had not closely examined the situation in New York City because of staffing problems and had received no feedback on the progress being made by the city. There is still a need for action by HEW to determine whether other States have similar problems and whether New York City has corrected its problems.
(RRS)

5786



UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

IN REPLY
REFER TO:

HUMAN RESOURCES
DIVISION

B-164031(3)

March 22, 1978

The Honorable
The Secretary of Health,
Education, and Welfare

Dear Mr. Secretary:

On October 21, 1976, we sent a letter report to your predecessor stating that Ohio and New York City were making erroneous Aid to Families with Dependent Children (AFDC) payments because they had problems stopping payments in a timely manner to recipients determined to be ineligible. (See enc. I.) We estimated that Ohio misspent about \$5 million in 1 year and New York City estimated that it misspent about \$9 million annually.

We recommended that HEW

- determine whether other States have similar problems and, if so, help those States to correct them;
- monitor corrective action that was being taken by Ohio to insure it was effective; and
- determine whether New York City's problems could be corrected.

HEW provided us comments on our report by letter dated January 13, 1977. (See enc. II.) It sent the same comments that month to the House and Senate Committees on Government Operations as required by section 236 of the Legislative Reorganization Act of 1970. HEW concurred with our recommendations and said that it would

- determine whether other States have similar problems and provide States, wherever necessary, the technical assistance as resources allow to design and implement effective measures to correct the problems; and
- monitor Ohio's payment system to insure timely terminations and adjustments of payments.

HEW also said that it had a management study report from New York which proposed specific solutions to New York City's problem and that it was reviewing the progress of corrective action being made.

HRD-78-87
(105050)

On March 14, 1977, we followed up with the Social and Rehabilitation Service, which was responsible for the AFDC program at that time, to determine whether any of the planned actions had been completed. We were told that although some action was in process, none had been completed and there were no results to report at that time.

On November 1, 1977, we followed up again with the Social Security Administration, which was given responsibility for the AFDC program after the March 1977 HEW reorganization. We were told that:

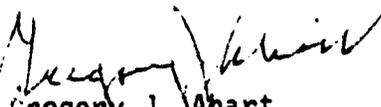
- HEW had not determined whether there are other States that have problems similar to Ohio and New York City and, because of staffing problems and higher priority work, it had no plans to do so.
- HEW had reviewed Ohio's payment system and determined that Ohio had taken appropriate corrective action.
- HEW had not closely examined the situation in New York City because of staffing problems and had received no feedback on the progress being made by the city in solving its problem.

We still believe, as stated in our October 21, 1976, report that the magnitude of the erroneous payments in Ohio and New York City highlight the need for action by HEW to determine whether (1) other States have similar problems and (2) New York City has corrected its problem. Accordingly, we recommend that HEW take the action that it told us and the House and Senate Government Operations Committees would be taken.

We are sending copies of this letter to the House Committee on Government Operations, the Senate Committee on Governmental Affairs, and the House and Senate Committees on Appropriations. We are also sending copies of the letter to the Acting Director, Office of Management and Budget and to your Department's Inspector General and Commissioner, Social Security Administration.

We would appreciate your comments on this matter and being advised of any actions taken.

Sincerely yours,


Gregory J. Ahart
Director

Enclosures - 2



UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

HUMAN RESOURCES
DIVISION

B-164031(3)

OCT 21 1976

The Honorable
The Secretary of Health, Education,
and Welfare

Dear Mr. Secretary:

Based on our review of the Aid to Families with Dependent Children (AFDC) program in Ohio, we estimate that, in fiscal year 1975, Federal and State funds of \$3.2 million in cash assistance (AFDC) and \$1.5 million in medical services (Medicaid) were paid to families previously determined to be ineligible for such aid. The payments were made because of delays in communicating information from counties to the State's centralized payment center. These delays also resulted in AFDC overpayments to eligible families. The State estimates that the overpayments in fiscal year 1975 were at least as much as the \$3.2 million paid to ineligible. HEW did not review Ohio's AFDC program in fiscal year 1975 and, therefore, was unaware of the problem.

As part of a review of States' procedures for making AFDC eligibility determinations, we reviewed Ohio's procedures for closing cases and adjusting grant amounts in two counties and at the Department of Public Welfare in Columbus. The two counties had problems in promptly transmitting information on closed cases and adjustments which resulted in an extra month's AFDC payment and Medicaid coverage to ineligible families and AFDC overpayments and underpayments to eligible families.

Ohio is making changes to correct the situation. These changes, if properly implemented, could save about \$5 million annually. We believe that HEW should monitor Ohio's corrective actions and, because this problem is not considered an error in HEW's quality control program, HEW should be aware that similar problems may exist in other States.

HRD-77-6

TERMINATION OF BENEFITS
HAS NOT BEEN TIMELY

In Ohio, the counties are responsible for administering the AFDC program, but the State mails the AFDC checks and Medicaid cards from a central office in Columbus. Each person receiving an AFDC check also receives a Medicaid card. Under procedures followed until the State initiated corrective action in March 1976, the State set a deadline each month for counties to send notices to stop AFDC payments to closed cases or adjust payments where necessary. To meet the State's deadline, the counties set their own deadlines. The counties did not notify the State of payments that should have been stopped or adjusted after their deadlines--not even for closed cases--until the following month. As a result, AFDC checks and Medicaid cards were mailed to many ineligible recipients.

For example, to meet the State's deadline for July 1975, Cuyahoga County set June 20, 1975, as the last day for caseworkers to stop the July AFDC checks and Medicaid cards. Therefore, if a caseworker closed a case after June 20, the State was not notified in time to stop the mailings of the July AFDC check and Medicaid card to the ineligible recipient. Also, some cases that became ineligible after June 20 were not closed until the following month, July, because the caseworkers knew they could not stop the July payment.

We recognize that when AFDC benefits are terminated because of employment, Medicaid eligibility continues for 4 months. Nevertheless, when AFDC benefits are terminated 1 month late, the recipient also receives an extra month's Medicaid eligibility. For example, individual cases which should have been terminated in June but were terminated in July continued receiving Medicaid eligibility for August through November. If the cases had been terminated in June, Medicaid eligibility would have been for July through October.

Thirty-two percent of AFDC cases closed in June 1975 in Summit County and in one district in Cuyahoga County involved an extra month's AFDC payment to ineligible families. The cases receiving extra payments were of two types:

- Cases that became ineligible in late May, but were not closed until June because caseworkers could not meet the deadline to stop June payments.
- Cases that became ineligible in June and were closed in June, but the State was not notified in time to stop the July checks.

Below is a summary of our analysis.

<u>County</u>	<u>Cases closed in June 1975</u>	<u>Cases that received an AFDC check and a Medicaid card for an extra month</u>	<u>Percent</u>
Cuyahoga	250	113	45
Summit	<u>270</u>	<u>55</u>	20
Total	<u>520</u>	<u>168</u>	32

Based on our findings in the two counties, the Director of the Ohio Department of Public Welfare recommended a method to estimate the number of AFDC checks issued to closed cases. Using the recommended method, we estimated that 19,000 extra AFDC checks were sent to ineligible recipients in fiscal year 1975. The average AFDC grant during this period was \$170, therefore, the estimated total AFDC payments to ineligible recipients were about \$3.2 million.

The State welfare director said that about half the AFDC recipients use Medicaid services. Therefore, about half, or 9,500, of the 19,000 Medicaid cards mailed with the extra AFDC checks to ineligible recipients during fiscal year 1975 were probably used. The average monthly Medicaid cost for AFDC recipients who used their cards in fiscal year 1975 was \$160; therefore, the estimated cost for Medicaid services provided to ineligible recipients was about \$1.5 million.

In addition to AFDC payments to ineligible recipients, delayed information from the counties to the State payment center results in AFDC overpayments and underpayments to eligible recipients because their grant amounts are not promptly adjusted. Changes in circumstances reported to caseworkers after the cutoff date are not reported to the State in time to adjust the following month's grant. For example, changes reported to caseworkers in Cuyahoga County after June 20, 1975, were not reported to the State in time to adjust the July grants. We did not estimate the overpayments; however, State officials said they believed the overpayments (minus the underpayments) are at least as much as the \$3.2 million AFDC payments to ineligible recipients.

WHY THE PROBLEM WENT UNDETECTED

The HEW region V office could have detected the problem through an administrative review of Ohio's AFDC program. A regional official said that Ohio's AFDC program was not reviewed in fiscal year 1975 because of insufficient staff.

The erroneous payments and overpayments were not identified through HEW's quality control program because payments not terminated or adjusted after cases were closed or circumstances changed in the preceding month are not counted as errors by quality control reviewers. Federal regulations (C.F.R. 45 205.40(b)(2)) provide that a case shall be counted in error if the payment is not correctly terminated or adjusted by the second month following the month in which the change in circumstances leading to the termination or adjustment occurred. An HEW official said that payments not terminated or adjusted by Ohio in July 1975 when cases were closed or circumstances changed in June 1975 would not be counted as errors by quality control reviewers. It is possible, therefore, that HEW is unaware of similar problems that may exist in other States.

ACTIONS TO CORRECT THE PROBLEM

We discussed the problem of stopping and adjusting payments under the existing system with the welfare directors in Cuyahoga and Summit Counties. We suggested to the Ohio Department of Public Welfare that it change the computer system for terminating and adjusting payments to AFDC recipients by establishing regional centers with computer terminals tied into the State's system. The counties using these centers could then stop payments to ineligible or adjust payments to eligibles in a timely manner.

A State official said that our suggestion for the regional centers was included in a plan for statewide use of computer terminals and that the plan was approved by HEW region V and the Ohio legislative budget committee. While the plan is being implemented, county information is being delivered by car to the State central office or telephoned in by the small rural counties. State officials said they believe that this action will help prevent extra payments to ineligible and overpayments to eligibles.

Since Ohio mails Medicaid cards with AFDC checks, we believe that the corrective action to promptly stop the extra AFDC payments should also correct the problem of providing an extra month's Medicaid services to ineligible.

OTHER STATES

We did not review New York's procedures for making AFDC eligibility determinations, but we understand that New York City has had problems similar to Ohio's. Conversely, we did

not find similar problems in those States we did review-- California, Massachusetts, and Pennsylvania.

According to a November 1975 audit report by the New York State Office of the Comptroller, New York City was not promptly stopping payments to AFDC recipients whose cases had been closed. The State Comptroller estimated that the problem resulted in \$9 million in erroneous payments annually. We did not determine whether this problem has been corrected.

CONCLUSIONS AND RECOMMENDATIONS

The erroneous payments in Ohio and New York highlight the need for systems to facilitate timely termination and adjustment of AFDC payments. Although we are aware of the problem only in Ohio and New York, other States may have similar problems.

Accordingly, we recommend that the Administrator of the Social and Rehabilitation Service be instructed to determine whether other States have similar problems and, if so, to help those States design and implement effective measures to correct them.

We also recommend that the Administrator be instructed to assure that HEW's Chicago regional office monitors Ohio's payment system changes to insure that timely terminations and adjustments of AFDC payments and Medicaid eligibility result, and that the New York regional office determines whether the problem in New York City can be corrected.

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As you know, section 236 of the Legislative Reorganization Act of 1970 requires the head of a Federal agency to submit a written statement on actions taken on our recommendations to the House and Senate Committees on Government Operations not later than 60 days after the date of the report and to the House and Senate Committees on Appropriations with the agency's first request for appropriations made more than 60 days after the date of the report.

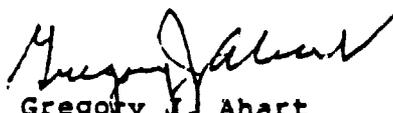
We are sending copies of this report to the responsible Senate and House Committees and Subcommittees and to the Director, Office of Management and Budget.

ENCLOSURE I

ENCLOSURE I

We would appreciate your comments and hope you will advise us of any actions taken.

Sincerely yours,



Gregory J. Ahart
Director



THE UNDER SECRETARY OF HEALTH, EDUCATION, AND WELFARE
WASHINGTON, D.C. 2001

JAN 13 1977

The Honorable Elmer B. Staats
Comptroller General of the
United States
Washington, D.C. 20548

Dear Mr. Staats:

In accordance with the requirements of OMB Circular A-50, I am pleased to enclose a statement prepared by Acting Assistant Secretary, Comptroller, Charles Miller, of actions taken or planned by the Department on General Accounting Office letter report re: time termination and adjustment of AFDC payments in Ohio and New York, B-164031(3), dated October 21, 1976.

Sincerely,

A handwritten signature in cursive script that reads "Marjorie Lynch".

Marjorie Lynch
Under Secretary

Enclosure

STATEMENT OF DEPARTMENT ACTION

The following comments were developed in coordination with interested officials as the Department's statement on actions taken or planned on the General Accounting Office's letter report, Re: timely termination and adjustment of AFDC payments in Ohio and New York, B-164031(3), dated October 21, 1976.

John D. Young
John D. Young

Assistant Secretary, Comptroller

GAO Recommendation

That the Administrator of the Social and Rehabilitation Service be instructed to determine whether other States have similar problems and, if so, to help those States design and implement effective measures to correct them.

Department Comment

The Department concurs. The Administrator of the Social and Rehabilitation Service will determine whether other States have similar problems and provide States, wherever necessary, the technical assistance as resources allow to design and implement effective measures to correct the problems.

The current work plan of the Social and Rehabilitation Service provides for a three year plan to review the eligibility determination process in each State (applications, redeterminations and case maintenance) and administrative costs. In the past year, emphasis was placed on the application process. This year it is contemplated to review case maintenance procedures which includes the closure process.

GAO Recommendation

That the Administrator be instructed to assure that HEW's Chicago Regional Office monitors Ohio's payment system changes to insure that timely terminations and adjustments of AFDC payments and Medicaid eligibility result, and that the New York Regional Office determines whether the problem in New York City can be corrected.

Department Comment

The Department concurs. The Administrator of the Social and Rehabilitation Service will work with HEW's Chicago Regional Office to monitor Ohio's payment system and to insure timely terminations and adjustments of AFDC payments and Medicaid eligibility. As indicated in the report, Ohio has already taken significant remedial steps with respect to the problem. The Department has a management study report from New York which proposes specific solutions to the problem. HEW is reviewing the progress of corrective action which is being made with respect to this problem in New York City.