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*REPORT TO THE COMMITTEE
ON WAYS AND MEANS
HOUSE OF REPRESENTATIVES*

RELEASED

The Quality Control System In Welfare:
Its Implementation In Pennsylvania

B 164031(3)

Social and Rehabilitation Service
Department of Health, Education,
and Welfare

*BY THE COMPTROLLER GENERAL
OF THE UNITED STATES*

089973

913442

OCT. 18, 1972



COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON DC 20548

B-164031(3)

Dear Mr Chairman:

This is the first of two reports requested by you on April 4, 1972, on the operation of certain aspects of Pennsylvania's welfare program. This report deals with Pennsylvania's implementation of the quality control system. At the Federal level, the Social and Rehabilitation Service, Department of Health, Education, and Welfare, is responsible for administering the system.

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We plan to make no further distribution of this report until after your agreement has been obtained or public announcement has been made by you concerning the contents of the report.

Sincerely yours,

A handwritten signature in black ink that reads "James B. Stacks".

Comptroller General
of the United States

The Honorable Wilbur D Mills
Chairman, Committee on Ways and Means
House of Representatives

HSE 04100

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ABBREVIATIONS

AFDC	aid to families with dependent children
GAO	General Accounting Office
HEW	Department of Health, Education, and Welfare
SWEEP	Secretary of Welfare's eligibility evaluation project

CHAPTER 1

INTRODUCTION

Accountability to the public is a fundamental responsibility of any Government agency which administers a statutory program. The public, State legislatures, and the Congress are interested in knowing whether

--public assistance is being provided to all eligible persons,

--those who are receiving the money are eligible, and

--the program is being effectively administered.

To provide answers, the Department of Health, Education, and Welfare (HEW) developed a quality control system for welfare in 1964. The system was revised substantially in 1970 to provide for more effective control over ineligibility and incorrect payments in public assistance programs. HEW required the States to implement the revised system on October 1, 1970.

The system is a coordinated effort by HEW and the States to provide management with the information necessary to take prompt corrective action when problems arise. By analyzing samples of cases selected at random, inferences can be drawn as to whether State-wide rates of ineligibility and incorrect payments are within tolerance levels established by HEW.

In 1971 the General Accounting Office (GAO) evaluated the extent to which the quality control system was providing for control over ineligibility and incorrect payments in eight States--California, Colorado, Louisiana, Maryland, Michigan, New York, Ohio, and Texas--that accounted for about 50 percent of all Federal funds spent for public assistance in fiscal year 1971. In our report to the Congress, issued on March 16, 1972, we concluded that the quality control system as designed had not been implemented fully in the eight States.¹ Consequently, the purpose of quality control--

¹"Problems In Attaining Integrity In Welfare Programs," B-164031(3).

maintaining integrity in the welfare programs, i.e., insuring that correct payments were made to eligible persons only-- had not been accomplished.

Because of continuing concern about the integrity of the welfare program in Pennsylvania, the Chairman of the House Ways and Means Committee asked us to make a similar review of the quality control system in Pennsylvania.

HOW THE PRESENT SYSTEM
SHOULD OPERATE

Under the quality control system, samples of cases are to be selected randomly by the States from the universe of cases receiving federally supported public assistance¹ and from the universe of cases not receiving public assistance but that are receiving assistance under Medicaid² because of an inability to pay their medical bills. HEW predetermines the size of each sample so that it will be representative of the total caseload from which it is selected. Findings on the sample cases can then be projected over the entire caseload with statistical reliability.

Each selected case is to be investigated by State or local quality control staff to verify such eligibility and payment factors as (1) number of children, (2) ages of recipients, and (3) income and resources of the recipients. This investigation is to include an analysis of the case

¹The public assistance programs authorized by the Social Security Act are usually grouped into two categories--aid to families with dependent children (AFDC) and the adult programs for the aged, blind, and disabled.

²The Medicaid program, authorized by title XIX of the Social Security Act, allows HEW to share with the States the costs of providing medical care to persons unable to pay

records and a full field investigation.¹ On the basis of this investigation, a determination of eligibility and correctness of payment is made. Corrective action is required on all specific cases determined to be ineligible or receiving incorrect payments.

HEW has established maximum acceptable error levels--commonly called tolerance levels--of 3 percent for ineligibility and 5 percent for erroneous payments (excluding the first \$5). If error rates found through quality control reviews of sample cases exceed these tolerance levels, the States are required to take corrective actions to reduce the error rates in the total caseload to acceptable levels. For example, if a State's investigations show that 7 percent of its AFDC caseload is ineligible, appropriate corrective actions must be instituted to reduce the error rate. If the ineligibility rate is found to be 3 percent or less, corrective action is required only on the specific ineligible cases.

In addition to drawing samples from cases currently receiving assistance (active cases), the State is required to draw a sample of cases from those involving denials or discontinuances of assistance (negative cases). The purpose of this sample is to insure that persons are not improperly denied assistance or removed from the welfare rolls. The negative case sample usually entails only a review of case records, not a full field investigation. Separate error rates are developed from the results of the negative case sample, and separate corrective action must be taken if necessary.

Each State has the responsibility for operating its own quality control system and is required to report periodically on the results of its quality control reviews so that HEW can compile nationwide ineligibility and incorrect payment rates. HEW is responsible for formulating policies and guidelines and for monitoring State operations to insure that they adhere to Federal regulations and that the States are operating the system effectively.

¹ Full field investigations entail independent verification and documentation of all elements affecting eligibility and payment through interviews with recipients, examinations of documents, and information obtained from collateral sources.

PUBLIC ASSISTANCE IN PENNSYLVANIA

Quality control takes on added significance as public assistance caseloads and expenditures increase. Pennsylvania's public assistance rolls, including persons receiving medical assistance, for the federally supported programs increased from about 683,000 to 829,000 (21 percent) over the 18-month period from October 1970--the date the revised quality control system was to become operational--to March 1972.

During the 21-month period ended June 30, 1972, total expenditures were approximately \$1.7 billion, of which the Federal share was about \$837 million. Quality control is supposed to insure that these funds are spent properly

Pennsylvania also provides general assistance to needy persons not eligible for assistance under the federally supported programs. Although the general assistance program is not supported by Federal moneys, it may be included under the quality control system at the State's option.

Pennsylvania does not record separately the cost of operating its quality control system. The State estimated, however, that quality control expenditures in fiscal year 1972 were about \$842,000, of which approximately \$284,000 was the Federal share:

Scope of review

- Our work in Pennsylvania included
- assessing whether there was sufficient staff to operate the quality control system,
 - evaluating the adequacy of completed quality control reviews of active cases by reviewing a sample selected randomly from all reviews completed during the July to December 1971 sampling period,
 - determining the extent to which the State used quality control results to take corrective action,
 - evaluating other State efforts to control ineligibility and incorrect payments, and
 - reviewing HEW's role in monitoring the State's implementation and operation of the system.

CHAPTER 2

IMPLEMENTATION OF

QUALITY CONTROL IN PENNSYLVANIA

HEW required all States to have the revised quality control system fully operational by October 1, 1970. Pennsylvania did not meet this requirement nor had it fully implemented the revised system as of June 30, 1972--21 months after the required implementation date--although progress has been made.¹ Consequently, the level of control desired by HEW was not achieved over Federal funds of approximately \$837 million spent during this period for the State's public assistance programs.

The major factor delaying full implementation of the system has been the lack of sufficient staff to make the required number of quality control reviews. The shortage of staff resulted from (1) State-wide budgetary constraints and (2) the diversion of staff to another eligibility review program. (See ch. 4.)

Other problems arose with regard to the State's implementation of the quality control system because Pennsylvania did not

--adequately verify eligibility and payment factors for all cases reviewed and

--tabulate and analyze quality control results on a timely basis.

The Secretary of Public Welfare told us that in January 1971 her department believed it inadvisable to fully implement the quality control system because of what it considered to be the "chaotic state" of the operation of the welfare program. She stated that reports by the State

¹None of the eight States discussed in our March 16, 1972, report had fully implemented the required quality control system by October 1, 1970.

auditor general had shown that ineligibility was a problem in certain locations in the State. Quality control was not needed to indicate the existence of a problem.

Consequently, the Secretary believed that first priority should be given to improving the operation of the entire welfare system and reducing the high error rates reported by the auditor general. She further stated that, once the errors had been corrected, a quality control system would be useful for providing continuing assurance that ineligibility and incorrect payment problems were being resolved.

The specific problems we observed in the State's operation of the quality control system are discussed below.

STAFFING PROBLEMS

HEW guidelines specify that State quality control staffs must be sufficient to keep the case review process current. HEW recommended (1) staffing ratios of one reviewer for every 15 cases to be reviewed each month and a supervisor responsible for not more than six reviewers, (2) availability of a staff qualified to make statistical analyses, and (3) adequate clerical support.

Pennsylvania did not have sufficient staff to fully implement the quality control system as of October 1, 1970. Although the situation has improved, staff shortages continue to be a problem, as shown in the following table.

<u>Positions</u>	<u>Oct 1, 1970</u>		<u>Jan 1, 1971</u>		<u>July 1, 1971</u>		<u>Jan 1, 1972</u>		<u>July 1, 1972</u>	
	<u>Recom- mended (note a)</u>	<u>Actual</u>	<u>Recom- mended</u>	<u>Actual</u>	<u>Recom- mended (note b)</u>	<u>Actual</u>	<u>Recom- mended</u>	<u>Actual</u>	<u>Recom- mended</u>	<u>Actual</u>
Headquarters	1	1	2	2	5	5	4	1	4	3
Reviewers	97	16	97	24	71	54	70	8	70	45
Supervisors	16	5	16	5	12	6	12	3	12	6
Clerical	5	5	5	5	15	8	15	5	15	5
Total	<u>119</u>	<u>27</u>	<u>120</u>	<u>36</u>	<u>103</u>	<u>73</u>	<u>101</u>	<u>17</u>	<u>101</u>	<u>59</u>
Shortage	92		84		30		84		42	

^aWe used HEW guidelines to compute recommended positions for reviewers and supervisors for all periods. The State computed recommended headquarters and clerical positions.

^bRecommended reviewer positions decreased because HEW changed the quarterly sampling requirement to a semiannual requirement.

The welfare department recognized several months before October 1970 that a large staff buildup would be necessary because of the increased number of cases to be reviewed under the revised quality control system. However, the

welfare department's request to the State budget office for 105 additional quality control positions was refused in September 1970, because of the need to keep down expenditures.

In January 1971 a new administration took office. The new administration also recognized the need for additional quality control staff. In March 1971 a request for 61 additional quality control positions was approved by the budget office. State budgetary problems, however, continued to affect the ability of the department to hire staff through the latter part of 1971. Consequently, as of December 1, only 68 of the 103 recommended positions were filled. The lack of sufficient staff prevented the quality control system from being effective.

Other factors subsequently contributed to the staff shortage. In December 1971 the State welfare department initiated the Secretary of Welfare's eligibility evaluation project (SWEEP). SWEEP was not required by HEW to control eligibility. About 75 percent of the quality control staff was temporarily assigned to this special review; only a skeleton staff remained to do the required quality control reviews for December 1971 and most of January 1972. Most of the staff was reassigned back to quality control after January 1972.

Other persons left the quality control staff during late 1971 and early 1972 for various reasons. Also, eight quality control employees, including two supervisors, were reassigned to SWEEP in March 1972, further draining the resources of the quality control staff.

According to State welfare officials, another problem was that the State did not have sufficient office space for its quality control operations. The State planned to establish quality control offices in five locations throughout the State; partly because of space problems, one office never opened and another office was continually understaffed.

On April 13, 1972, the Secretary of Public Welfare wrote to the Governor requesting funds for 10 additional quality control positions to supplement the 91 positions already approved. This request was approved shortly thereafter. Thus, as of April 1972, all recommended quality

control positions were authorized. In May a recruitment bulletin was circulated throughout the State announcing these positions.

On April 27, 1972, the Secretary of Public Welfare advised HEW that the quality control system would be fully operational by July 1, 1972. As of August, 81 percent (82 of 101) of the required positions were filled. A State welfare official informed us that all positions were not filled because (1) recruiting had not been completely successful and (2) space still had not been acquired for one quality control office.

State officials advised us that inadequate staffing was the reason the State was unable to complete investigations of the required number of sample cases.

REQUIRED NUMBER OF REVIEWS NOT MADE

To help insure that quality control review findings were statistically reliable, HEW specified the number of cases to be reviewed in each State. Pennsylvania, however, was unable to complete the required reviews for any of the reporting periods from October 1, 1970, to December 31, 1971 (the latest date for which data was available).

Therefore the results of the completed reviews could not be used to make reliable statistical projections of State-wide ineligibility and incorrect payment rates.

The following table shows the extent of the problem from October 1, 1970, to December 31, 1971.

Quality Control Reviews Completed for the Reporting Periods from October 1, 1970, to December 31, 1971 (active cases)

Type of case	10-1-70 to 12-31-70			1-1-71 to 6-30-71			7-1-71 to 12-31-71		
	Required (note a)	Com- pleted	Percent of com- pletion	Re- quired	Com- pleted	Percent of com- pletion	Re- quired	Com- pleted	Percent of com- pletion
AFDC									
Philadelphia (note b)	300	74	24 7	600	91	15 2	1,200	88	7 3
All other State	<u>1,329</u>	<u>376</u>	<u>28 3</u>	<u>2,658</u>	<u>1,412</u>	<u>53 1</u>	<u>732</u>	<u>912</u>	<u>124 6^c</u>
	<u>1,629</u>	<u>450</u>	<u>27 6</u>	<u>3,258</u>	<u>1,503</u>	<u>46 1</u>	<u>1,932</u>	<u>1,000</u>	<u>51 8</u>
Adult									
Philadelphia (note b)	75	17	22 7	150	54	36 0	336	20	6 0
All other State	<u>149</u>	<u>61</u>	<u>40 9</u>	<u>298</u>	<u>221</u>	<u>74 2</u>	<u>864</u>	<u>395</u>	<u>45 7</u>
	<u>224</u>	<u>78</u>	<u>34 8</u>	<u>448</u>	<u>275</u>	<u>61 4</u>	<u>1,200</u>	<u>415</u>	<u>34 6</u>
Medical Assistance									
All State (note d)	<u>1,200</u>	<u>47</u>	<u>3 9</u>	<u>2,400</u>	<u>168</u>	<u>7 0</u>	<u>800</u>	<u>147</u>	<u>18 4</u>
Total	<u>3,053</u>	<u>575</u>	<u>18 8</u>	<u>6,106</u>	<u>1,946</u>	<u>31 9</u>	<u>3,932</u>	<u>1,562</u>	<u>39 7</u>

^aRequired sample sizes computed by GAO based on HEW guidelines and caseload data furnished by State

^bBecause of the concentration of welfare cases in Philadelphia, HEW required a separate sample

^cBecause of misinterpretation of sampling requirements, the State reviewed more cases than necessary. Also the cases reviewed were not statistically representative of all cases in the State

^dNo separate sample was selected for Philadelphia, contrary to HEW guidelines. The State-wide sample, however, did include cases from Philadelphia

Clearly, Pennsylvania cannot have an effective quality control system if it does not complete the required number of reviews in all locations to provide for State-wide coverage. Statistics for the period January 1, 1972, to June 30, 1972, were not available when we completed our fieldwork. Nevertheless, because of continuing staffing problems, it is

unlikely that overall improvement would have been made during this period.

Ineligibility and incorrect payment rates

Because Pennsylvania did not make the required number of reviews for any of the reporting periods between October 1, 1970, and December 31, 1971, the results could not be used to reliably determine whether tolerance levels had been exceeded for the State's caseload. Nevertheless, the generally high rates of ineligibility and incorrect payments for active cases reviewed during this period, as shown below, indicate the importance of completing reviews of all required sample cases so that reliable projections can be made, problem areas can be identified, and necessary corrective actions can be taken on time.

<u>Type of case</u>	<u>Number of reviews completed</u>	<u>Errors in eligibility status</u>		<u>Incorrect payments</u>			
		<u>Number</u>	<u>Percent of reviews completed</u>	<u>Number</u>		<u>Percent of reviews completed</u>	
				<u>Over</u>	<u>Under</u>	<u>Over</u>	<u>Under</u>
AFDC.							
Philadelphia	253	25	9.9	57	19	22.5	7.5
All other State	2,700	151	5.6	434	219	16.1	8.1
Adult							
Philadelphia	91	15	16.5	15	4	16.5	4.4
All other State	677	33	4.9	51	27	7.5	4.0
Medical Assistance							
State (note a)	362	39	10.8	-	3	-	0.8

^aNo separate sample was selected for Philadelphia, contrary to HEW guidelines. The State-wide sample, however, did include cases from Philadelphia.

PROBLEMS IN ELIGIBILITY EVALUATION

HEW guidelines for quality control reviews require that a full field investigation be made of each active case. This investigation--which entails independent verification and documentation of all eligibility and payment factors--is to be pursued to the point at which decisions on eligibility and the amount of entitlement are conclusive.

The results of quality control reviews are used as the bases for statistical projections to arrive at State-wide ineligibility and incorrect payment rates so corrective action can be taken if necessary. Because many recipients have been determined eligible for welfare with no prior investigation of eligibility factors, it is extremely important that the verification of eligibility and payment factors for the sample cases be complete. If not, decisions might be unreliable, valid statistical projections cannot be made, and necessary corrective action may not be taken.

To test the adequacy of verifications made during the quality control reviews, we randomly selected a sample of 100 Adult and 100 AFDC cases from those active cases on which quality control reviews had been completed for the July to December 1971 reporting period.¹ We examined these cases to determine the extent to which factors affecting eligibility and payments had been verified. We focused our review specifically on verification of resources and income, because for almost a decade failure to report or inaccurate reporting of these factors by welfare recipients has been a major cause of ineligible persons being on the rolls. In making our analyses we were guided by existing HEW and State quality control criteria and by discussions with HEW and State quality control personnel.

For the factors judged by us to be inadequately verified, we generally found that quality control reviewers (1) accepted statements from recipients denying the existence of resources or income or (2) based decisions on their

¹This sample size provided us a statistical reliability of 95 percent \pm 5.5 percent.

observations of recipients' socioeconomic circumstances. No attempts at obtaining collateral support or other verifications were made. Because the recipients' responses generally constituted mere affirmations of their statements at the time they initially applied for welfare, the need existed for more extensive verifications to insure that decisions regarding eligibility and entitlement amounts were valid.

We considered the quality control reviews to be inadequate when the case records did not contain evidence that the verifications supported definite conclusions that amounts of income and resources reported by the recipients were accurate. On the basis of these criteria, we considered that the reviews were inadequate in about 20 percent of the cases we sampled. A summary of our findings follows.

<u>Type of case</u>	<u>Number of cases completed by State</u>	<u>Estimated number and percent of cases with inadequate verification (note a)</u>	
		<u>Number</u>	<u>Percent</u>
AFDC	1,000	190	19
Adult	<u>415</u>	<u>90</u>	<u>21</u>
Total	<u>1,415</u>	<u>280</u>	<u>20</u>

^aBased on a random sample of 200 cases.

On the basis of our sample results, we are 95 percent confident that between 14 and 25 percent of the 1,415 reviews completed by the State did not include adequate verification of income and/or resource data.

HEW similarly found, in a recent administrative review of the Pennsylvania quality control system, that verification was not always adequate. Of the 70 quality control cases reviewed, HEW found insufficient verification of resources or income in 24, or 34 percent.

Our review of the adequacy of verification of the same factors in six of eight States covered in our March 1972 report showed that the percent of reviews involving inadequate

verification ranged from 71 to 100. Pennsylvania's performance was not as good as desired, but it was much better than the performance in the six other States.

We are not implying that the recipients were ineligible or receiving incorrect payments because verification of eligibility factors was inadequate. Rather, because verification was inadequate, the State cannot be certain of the effect of resources or income on recipients' eligibility or whether those persons receiving welfare are eligible.

Several examples of completed quality control reviews in Pennsylvania illustrate how collateral sources were or were not used to verify eligibility information.

Resources--real estate and disposal of property

Not used

In an Erie County case, the quality control reviewer accepted the recipient's statements that she did not own residential property or any other real estate and that she had not disposed of any property. Collateral sources were not used.

Used

In another Erie County case, the quality control reviewer checked courthouse records to verify that property was not owned and that none was disposed of.

State regulations stipulate that home ownership normally does not affect eligibility, provided the recipient acknowledges the possibility that the property could be sold and the proceeds used to reimburse the State for the amount of public assistance paid to the recipient. However, a recipient who owns real property other than his home must agree to take steps to promptly dispose of the property to remain eligible for assistance.

In verifying this resource, HEW criteria provide that, for a negative response by the recipient, the investigation be pursued to the point where some substantiation of the lack of property ownership is obtained. This includes use of collateral sources such as public records.

Resources-- savings

Not used

Used

The quality control reviewer, in a Philadelphia County case, accepted the recipients' statement that they had never been able to acquire any savings. Collateral sources were not contacted.

The quality control reviewer, in a case in Beaver County, questioned the recipient about savings and wrote to a local bank to verify the recipient's statement that no savings existed.

State welfare regulations require that, with certain exceptions, personal property which is immediately convertible into cash is to be considered an available resource for meeting current living expenses.

HEW guidelines specify that the value of any personal property held by a person is to be verified by documentary evidence. The guidelines, however, are not specific regarding what, if any, additional action must be taken by reviewers when recipients deny the existence of savings.

Income-- earnings

Not used

Used

In a Delaware County case, the quality control reviewer accepted a recipient's statement that she had never worked and her parents' statement that she was high-strung and could never hold a job. Collateral sources were not contacted.

In a Bedford County case, the quality control reviewer contacted both the Bureau of Employment Security and the recipient's former employer to obtain earnings information.

State regulations hold that income, with certain exceptions, affects the amount of the welfare grant.

HEW requires that

--the reviewer establish whether the recipient is working and verify the amount of earnings;

--all active AFDC cases in the quality control sample be routinely cleared through employment security office files; and

--a denial of earnings by a recipient who is obviously employable will, as a rule, be further investigated.

Resources--life insurance

Not used

The reviewer in an Allegheny County case accepted the recipient's statement that all life insurance policies had lapsed. No attempts to verify this or obtain information from collateral sources were made.

Used

The reviewer in a Fayette County case reviewed the recipient's insurance policies and contacted the insurance company for additional information.

Life insurance is considered a resource by the State and, as such, the policies held by the recipient may affect his eligibility.

HEW guidelines require that (1) ownership of life insurance be verified through the examination of insurance policies, other records of the recipient, or a statement from the insurance company and (2) the reviewer will continue to evaluate the circumstances when negative responses have been given.

The following table shows the extent to which we judged resource and income factors to be inadequately verified. In some cases only one factor was verified inadequately; in others, as many as four factors were not verified adequately.

<u>Eligibility factor</u>	Number of instances of inadequate verification in cases reviewed (note a)	
	<u>AFDC</u>	<u>Adult</u>
Resources.		
Real estate	8	8
Life insurance	4	3
Savings	11	11
Disposal of property	8	8
Income:		
Earnings	3	-
Pensions and benefits	2	8

^aWe sampled 100 cases in each category.

In cases where quality control reviewers verified certain income and resource factors, frequently contacted collateral sources included (1) the State Bureau of Employment Security, (2) private employers, (3) local banks and insurance companies, (4) public records in various counties, (5) the military services, and (6) the Social Security Administration.

HEW guidelines for these factors generally state that negative responses from a recipient should not be the sole basis for a quality control reviewer's eligibility and payment decisions. These criteria direct, for example, that the reviewer must reach a definitive conclusion on each resource element which affects eligibility and substantiate the findings.

An HEW regional official advised us that these guidelines are ambiguous regarding the extent to which collateral support and other documentation must be obtained. He believed the guidelines should be more definitive to insure more uniform interpretation of the extent to which collateral sources should be used.

State welfare officials also advised us that they believe HEW's criteria are too general regarding what verifications, if any, must be obtained to substantiate each

eligibility factor when the existence of resources or income is denied by a recipient. Consequently, the State welfare officials stated that judgment plays an important part in quality control investigations and must be used by reviewers to determine how much documentation and collateral support to obtain.

We agree that HEW quality control guidelines do not specify the extent to which documentation and collateral support should be obtained. Therefore, in our March 16 report on quality control, we recommended that HEW guidelines define, for the guidance of quality control reviews, necessary steps to be considered as requirements in determining recipients' resources and income so that quality control investigations can provide more conclusive findings. Although HEW agreed that the guidelines should be more specific, the June 1972 revisions to the guidelines did not require that certain steps be taken in all cases. Nevertheless, we believe that HEW criteria clearly indicate that some substantiation must be obtained to support reviewers' decisions.

STATE ANALYSIS OF QUALITY
CONTROL RESULTS AND ACTIONS TAKEN

Quality control can contribute to keeping rates of ineligibility and incorrect payments within HEW tolerance levels. To accomplish this the States must periodically assemble and analyze the results obtained from their reviews of a statistically reliable sample of cases and, when tolerance levels are exceeded, take corrective actions to bring error rates within acceptable limits. The key to the success of the quality control system is the effectiveness of the corrective actions taken when tolerance levels are exceeded.

Pennsylvania, because of the lack of adequate resources, did not fully compile quality control results until May 1972--over 19 months after the revised system should have been implemented and over 14 months from the date the first reports were due to HEW.

Despite this delay in formally compiling quality control results, the State began making analyses of partial quality control results in May 1971 and took action in August 1971 to reduce ineligibility rates. This action resulted in establishing more specific requirements for (1) verification of recipients' statements, (2) initial eligibility determinations and redeterminations for certain groups of applicants and recipients, and (3) validation of eligibility redeterminations. A State welfare official advised us, however, that the success of these procedures in reducing ineligibility rates could not be assessed until the results of quality control reviews made during the January to June 1972 sampling period were analyzed.

Even though the quality control results for the 15-month period October 1970 to December 1971 were not statistically valid on the basis of HEW's criteria, there were indications that ineligibility and incorrect payment rates exceeded HEW tolerance levels on a State-wide basis. (See p. 14.) The State advised us that, consequently, the data was analyzed to determine the types of errors causing the high rates of ineligibility and incorrect payments and to ascertain the actions necessary to prevent future recurrence of such errors. The analysis was completed in August 1972.

On the basis of this analysis, the quality control staff recommended several specific corrective actions to reduce State-wide ineligibility and incorrect payment rates. These included

- establishing a tight verification requirement for certain elements of eligibility,
- publicizing restitutions and prosecutions as a deterrent to client apathy in maintaining the integrity of his grant,
- requesting court-ordered support payments to be paid directly to the Department of Welfare,
- providing a training program designed to strengthen accountability for work performance, and
- trying to obtain legislative action to create direct administrative control of local welfare offices by the central State welfare department.

Because the report was not completed until mid-August, we could not assess the effect of corrective action before completing our field work. State welfare officials advised us, however, that all recommendations would be fully considered and acted on accordingly.

Regardless of whether HEW tolerance levels are exceeded, HEW requires the State to take action on those cases in which recipients are found to be ineligible or receiving incorrect payments. Such action includes appropriate adjustment of the Federal reimbursement by the State for funds improperly provided to those recipients as well as removing the persons from the rolls or changing the amount of payment if necessary. A State welfare official has stated that Pennsylvania's policy is to refer all such cases to the responsible county assistance office for action. Quality control personnel are not required to determine whether corrective action has been taken.

The purpose of quality control is to obtain corrective action. Without followup by quality control staff, there is no assurance that this corrective action is taken. The following situation in Pennsylvania illustrates why.

In 38 of the 200 quality control reviews we analyzed, quality control reviewers had determined the cases to be ineligible or receiving overpayments. Our analysis of county records to determine what corrective actions had been taken showed that

--in 25 cases county officials had taken corrective action which involved (1) closure of the case or suspension of the grant, (2) adjustment of the grant amount, or (3) transfer of the recipient to State-funded general assistance rolls,

--in four cases the counties had found the recipient to be eligible for assistance in their current category or another federally funded category,

--in one case the grant had been increased rather than decreased as suggested by the quality control reviewer;

--in three cases the case record did not indicate that the county had taken action; and

--in five cases no records were available.

We believe that, if quality control staff followed up on action taken by the counties, the opportunity to resolve differences could be enhanced and county officials could be encouraged to take corrective action when necessary.

Late reports

The quality control system calls for the periodic submission of reports on the results of reviews to HEW to enable it to determine the degree to which ineligibility and payment problems exist on a nationwide basis and to facilitate its efforts to (1) help States improve and strengthen their systems and (2) clarify Federal policies.

Pennsylvania, however, has not submitted the required reports on time. The following table shows the extent of the problem.

<u>Reporting period</u>	<u>Type of report</u>	<u>Date report due HEW</u>	<u>Date report received by HEW</u>
October to December 1970	Quarterly	March 1, 1971	May 31, 1972
January to March 1971	Quarterly	June 1, 1971	May 31, 1972 ^a
April to June 1971	Quarterly	Sept 1, 1971	May 31, 1972 ^a
July to December 1971	Semiannual	April 30, 1972	May 31, 1972

^aOne report submitted to show results from January to June 1971.

HEW has been concerned about the delays and, on various occasions, contacted the State to inquire into the status of the overdue reports. According to welfare department officials, delays in reporting existed because its data processing unit gave priority to other needs of the department. On April 27, 1972, the Secretary of Public Welfare advised HEW that early in May the department would have the computer capacity to process the data and that the required reports would be submitted shortly thereafter. The reports were received by HEW on May 31, 1972.

The Secretary has assured HEW that, in the future, reporting deadlines will be met. Moreover, quality control officials advised us that procedures had been established to insure that in the future reports required by HEW would be submitted on time.

CHAPTER 3

HEW ACTIONS TO OBTAIN

COMPLIANCE BY PENNSYLVANIA

Although the States are responsible for operating their quality control systems, HEW is responsible for insuring effective nationwide implementation and operation of the system. HEW, in an effort to fulfill its responsibilities, recognized soon after October 1, 1970, that Pennsylvania was having problems in implementing quality control and made continuous efforts to bring about full compliance.

HEW's efforts to obtain compliance, however, had little impact on the State. As discussed below, HEW's actions consisted primarily of advising the State in meetings and by letters that it should comply with Federal regulations. HEW does not have an effective management tool to insure that States adhere promptly to Federal regulations.

HEW RESPONSIBILITIES REGARDING QUALITY CONTROL

After HEW completed the initial design of the revised quality control system and furnished the States with material necessary for the system's implementation, HEW's responsibilities were to (1) assist States in achieving timely implementation, (2) monitor States' operations, and (3) take corrective actions, if necessary, to insure effective implementation and operation of the system.

HEW regional offices have the primary responsibility for monitoring State quality control systems, keeping abreast of their day-to-day operations, resolving problems which arise, and making assessments of the effectiveness of State quality control operations. The regional offices are also responsible for investigating completed quality control reviews to determine whether State employees are making adequate reviews and to provide HEW with information necessary to determine whether States are complying with Federal requirements. Region III, in Philadelphia, is responsible for Pennsylvania.

When HEW notes deficiencies in State operations, it is required under its regulations to assist the States in devising and implementing corrective actions to bring the operations into compliance with HEW requirements.

HEW EFFORTS TO OBTAIN
COMPLIANCE BY PENNSYLVANIA

HEW realized that, because of staffing insufficiencies, States would have problems in implementing the quality control system on the target date, October 1, 1970. Even though an attempt was made to provide some measure of relief to the States by reducing the sample size originally required, HEW reiterated that the October date was a firm requirement.

HEW recognized that it was essential to keep currently informed of the States' progress in implementing the system. In mid-October 1970 -- 2 weeks after the States were to implement the system -- HEW headquarters advised its regional offices of the need to identify States having problems in implementing the system and to report the information to headquarters so that assistance could be provided in overcoming the problems. HEW headquarters emphasized to the regional offices that monitoring was doubly important in the initial operational periods of the new system.

Almost immediately a regional representative visited Pennsylvania, and, on October 27, 1970, the State was requested to furnish a target date for full implementation of the system. Pennsylvania did not provide a target date but did provide HEW with a status report which cited its major problems: (1) lack of staff and (2) delay in selecting samples

When it became apparent that the State would be unable to readily solve its problems, HEW advised the State in January 1971 that its system was not operating in accordance with Federal requirements and requested immediate attention. Pennsylvania provided HEW with another status report in February 1971 which advised HEW that the system was not fully operational because of staffing shortages but that approval from the State's budget office for the additional required staff had been requested.

In May 1971 Pennsylvania advised HEW that problems were slowly being resolved and that the quality control system should be implemented by the fourth quarter of 1971. An HEW Region III representative advised HEW headquarters that serious problems would probably continue to exist in the State on implementation of quality control and that the region would work with the State to achieve prompt implementation.

From May 1971 through January 1972, HEW made numerous contacts with State welfare officials, including the Secretary, in a continuing effort to achieve prompt and complete compliance. In general, the State reiterated its prior position that it was taking steps to bring its system into compliance with Federal requirements, but its problems persisted.

HEW does not have an effective means of insuring that States comply with Federal regulations. The only process available to HEW is the compliance process. HEW regional offices must initiate compliance proceedings against a State and refer its recommendations for action to the Administrator, Social and Rehabilitation Service. The Administrator must decide whether to continue compliance proceedings by establishing a formal hearing date.

Often, proceedings do not begin until a State has been violating Federal regulations for months. The compliance process is complicated, involves formal hearings, and might take as long as 2 years to complete. Therefore, by the time a decision is reached, a State could have violated Federal regulations continuously for a long time. If the State is determined to be out of compliance, HEW's recourse is to cut off Federal funds used by the State to administer its welfare program.

In January 1972 HEW Region III initiated compliance proceedings against the State because it had not fully implemented the quality control system. On January 20, 1972, the region recommended to the Administrator, Social and Rehabilitation Service, that a formal hearing date be set regarding this issue. HEW headquarters officials then requested the region to prepare the necessary documents so the Administrator could make a decision.

On March 27, 1972, the regional office requested the State to advise HEW (1) when the quality control system would be fully implemented and (2) when required reports would be submitted. The State, in response, advised that full implementation would be completed by July 1, 1972. As discussed in chapter 2, the State did not meet this target date. As of August 1972 a formal hearing date still had not been set.

INTERNAL PROBLEMS ENCOUNTERED BY HEW

Our March 16 report noted problems encountered by HEW during the early stages of operation of the revised quality control system. Among these problems was insufficient staff in its regional offices to monitor the States' operation of the system. This hampered HEW's capability to effectively carry out its responsibilities.

HEW Region III, for instance, had only one person available on a part-time basis to assist and monitor quality control operations in five States (including Pennsylvania) and the District of Columbia and could not closely monitor quality control operations in its region or assist the States in avoiding or solving problems.

HEW subsequently authorized four additional quality control positions for Region III. By April 1972 all four positions had been filled, and in April regional staff began to review Pennsylvania's quality control system. A report on the operation of the system was completed in June. Although no conclusion was reached on the overall effectiveness of quality control, several significant problems similar to those discussed in chapter 2 were noted.

HEW AUDIT COVERAGE OF PENNSYLVANIA'S QUALITY CONTROL SYSTEM

From June 1971 to February 1972, the HEW Audit Agency in Region III reviewed the quality control system in Pennsylvania. Although the Audit Agency advised us that the formal report would not be issued until September, the draft report concluded that the State's system was neither effective nor in compliance with Federal requirements. Specifically the Audit Agency stated that

- results of quality control reviews had been neither tabulated, analyzed, nor reported on time to management and had prevented the State from taking timely corrective action to reduce errors and eliminate the causes of these errors and
- the majority of public assistance cases selected for quality control review had not been reviewed and had caused HEW's statistical sampling requirements to be unfulfilled.

CHAPTER 4

OTHER EFFORTS BY PENNSYLVANIA TO INSURE

INTEGRITY IN THE WELFARE PROGRAM

Rather than giving priority to implementing the federally required quality control system, the State undertook, on its own initiative, other efforts to insure the integrity of its welfare program. These efforts included (1) a program to review the eligibility of every AFDC and general assistance case in the State on a county-by-county basis (SWEEP) and (2) a system for controlling the delivery of checks to welfare recipients.

The efforts are commendable but should not be substituted for, or take precedence over, Federal requirements, such as quality control, designed to continuously control State-wide ineligibility.

SWEEP

The State welfare department, in December 1971, initiated SWEEP. The Secretary of Public Welfare emphasized to us her belief that quality control was a useful management tool only if welfare staff members involved in making initial determinations and redeterminations of eligibility were able to effectively carry out their jobs. Because she believed that this was not the case in January 1971, first priority was given to controlling this aspect of the welfare program. SWEEP was designed to identify and rectify specific problems that counties were having. Once major problems with initial determinations and redeterminations of eligibility were resolved, quality control could be used to monitor and control welfare operations.

Objectives of this project were to (1) remove ineligible persons from welfare rolls and (2) correct erroneous payments, to provide accountability over the State's public assistance expenditures. The project was also designed to restore public confidence in the department's public assistance program.

SWEEP reviews all case records of AFDC and general assistance recipients on a county-by-county basis in all 67 counties. It does not involve field investigations to verify eligibility and payment information, as does quality control. SWEEP staff, however, can recommend that county officials take corrective action, such as redetermining eligibility and amount of payment, for all cases.

SWEEP reviews have been initiated in 12 counties. As of July 1972 reviews had been completed in five counties.

Results from initial SWEEP reviews

Staff for SWEEP was obtained initially by diverting quality control personnel to SWEEP. (See p. 10.) Four counties--two with relatively small caseloads, Butler and Lehigh, and two with medium-size caseloads, Chester and York--were selected for initial SWEEP reviews. These counties were selected also because quality control units were already established in those areas. SWEEP was divided into three phases:

- Reconciliation of county and State records.
- Audit of case record information.
- Corrective action by county welfare offices on errors found.

The results of the reviews in the four counties are shown in the following table.

Results of initial SWEEP reviews (note a)

	Counties									
	Butler		Chester		Lehigh		York		Total	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Total cases reviewed	1 173	100 0	3 076	100 0	1 670	100 0	3 070	100 0	8 949	100 0
Cases requiring corrective action	689	58 7	1 545	50 2	606	36 3	1 065	35 1	3 905	43 6
Corrective actions taken (note b)										
Ineligible cases	43	3 7	261	8 5	67	4 0	77	2 5	448	5 0
Incorrect payment cases										
Overpayments	120	10 2	158	5 1	62	3 7	246	8 1	586	6 5
Underpayments	65	5 5	94	3 1	22	1 3	321	10 6	502	5 6
Overdue redeterminations cases	175	14 9	621	20 9	376	22 5	339	11 9	1,511 ^c	16 9
Deficient record information cases	421	35 9	596	19 4	168	10 1	511	16 9	1,696 ^c	18 9

^aStatistics compiled by State and unaudited by GAO

^bMore than one action could be taken on each of the 3,905 cases

^cCorrective action was taken by counties to redetermine eligibility in these cases and/or correct the record deficiencies. Additional cases involving ineligibility and incorrect payments found as a result of these actions are included in the above totals.

These results show that ineligibility and incorrect payment problems existed in these counties. In addition, (1) redeterminations of eligibility were not being made on a timely basis and (2) information in case records was incomplete or inaccurate. Welfare officials estimate that at least \$82,000 was saved monthly as a result of identifying ineligible or incorrect payment cases.

It is important to emphasize that the results of these reviews cannot be used to draw any conclusions regarding ineligibility and incorrect payment rates for the State's total AFDC and general assistance caseloads. The cases reviewed do not represent a valid statistical sample of the State-wide caseloads, and accordingly the results can be used only to determine the extent of the problem in the specific counties where the reviews were made.

The errors in eligibility and payments in the four counties were attributed by the State to (1) changes in recipients' circumstances and new information which remained undetected because eligibility redeterminations had not been made on a timely basis and (2) deficiencies in case record data because of weaknesses in county staff performance. The following table shows the extent to which these two factors contributed to the problems.

<u>Type of error</u>	Contributory factor for errors found by SWEEP (percent)	
	<u>Overdue redeterminations</u>	<u>Record deficiencies</u>
Ineligibility	36.2	63.8
Overpayments	25.5	74.5
Underpayments	26.2	73.8

As a result of these findings, the State took steps to implement a State-wide training program for new eligibility workers designed to help insure that they correctly carry out their eligibility functions.

The State, however, has been unable to reduce the backlog of overdue redeterminations on a State-wide basis because of staff shortages. A State welfare official advised us that the counties are responsible for insuring that redeterminations are kept current. Budgetary constraints have prevented the hiring of sufficient staff to keep pace with the rapidly increasing caseloads. As a result, the counties have been unable to make the redeterminations within the required time frames.

Subsequent SWEEP efforts

In January 1972 SWEEP was established as a permanent program, equal in organizational status to quality control. The State anticipates that SWEEP will eventually make reviews in all 67 counties. State officials have estimated that it may take at least 18 months to complete reviews in all counties. Moreover, they plan to periodically sample cases in counties already reviewed to determine whether error rates have been significantly reduced.

Subsequent to the initial SWEEP reviews, reviews have been made in the following counties: Berks, Bucks, Dauphin, Indiana, Lebanon, Montgomery, Philadelphia, and Westmoreland. At the close of our fieldwork, final results from these reviews had not been compiled. Preliminary results indicate, however, that at least \$31,700 will be saved monthly by correcting payment errors.

SWEEP limitations

SWEEP reviews are duplications of eligibility determinations made on the basis of case record reviews. If the State had effectively determined initial eligibility and made more timely redeterminations of eligibility, SWEEP would not have been necessary.

Even if such a duplication is needed, SWEEP should not be considered as a substitute for a quality control system. Quality control can provide continuous information on basic deficiencies in eligibility and payment decisions on a state-wide basis and provide management with information so state-wide corrective action can be taken. Such information is based on reviews of case records and full field investigations.

SWEEP can only provide information regarding problems on a county-by-county basis. Such information, moreover, is based only on a review of case records. Under current levels of staffing, such reviews can be completed in each county only about every 2 years.

SWEEP reviews enable a county to take corrective action at a specific time on specific cases determined to be ineligible or receiving incorrect payments. Because SWEEP does not continuously sample caseloads, it cannot provide for continuous monitoring of payment problems, as does quality control. Under SWEEP, once its reviews are complete, the State has no assurance that problems causing payment errors in the specific counties will remain solved. Only by continuously analyzing a sample of cases can such assurance exist. Therefore SWEEP cannot provide for the same type of control over the State's welfare caseload as can quality control.

DIRECT DELIVERY SYSTEM

To achieve control over another aspect of the welfare program--the delivery of checks to recipients--the State has recently initiated in one Philadelphia welfare district, on a trial basis, a system which requires recipients to pick up their checks at local banks. This measure was taken because

- a serious problem exists with respect to lost and stolen checks, necessitating the issuance of emergency replacement checks,
- recipients very often must pay to have their checks cashed, and
- the imbalance in the ratio of staff to workload demands has affected the counties' abilities to properly investigate welfare cases and administer the system.

This direct delivery system provides for banks to receive checks from the State and to issue them to recipients upon presentation of photo-identification cards. Banks also cash the checks at no cost to the recipients.

The State has estimated that savings of about \$11 million annually could result in Philadelphia County alone from full implementation of this system, assuming that its experience in a pilot test area would be typical of the whole County. These savings would generally result from (1) elimination of duplicate payments, (2) reduction in personnel costs, and (3) removal of ineligible recipients from the welfare rolls. For example, a comparison of the pilot district against another district in Philadelphia of comparable size which did not have the direct delivery system showed that, over a 6-month period, only 134 duplicate checks were issued in the pilot district, whereas about 4,200 duplicate checks were issued in the district lacking the system.

As of August 1972 the direct delivery system had been implemented in several additional welfare districts in Philadelphia. The State plans to implement the system in Allegheny and Dauphin Counties in September.

Although we have not validated the results of this test, we believe that this system represents a positive step to control welfare expenditures and is a workable adjunct to an effective quality control system

AUDITOR GENERAL EFFORTS

The State auditor general, an elected official, has responsibility for insuring that public moneys are properly and legally disbursed. In this capacity, he can examine all financial transactions in the State, including expenditures for the welfare program.

The auditor general has reviewed periodically the extent of ineligibility in the welfare program. Although the reviews did not use random-sampling techniques, the results provided the State with additional information about ineligibility in specific locations and were used to control the welfare program.

CHAPTER 5

CONCLUSIONS

The quality control system in Pennsylvania has not been fully implemented and redeterminations of eligibility have not been made on time, contrary to Federal regulations. Because these problems have existed since at least October 1970, the State has lacked the means of continually insuring the integrity of its welfare program

The State, however, did recognize that ineligibility and incorrect payment problems existed but decided to place primary reliance for correcting the problems on SWEEP. Although SWEEP enables the State to correct specific payment errors on a county-by-county basis, it does not provide for continually controlling State-wide ineligibility and incorrect payment problems, as does quality control.

Although HEW has continually discussed these problems with the State, an inherent weakness exists in the administration of the welfare program inasmuch as HEW does not have an effective method of insuring that States properly fulfill their responsibilities. We base this observation on the fact that HEW's only means of insuring State adherence to Federal regulations is the compliance process, which is drawn out and could ultimately involve such drastic action as cutting off Federal welfare funds being provided to the State for administering its program.

Because administration of the welfare programs is a joint Federal-State responsibility, effective control over ineligibility and incorrect payments can be achieved only if both levels of government voluntarily cooperate in fulfilling their respective roles in efforts such as quality control.

Future progress in implementing the Federal system in Pennsylvania will depend primarily on the State's willingness to fill all required quality control positions, enabling it to complete the required number of reviews. The desired degree of control over the State's welfare program is also dependent upon

- the degree of improvements made by HEW in making its review guidelines more specific and
- the State's adequate verification of eligibility factors, especially through the use of collateral sources of information.