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COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548



B-164031 *CTR*

AUG 14 1972

Dear Mr. Chairman:

Your letter of March 21, 1972, requested that the General Accounting Office review 195 welfare case summaries provided to you by the Louisiana Welfare Department and arrive at conclusions concerning eligibility and correctness of payments. You stated that the Committee staff had examined the case summaries and had found errors in a substantial number of them. The identities of the welfare recipients had been obliterated from the case summaries.

02 At a meeting on March 30, 1972, with your representatives, we pointed out that we had issued a report to the Congress on March 16 on the effectiveness of the quality control system designed by the Department of Health, Education, and Welfare (HEW) to control welfare eligibility and correctness of payment.¹ In that report--which covered eight States, including Louisiana--we stressed that only through such an ongoing system could management expect to have continuous control over its welfare programs. We noted that Louisiana's quality control system was not operating effectively as of July 1971 and that therefore the State did not have an adequate means for controlling eligibility and payments. HEW had required the States to have the system operating by October 1970.

Because of the importance of an effective quality control system and because of the desire to know how the system is now operating in Louisiana, we agreed with your representatives to do the necessary fieldwork to update our information on that State's system. Also, we agreed to review the 195 case summaries and to advise you of our opinions concerning eligibility and correctness of payment. Our opinions were to be based only on the information provided in the case summaries. Field investigations were not made nor was additional information sought.

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

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RESULTS OF REVIEW OF CASE SUMMARIES

The Committee staff had classified the 195 case summaries as follows:

- In 116 cases the recipients were eligible for assistance and were receiving the correct grant amounts.
- In 34 cases the recipients were eligible for assistance; however, the grant amounts were excessive.
- In 45 cases either the recipients were ineligible or, on the basis of the data presented, their eligibility was seriously questionable. Two of these cases involved suspected fraud.

On the basis of our review of the case summaries--all of which involved the aid to families with dependent children (AFDC) program--we reached conclusions which coincided substantially with the Committee staff's classifications. We believe that nine of the 45 cases classified as ineligible or questionable as to eligibility and nine of the 34 classified as receiving overpayments were, in fact, eligible for assistance and were receiving the correct grant amounts. We believe also that, of the 116 cases classified as eligible and receiving the correct grant amounts, 10 were receiving overpayments and one was receiving an underpayment.

Circumstances contributing to ineligibility or overpayments reflect the relatively unstable living situations of many of the recipients. For example, although some recipients were intermittently employed, they did not always report all income earned to the welfare department.

In other cases, children supposedly living in the recipient's home left for one reason or another. For example, a child living at home when the mother applied for welfare subsequently moved to the grandmother's house for several months and during that period should not have been included in the

grant. The mother did not report the move to the welfare department.

In still other cases husbands who had deserted their families returned periodically or infrequently provided the family with extra money which was not reported to the welfare department.

Of the 71 cases we considered to be ineligible or receiving overpayments, unreported income was the primary cause of ineligibility or overpayments in 35, or about half of the cases. Although it is not statistically valid to conclude, on the basis of the information on 35 cases, that unreported income is a main cause of ineligibility, the cause of the problem in these cases is consistent with the findings of previous studies of eligibility and with the changing work pattern of families receiving assistance under the AFDC program.

The 1963 nationwide investigation of eligibility in the AFDC program made by HEW and monitored by us indicated that two main factors causing ineligibility were (1) incomes in excess of standards and (2) lack of parental deprivation for the dependent child or children i.e., parents were in the home. The same two factors were identified 6 years later as major reasons why families became ineligible once they were on the welfare rolls. In 1969 a study by HEW and New York State of eligibility of AFDC recipients in New York City--again monitored by us--showed that the principal reasons for ineligibility were (1) AFDC children were not deprived of parental support and (2) the families' incomes or financial resources exceeded standards.

The changing work patterns and earnings of AFDC recipients are documented in an article which reviews studies made of the work patterns of AFDC mothers.¹ The authors of the

¹Rein, Mildred, and Wishnov, Barbara, "Patterns of Work and Welfare in AFDC," Welfare in Review, November to December 1971, p. 9.

article--Mildred Rein and Barbara Wishnov of the Social Welfare Regional Research Institute of Boston College--note that:

"The pattern that emerges from these statistics [on caseload openings and closings] indicates that *** a large group *** rotates from being on and off [welfare]. The data also shows that a certain number of cases are opened and closed for reasons of employment ***. There is no certain way of conclusively linking these two phenomena of 'on and off welfare' and employment, given the current state of the data, but the assumption can well be made that at least a substantial number of the rotating cases actually do or could fall 'into a category of opened and closed for reasons of employment.'"

Commenting further on the types of jobs the recipients might get and on possible reporting problems, the authors state that:

"The jobs may be intermittent or seasonal or part time or afford a few days a week of work or a few hours here and there. ***"

* * * * *

"Because of its irregularity, attachment to this kind of job market almost dictates a certain flexibility in disclosure. Jobs of this kind are difficult to report and advantageous to keep hidden ***. If this group [AFDC women], because it is caught in a fluctuating economy, accumulates small amounts of income from various sources, incomplete disclosure of resources and amount of work would be consistent with this aim."¹

The ups and downs of recipients' economic situations emphasize the need for accurate, timely redeterminations of eligibility of AFDC recipients at least semiannually--as

¹Ibid., p. 11.

required by HEW--so that changes in their situations can be detected and the grants can be adjusted accordingly.

Although we did not evaluate Louisiana's redetermination process, we wish to point out, because of your concern regarding ineligibility and pending welfare reform, some findings from our previous work which indicate that redeterminations may not always be effective.

Our review of the provision of drugs under the Medicaid program in Ohio in 1969 included a review of a sample of welfare cases in Cuyahoga County to determine the timeliness of redeterminations. Our review showed that 39 percent of all redeterminations made during the 3-year period ended June 30, 1969, had been overdue. The average time overdue was 5 months in the AFDC program.¹

Some limited statistics included in a previous General Accounting Office report prepared for your Committee indicate that the redetermination process may not always provide the type of information needed to effectively reassess a recipient's eligibility unless direct contact is made between the recipient and the eligibility worker.² The report contained statistics on redeterminations made in three New York City welfare centers using the simplified method for determining eligibility for public assistance. Under this method a recipient could certify continued need for welfare or could note changes which might affect the amount of the grant by merely filling out and returning a single-sheet declaration form furnished by the welfare department.

During the period April through December 1970, redetermination forms were mailed to about 23,400 welfare cases (aged, blind, disabled, AFDC, and general assistance) in the

¹"Controls Over Medicaid Drug Program In Ohio Need Improvement" (B-164031(3), Nov. 23, 1970).

²"Comparison of the Simplified and Traditional Methods of Determining Eligibility for Aid to Families with Dependent Children" (B-164031(3), July 14, 1971).

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three centers. About 95 percent of the forms were filled out and returned to the welfare department. Considering the fluidity of clients' economic situations, as discussed above, one could expect that changes would have occurred for many recipients; however, 95 percent of the forms returned indicated no changes.

Redeterminations of eligibility therefore should probably be based on more than a recipient's certification of continuing eligibility and should include direct contact between a recipient and an eligibility worker and verification of key eligibility factors.

It is not practicable for eligibility workers to continuously seek out current earnings data on all AFDC recipients or to verify reported monthly earnings data in those States which require recipients to file such data. Nevertheless, through an effective, periodic redetermination process, changes in the income of AFDC recipients could be noted on a timely basis. (HEW requires that redeterminations be made at least every 6 months.)

Information on the 195 case summaries was not adequate to determine whether effective and timely redeterminations had been made. Thus we cannot comment on whether these situations should have been detected through the redetermination process. Nevertheless, the redetermination process is a critical means for controlling ineligibility.

LOUISIANA QUALITY CONTROL--AN UPDATE

HEW's quality control system was designed to enable it and the States to identify problems in administering the public assistance programs and to take prompt corrective action. The system provides for (1) measuring periodically, through the use of statistically reliable samples, the extent of recipient ineligibility and incorrect payments and (2) analyzing cases to determine the types of errors that caused the problems and furnishing management with this information to provide a basis for action to keep rates of ineligibility and incorrect payments within tolerable limits.

Under the system the States are to randomly select sample cases from the total number of cases receiving assistance (caseload) under each of their public assistance programs. The size of each sample is predetermined by HEW so that it will be statistically representative of the total caseload from which it has been selected. Therefore findings on the sample cases can be projected to the entire caseload with statistical reliability.

The State or local quality control staff is to investigate each selected case to verify eligibility and payment factors--such as number of children, ages of recipients, and earnings and resources of the recipients. This investigation is to include an analysis of the case records and a full field investigation.¹

HEW has established maximum acceptable error levels--commonly called tolerance levels--of 3 percent for ineligibility and 5 percent for overpayments or underpayments (excluding the first \$5). If error rates found through the quality control reviews of sample cases exceed these tolerance levels, the States are required to determine the cause of the problem and to take appropriate corrective actions to reduce the caseload error rates to acceptable levels. For example, if a State's investigations show that 7 percent of its AFDC caseload is ineligible, corrective actions must be instituted for the total caseload. If the ineligibility rate is found to be only 2 percent, corrective actions are required only on the specific cases determined to be ineligible.

Our March 16, 1972, report on the implementation of the quality control system, based on fieldwork completed in June 1971, showed that Louisiana was experiencing substantial problems. The situation approximately 1 year later indicated that

¹Full field investigations entail independent verification and documentation of all elements affecting eligibility and payment through interviews with applicants and collateral sources, home visits, and examinations of pertinent documents.

little, if any, progress had been made. Louisiana has still not effectively implemented the quality control system that HEW required the States to have fully operational by October 1, 1970.

A lack of funds to employ needed staff and a ceiling on the number of staff that could be hired during 1970 and 1971 hindered Louisiana's implementation of the Federal system. Staffing continues to be the major problem, and, until it is resolved, Louisiana will be without an effective management tool to control the eligibility and payment aspects of its welfare programs.

Staffing

The quality control staffing situation has not improved since May 1971. Now, as then, the State has 12 quality control reviewer positions authorized but because of budgetary constraints, staffing is restricted to 80 percent of authorized levels. The quality control staff levels from May 1971 to April 1972 are summarized in the following table.

	<u>5-1-71</u>	<u>7-1-71</u>	<u>10-1-71</u>	<u>1-1-72</u>	<u>4-1-72</u>
Number of quality control reviewers	9	9	7	6	8
Number of supervisors	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
Total	<u>10</u>	<u>10</u>	<u>8</u>	<u>7</u>	<u>9</u>

Since our last review the State quality control unit has had the added responsibility of reviewing sample cases for the food stamp program. The State welfare department considers that it needs the following 80 positions to carry out its quality control responsibilities.

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Public assistance programs:		
Quality control reviewers	46	
Quality control supervisors	<u>9</u>	
Total		55
Food stamp program:		
Quality control reviewers	17	
Quality control supervisors	<u>3</u>	
Total		20
Administrative and support staff for both public assistance and food stamp programs		<u>5</u>
Total		<u>80</u>

The welfare department requested 67 additional quality control reviewer positions in its budget request for fiscal year 1973. The final budget submitted by the Governor to the State legislature, however, reflected spending levels for the current fiscal year (1972) because of a severe shortage of funds. It is unlikely, therefore, that the quality control staff can be increased significantly in the upcoming fiscal year (1973). The State welfare commissioner advised us that, although he considers it essential to adequately staff the quality control unit, the fiscal problems of the State mean that this goal will probably not be reached before fiscal year 1974.

Sampling

Our March 16 report showed that, for the first quarter that the quality control system was to be in operation (October to December 1970), Louisiana had not selected a sample of cases to be reviewed in accordance with HEW requirements. Little progress has been made. Because of staff shortages the quality control unit has continually been unable to review the number of cases required to make reliable statistical projections of the extent of ineligibility, overpayments, or

underpayments in the State's caseload. The portion of the required sample sizes reviewed for the following periods reflects the staffing situation noted on page 8. As the number of filled quality control reviewer positions changed, so did the portion of required sample size reviewed.

<u>Date</u>	<u>Reviewer positions filled</u>	<u>Required sample size</u>	<u>Proportion of sample reviewed</u>
July 1971	9	830	1/4
October 1971	7	844	1/8
January 1972	6	674	1/8
April 1972	8	680	1/5

Investigations

Our March 16 report also showed that investigations of the eligibility of cases selected for quality control review had to be very thorough if conclusions about the State's entire caseload were to be drawn from the results of these investigations. In Louisiana the decisions reached regarding eligibility in about 95 percent of the completed quality control reviews we sampled were questionable because the case records did not contain sufficient evidence to support the conclusions reached regarding the recipients' incomes and resources. Too often reviewers relied completely on a recipient's word and did not attempt to verify information through use of collateral sources.

Although our review of the adequacy of investigations being made 1 year later indicated improvement, there was room for more progress. We analyzed the adequacy of investigations of 20 of the most recently completed quality control cases reviewed by randomly selecting five completed cases from each of the four quality control area offices in the State having the largest number of cases to review.

The records for 10 of the 20 cases either contained sufficient evidence that adequate collateral sources had been contacted to verify both incomes and resources or indicated

that the quality control reviewers' conclusions regarding incomes and resources were reasonable even though collateral sources had not been used to verify both incomes and resources. In the other 10, this was not the case.

In guidelines that became effective on July 1, 1971, HEW clarified the types of verification to be obtained during field investigations. The guidelines provided that a recipient's negative response regarding his resources or income did not relieve a quality control reviewer of the responsibility for further investigation and suggested that certain sources, such as former employers and employment security offices, could provide useful leads regarding income and resources. Louisiana quality control reviewers used such sources to verify resources and incomes in 13 of the 20 cases which we analyzed. Even though such checks did not mean that verification of both incomes and resource factors was adequate in all cases, the fact that they are being made indicates an improvement in Louisiana's investigations.

Corrective action

To accomplish corrective action the States must assemble and analyze the results obtained from their reviews of a statistically reliable sample of cases. Louisiana had not completed reviews of a statistically reliable sample of cases when we initially evaluated its quality control system and had not analyzed cases to determine the types of errors that could have caused problems. Thus the State was not in a position to take State-wide corrective action. The situation regarding corrective action has not changed during the past year. Action has been limited to correcting, on a case-by-case basis, the specific errors in payments and eligibility found through quality control reviews. Consequently, quality control has not been used by State welfare program officials to effectively correct ineligibility and incorrect payment problems on a State-wide basis.

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HEW efforts

HEW has continuously consulted with Louisiana to resolve some of the issues preventing the State from effectively operating a quality control system. Because the problems could not be resolved through negotiations, the Regional Commissioner of the Social and Rehabilitation Service recommended to the Administrator in December 1971 that a formal compliance hearing be held regarding the State's quality control system. As of June 1972 the Administrator had not set a date for a formal hearing; however, HEW headquarters officials advised us that a hearing date would be set in the near future. If the results of the formal hearing indicate that Louisiana is not in compliance with Federal requirements, HEW could cut off Federal welfare funds provided to the State.

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We trust that the above information is responsive to your inquiry and will be of assistance to you. We plan to make no further distribution of this report unless copies are specifically requested, and then we shall make distribution only after your agreement has been obtained or public announcement has been made by you concerning the contents of the report.

Sincerely yours,



Comptroller General
of the United States

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The Honorable Russell B. Long
Chairman, Committee on Finance *\$ 4100*
United States Senate