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The Honorable Julian C. Dixon  
Chairman, Subcommittee on the  
District of Columbia  
Committee on Appropriations  
House of Representatives

Dear Mr. Chairman:

This letter and enclosures respond to your request for a summary of the problems and deficiencies identified in recent audit reports, studies, and court orders pertaining to the District of Columbia's Aid to Families with Dependent Children (AFDC), Food Stamps, Foster Care, Emergency Assistance, and General Public Assistance programs. You requested that we focus on identified deficiencies in those programs and provide our general opinion on how the deficiencies could affect the accuracy of program budget requests.

We identified recent reports, studies, and court orders by interviewing officials in the District's Department of Human Services and Office of the Corporation Counsel, and officials in the U.S. Department of Agriculture's Food and Nutrition Service. District Department of Human Services officials identified and provided copies of audit reports, correspondence regarding the audit reports, and special program studies.

An official of the Office of Corporation Counsel provided court documents related to cases covering these programs, including the complaints; the finding and ruling of the court; and in the case of the foster care program, the court mandated implementation plan. To clarify the purpose of various identified audits on the food stamp program, we discussed those reports with officials of the U.S. Department of Agriculture's Food and Nutrition Service in Washington, D.C., and its' Mid-Atlantic Regional Office in Trenton, New Jersey. A summary of each program's reported problems and the specific materials we reviewed is presented in the enclosures.

Overall, deficiencies or the need for additional services were found in each of the five District programs in which you expressed interest. The audit reports we reviewed

GAO/GGD-95-13R D.C. Audit Reports

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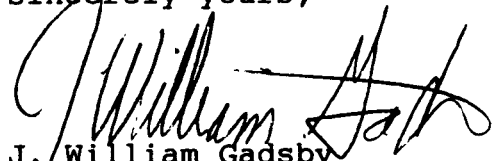
highlighted deficiencies in how the District administered the AFDC, Food Stamp, Foster Care, and Emergency Assistance programs. The court cases we reviewed called for additional District services in the Food Stamp, Foster Care, Emergency Assistance, and General Public Assistance programs.

The budgetary impact of the deficiencies noted in the audit reports and the mandated improved services is hard to measure. In general, the deficiencies noted in the audit reports for these programs could result in reduced federal payments, and thus lower revenues, if the deficiencies noted were not corrected. As agreed however, we did not determine the extent to which the District has corrected the audit deficiencies. Also, some of the findings in the audit reports are several years old and, as we agreed, we did not update their applicability. Further, some of the reported audit findings were relatively low dollar amounts, particularly for the AFDC program.

In general, the improved services called for in the court cases would tend to increase the budgeted costs of these programs. However, as agreed, we did not determine the extent to which the District provided the additional services called for by the courts. Therefore, we could not determine the specific impact of the court cases on the accuracy of District budget requests.

If you have any questions, please call me on (202) 512-8387.

Sincerely yours,



J. William Gadsby  
Director, Government Business  
Operations Issues

Enclosures

AID TO FAMILIES WITH DEPENDENT CHILDREN

Two federal audit reports and a court case on the District of Columbia's Aid To Families With Dependent Children (AFDC) program identified deficiencies in how the District initiated cases and accounted for receivables.

A 1992 federal audit report noted that the District's child support enforcement program did not meet the requirement that actions be taken in 75 percent of cases for "establishing paternity" and "state parent locator" service. Established under Part D, Title IV of the Social Security Act, the 75-percent requirement is a measure of whether appropriate action was initiated on cases. Regarding "establishing paternity," the audit found that in 28 of 46 cases reviewed, the District did not establish paternity or initiate legal action to establish paternity. Regarding State Parent Locator service, while the District identified all appropriate locator sources in most cases, it did not make any effort to locate the absent parent. According to the audit report, this had been noted in prior audits and resulted in total federal payments to the District under the federal child support enforcement program being reduced by 1 percent.

The audit also found that the program's accounts receivable system was unreliable and did not produce accurate data. For example, child support collections received by the District were pooled with other funds for investment purposes, precluding a determination of interest earned by these funds which, by law, must be offset against expenditures claimed for federal reimbursement. The report recommended improvements in recording, summarizing, and reporting income and expenditures; maintaining case records; and separating case handling and accounting functions.

A 1993 federal audit also reported that the District's system for accumulating and reporting accounts receivable data was unreliable because there were no written procedures for handling collections, recording payment offsets, and refunding improperly withheld amounts. The report contained recommendations focusing on the need to develop written procedures.

A 1992 court case, Quattlebaum v. Dixon, focused on a change in benefit levels made pursuant to District Council legislation. The legislation resulted in a recomputation of AFDC benefits. The court rejected the plaintiff's contention that the District was required to provide each AFDC recipient a precise dollar amount calculation of the proposed reduction in benefits.

The deficiencies noted in the audit reports would have resulted in excess federal reimbursements to the District. These excess amounts would, as recommended in the audit reports, have been recovered by the federal government as relatively small reductions to future reimbursements. For example, the understatement of interest income from pooled child support collection totaled about \$4,067 for the quarter ended March 1990. For the quarters ended June and September 1990, the understatement was \$1,879 and \$1,527, respectively. If appropriately accounted for by the District, these amounts would have lowered the amount of federal reimbursement for those periods by those amounts.

Because the court case dealt with an administrative matter where relief was denied, there would have been no impact on the District's budget.

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1. Annual Comprehensive Audit, District of Columbia, Report Number DC-91-AA2, August 21, 1992. U.S. Department of Health and Human Services, Administration for Children and Families, Office of Child Support Enforcement, Division of Audit.
2. Annual Comprehensive Audit, District of Columbia, Report Number DC-92-AA3, August 2, 1993. U.S. Department of Health and Human Services, Administration for Children and Families, Office of Child Support Enforcement, Division of Audit.
3. Quattlebaum v. Dixon; Civil Action 91-8207; April 13, 1992.

FOOD STAMPS

The District's food stamp program did not comply with applicable laws and federal regulations for providing benefits, according to three federal audits and a court appointed special master. For example, a computer match audit identified instances where excess benefits were paid because earned income data was not reported or was outdated in agency records.

A 1990 U.S. Department of Agriculture computer match audit identified instances where households in the District, Maryland, and Virginia received more food stamp benefits than they were entitled to because all forms of earned income were not reported. Another reported cause for excess food stamp benefits was that the agency records related to household income were often outdated. The report recommended that each jurisdiction (1) determine excess benefits for the cases identified and establish claims where appropriate and (2) determine those instances where recipients were ineligible to receive food stamps and establish claims where appropriate.

In a 1990 federal audit of the District's Food Stamp Employment and Training Program and a 1991 federal audit of the District's food stamp program, deficiencies were found in program administration. The 1990 audit reported that (1) claims for federal reimbursement sometimes included the costs of employees who did not work in the program, (2) the District did not maintain records supporting reimbursement claims, and (3) controls were lacking to ensure that claims for transportation did not exceed allowable federal limits. The report recommended corrective actions in these areas.

The 1991 audit also identified problems in how the District processed food stamp benefits. The review found that (1) a significant number of cases reported as expedited approvals did not meet delivery standards, (2) case files were not always documented regarding the participants' eligibility for expedited service, (3) recipients convicted of intentional program violations were still participating in the program without a reduction in their food stamp coupon allotment, and (4) procedures were not in place to analyze why so many "Authorizations To Participate" were not being redeemed. The report recommended that the District comply with existing food stamp program regulations covering these matters.

In a November 1992 report, the special master, in response to the case of Veronica Franklin v. Kelly, concluded that the District's food stamp program remained out of compliance with legislation, federal regulations, and a settlement agreement.

The special master reported that 1992 studies by the District and the federal Food and Nutrition Service showed the District did not meet the 5-day time frame required by law for expedited services. The Special Master also reported that even when participants received their authorization to participate cards within 5 days, they could not use them because photo identifications were not available. The special master made recommendations to reduce client waiting time by screening clients, streamlining interviews and forms, and dividing staff into intake and ongoing benefits to maximize intake capacity.

The deficiencies noted in the audit reports resulted in excess payments to households and the District. Also, both the 1991 audit report and the special master's report in the court case noted the District program's noncompliance with the required time frame for receipt of expedited benefits. If appropriate controls were in place to correct the deficiencies, District budget costs would be reduced. However, District costs and thus its budgeted expenses could increase if corrective action in the court case resulted in more timely payment of benefits.

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1. Computer Program Match Review; U.S. Department of Agriculture, Office of Inspector General, Audit Report Number 27019-37-HY, March 1990.
2. Fiscal Year 1990 D.C. Food Stamp Employment and Training Financial Review, U.S. Department of Agriculture, August 1990.
3. Audit of Food Stamp Program, U.S. Department of Agriculture, Office of Inspector General, Audit Report Number 27013-86-Hy October 1991.
4. Franklin v. Kelly DDC; Civil Action 90-3124; Report and Recommendations of the Special Master; November 19, 1992.

FOSTER CARE

In August 1991, the U.S. District Court ordered the District to change its child protection services as a result of the LaShawn A. versus Kelly lawsuit. The court case and two other reports on the foster care program identified deficiencies in the level of services provided and the control of program expenditures.

A June 1991 federal audit of administrative costs reported that of the \$15.7 million in administrative costs claimed by the District for federal reimbursement during a 3-year period in the 1980s, about \$5.7 million was not eligible for federal reimbursement. Another \$9.6 million (\$4.8 million federal share) was questioned on its reasonableness. These costs were questioned because the time studies the District used to allocate costs were flawed. In both instances the audit recommended reductions in the District's federal funding.

A 1992 study contracted by the District of its foster care programs' financial controls detailed the following problems:

- Substantial overpayments to individual and institutional providers.
- Evidence of suspected fraud, such as commingled business and personal expenses and separate billings for items included in fixed-price contracts.
- Billings for clients who were never in or no longer in facilities.
- District payments for services not received.
- Weak or nonexistent contract administration.

The report recommended more on-site visits by District employees and in-depth financial analyses and audits, additional training and supervision of contract administrators, improved documentation and approval authorizations, and improvements in collecting overpayments due and reducing future overpayments.

The LaShawn order and 1991 Implementation Plan outlined a comprehensive child welfare delivery system to provide high quality services. To achieve better outcomes for children, the implementation plan required the District to provide

- a protective services process with immediate response to families, clear criteria for establishing priorities and assessing risk, and prompt disposition of child maltreatment

allegations;

- a continuum of services to families and children; and
- an adoption service that expedites adoptive placements.

The implementation plan laid out detailed steps and time frames for the child welfare program including direct support to children and families, such as protective services, out-of-home care, and adoption; program staffing, training, licensing, and workload analysis; and financial information and statistics to administer the program.

The LaShawn court order should increase future budget requests because of the expansion of staff and services along with the mandated administrative improvements. However, the year-to-year budgetary impact of these changes beyond fiscal year 1993 is not spelled out in the plan and will be dependent upon the pace of implementation. For example, if implemented as scheduled, items such as the fiscal year 1993 increase of 10 positions and over \$300,000 for cooperation with the Police Department and the increase of 12 positions and \$480,000 for staffing of an adoption unit would carry forward as costs in fiscal years 1994 and 1995. Further, deficiencies in program controls noted in the audit report such as where the District paid for services not received, if not corrected, would result in budgeting for unnecessary expenditures.

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1. Review of Administrative Costs Claimed by the District of Columbia's Department of Human Services Under Title IV-E, Foster Care Program. U.S. Department of Health and Human Services, Office of Inspector General, Report Number A-03-89-00553, June 1991.
2. Special Accounting Investigation Report, Coopers and Lybrand, Fall 1992.
3. Implementation Plan For Improving Child Welfare Services in the District of Columbia; Developed for the LaShawn A. versus Kelly Final Order of August 26, 1991.



EMERGENCY ASSISTANCE

Problems and deficiencies in the emergency assistance program were identified in a 1992 federal audit and a 1988 court case. Eligibility for benefits and operational and financial deficiencies were the focus of the audit and the court case.

The 1992 federal audit was undertaken to determine if fiscal year 1988 and 1989 emergency assistance claims for federal reimbursement complied with federal law and regulations and local plans and regulations. The audit showed that 38 percent of amounts claimed for rent, utilities, and clothing were ineligible, and 66 percent of the amounts claimed for temporary shelter assistance were ineligible. The prevalent reasons for ineligibility were (1) an eligible, dependent child was never documented; (2) case files did not provide support for claims; (3) no application or an incomplete application; (4) the emergency situation was never documented; or (5) no case file existed. The report noted that the last weakness, no case file, had been ongoing for several years. The report recommended improvements and financial adjustments for ineligible reimbursements.

The 1988 court case focused on three issues: failure to provide emergency assistance in a timely fashion, denial of emergency assistance on an arbitrary basis, and failure to provide expedited hearings where emergency assistance claims were denied. The associated consent order required timely processing of applications and a clear, concise written notice of the applicants' rights and the District's responsibilities.

The case file deficiencies noted in the audit report resulted in about \$3.3 million of District emergency assistance payments being deemed ineligible for federal reimbursement. These ineligible costs, if the deficiencies were not corrected, would not be federally reimbursed. The consent order is to result in more timely provision of benefits to some participants and could raise total program budgets.

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1. Review of Emergency Assistance Payments Claimed by The District of Columbia Department of Human Services Under Title IV-A of the Social Security Act; Department of Health and Human Services, Office of Inspector General, Audit Report A-03-90-00260.
2. Feeling v. Barry DDC; Civil Action 82-2994; January 28, 1988.

GENERAL PUBLIC ASSISTANCE

A 1992 court order in the Bivens Little versus Kelly court case was the only document we identified related to the General Public Assistance Program. The order resulted from a class action suit filed to halt the interruption of certain benefits. The issues raised were the lack of a pretermination hearing and adequate notice of termination to the affected recipients.

The plaintiffs in the case were receiving benefits because of their medical inability to work. A 1991 District statute required that the plaintiffs demonstrate they were disabled and not merely incapacitated while awaiting a decision on their application for federal disability benefits. The issue in the case was that all of the plaintiffs had been terminated without a hearing and without an adequate notice.

A September 1992 permanent injunction declared the District statute unconstitutional, prohibited the termination of benefits of the plaintiff class, restored and required retroactive payment of benefits, and prescribed notification and hearing procedures for termination of benefits.

While we have no information on the immediate effect of the court decision on the District budget, we believe that the outcome would have no discernable long-term impact on District budgets because the court's action restored prior program benefits.

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1. Bivens Little v. Kelly Sup. Ct. D.C.; Civil Action 91-14119; Permanent Injunction dated September 8, 1992.

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