

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**AFDC PRE-ELIGIBILITY VERIFICATION
MEASURES**



AUGUST 1993

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OEI's Atlanta Regional Office prepared this report under the direction of Jesse J. Flowers, Regional Inspector General and Christopher Koehler, Deputy Regional Inspector General. Principal OEI staff included:

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Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**AFDC PRE-ELIGIBILITY VERIFICATION
MEASURES**



AUGUST 1993 OEI-04-91-00100

EXECUTIVE SUMMARY

PURPOSE

To determine how fraud detection measures required by the 1988 Family Support Act affected States' pre-eligibility verification activities to prevent inappropriate Aid to Families with Dependent Children.

BACKGROUND

The Aid to Families with Dependent Children (AFDC) program, Title IV-A of the Social Security Act, provides financial assistance to families with children who are deprived of support due to death, absence, or disability of at least one parent. Some families with children deprived of support due to unemployment of the principal wage earner may also receive AFDC assistance.

States must follow Title IV-A regulations for determining AFDC eligibility. Inappropriate AFDC payments are caused by both agency and client (applicant and recipient) errors. Agency errors occur when a State fails to act properly on known information. Client errors may result from an applicant's or recipient's **unintentional** misrepresentation of circumstances or **intentional** misrepresentation. Intentionally withholding or misrepresenting facts may be considered **fraud**.

Section 605 of the 1988 Family Support Act required States to establish pre-eligibility fraud detection measures by October 1, 1989. Further, the implementing Federal regulations required States to annually evaluate the effectiveness of their measures and provide a written report of their evaluations to the Administration for Children and Families (ACF). The first reports were due by February 15, 1991.

FINDINGS

The 1988 Family Support Act had little effect on State activities for preventing inappropriate AFDC payments

Only nine States changed or adopted fraud detection measures following passage of the Act because States believed their verification measures already in place met the Act's requirements. ACF's implementing regulations were broadly written, allowing States to use their existing pre-eligibility verification as fraud detection measures.

States did not routinely use all commonly accepted pre-eligibility verification measures

Most States verified income and assets through computer matches and wage statements--one of three commonly used types of pre-eligibility verification measures.

States said they did not consistently use two other types of verification measures, third-party follow-up and investigative staff, because of (1) limited resources, and (2) concern that it would delay application processing. States must adhere to a federally mandated standard of promptness that requires eligible applicants receive AFDC payments within 45 days from the date of application.

Some States did not evaluate pre-eligibility verification measures

Twelve States in Federal Fiscal Year (FY) 1990 and 18 in Federal FY 1991 did not evaluate their pre-eligibility verification measures as required. Ten of the 12 States that did not perform required evaluations in FY 1990 also did not do so in FY 1991.

States told us they did not evaluate their pre-eligibility verification measures because (1) it required too much time to track the measures, and (2) ACF's reporting requirements focused only on measuring effectiveness of fraud investigative units. The required format for reporting was not applicable to pre-eligibility measures most States use, such as computer matches.

RECOMMENDATIONS

The Family Support Act of 1988 did not achieve its intended purpose of improving pre-eligibility verification to detect inappropriate AFDC payments. We continue to believe that significant opportunities exist to reduce fraud and inappropriate payments through strong pre-eligibility review systems. However, under ACF's regulations, States can comply with the legislative requirements without actually improving their pre-eligibility verification systems. We also discovered a major disconnect between regulations which prescribed no specific pre-eligibility verification activities and evaluation reporting requirements that focused only on measuring the effectiveness of fraud investigative units. Even more important, the current reporting requirements fail to provide ACF the information it needs to make management judgments about the effectiveness of specific pre-eligibility measures or to advise States about how to improve them. Therefore, we recommend that ACF:

- 1. Revise its evaluation reporting requirements to make them applicable to all commonly used types of pre-eligibility verification measures, not just fraud investigative units.**
- 2. Require States to periodically evaluate their pre-eligibility programs and report the results to ACF, and ensure that they do so.**
- 3. Conduct or sponsor its own independent evaluations of State pre-eligibility programs.**
- 4. Provide States with information on effective pre-eligibility verification measures, based on States' evaluation reports and ACF's own independent evaluations of States' pre-eligibility programs.**

AGENCY COMMENTS

The Acting Assistant Secretary for Children and Families commented on the report. The ACF concurred with 3 of our 4 recommendations. It did not concur with our recommendation to revise evaluation reporting requirements to make them applicable to all commonly used types of pre-eligibility verification measures, rather than just to fraud investigative units. The ACF noted in its comments that the first year experience with the evaluations did not provide pertinent information about successful practices States use. This is consistent with our finding that the evaluation requirements are not applicable to commonly used types of pre-eligibility verification measures, and the evaluations did not produce useful information for either ACF or States.

We support ACF's plans to use State demonstration projects to evaluate the impact of various verification measures. However, it will be several years before the results of such an evaluation are available. In the interim, we believe that ACF should collect data on the effectiveness of verification measures commonly used by States. Such data serves as performance indicators and provides important trend information to program managers at the Federal, State, and Local level.

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INTRODUCTION

PURPOSE

To determine how fraud detection measures required by the 1988 Family Support Act affected States pre-eligibility verification activities to prevent inappropriate Aid to Families with Dependent Children.

BACKGROUND

AFDC Program

The Aid to Families with Dependent Children (AFDC) program, Title IV-A of the Social Security Act, provides financial assistance to families with children who are deprived of support due to death, absence, or disability of at least one parent. Some families with children deprived of support due to unemployment of the principal wage earner may also receive AFDC assistance.

Within the Department of Health and Human Services (HHS), the Administration for Children and Families (ACF) has Federal responsibility for AFDC. States administer the AFDC program through local offices--either district, county, or city. Program costs are shared by Federal and State governments. The Federal government pays 50 percent of the administrative costs and a percentage of the AFDC payments. The percentage varies by State and is determined by a formula using Department of Commerce statistics. Generally, poorer States receive a larger Federal contribution than affluent States for AFDC payments. In some States, counties pay part of the non-Federal portion of AFDC payments.

Although States must follow Title IV-A regulations for determining AFDC eligibility, administrative procedures vary from State to State. Generally, the regulations require that applicants complete an application, and caseworkers verify information on the application to determine eligibility and amount of financial assistance. Caseworkers do this by (1) thoroughly interviewing applicants, (2) examining documents, such as birth certificates and social security cards, (3) checking third-party sources, such as talking to neighbors about an applicant's household composition, and (4) running computer matches with State departments of labor to document wages and unemployment benefits. Title IV-A regulations require that recipients report any event that might affect AFDC payments, such as marriage or change in income.

Inappropriate AFDC Payments

Inappropriate AFDC payments are caused by both agency and client (AFDC applicant and recipient) errors. Agency errors occur when a State fails to act properly on known information. Client errors occur when an applicant or recipient fails to accurately report facts which might affect AFDC payments.

Client errors may result from an applicant's or recipient's **unintentional** misrepresentation of circumstances or **intentional** misrepresentation. Intentionally withholding or misrepresenting facts may be considered **fraud**.

Because of concern over inappropriate payments, ACF requires States to operate a quality control (QC) program. Using Federal guidelines, State reviewers examine a statistically valid sample of cases to determine accuracy of payments and eligibility decisions. Federal QC reviewers assess the correctness of State findings by re-examining a sub-sample of the State sample. Differences between the State and Federal findings are then reconciled to produce an official State error rate. States use QC reviews to determine the cause of errors and design corrective action plans.

Potential for Preventing Inappropriate Payments

In November 1987, we reported on States' investigation of fraud in the AFDC program. We found that States expend considerable effort and resources to detect overpayments and prosecute suspected fraud. However, we also found that front-end verification activities to prevent inappropriate payments prior to establishing eligibility are more effective than attempts to recover overpayments. We, therefore, recommended that ACF, formerly the Family Support Administration, revise regulations to require States to implement a pre-eligibility fraud detection and prevention program as a condition of State plan approval.

Congress included the recommendation in Section 605 of the 1988 Family Support Act, Public Law 100-485. This Act amended the Social Security Act to require States to establish pre-eligibility fraud detection measures by October 1, 1989.

Evaluation of Pre-Eligibility Verification Measures' Effectiveness

ACF Federal regulations require AFDC State agencies to evaluate the effectiveness of their pre-eligibility fraud detection verification measures each Federal fiscal year. Written copies of the evaluation reports must be submitted to ACF regional offices by February 15 of the following Federal fiscal year. The first reports were due February 15, 1991.

For **each** pre-eligibility verification measure contained in a State plan, the evaluation has to contain at a minimum the

- 1) number of suspected fraud cases identified,

- 2) number of identified fraud cases that are investigated,
- 3) number of the investigated fraud cases that are found to be ineligible, and the number to be eligible for a reduced grant amount, and
- 4) total projected monthly dollar savings resulting from reduced grants and cases found to be ineligible.

Additionally, the evaluation report has to contain a brief narrative assessment of the relative effectiveness of each pre-eligibility verification measure used by a State. The assessment is to be based on the numbers reported in items 1-4 above. States can also use other evaluation methods to support their assessments. Appendix A contains the June 12, 1990 evaluation reporting requirements ACF issued to States.

SCOPE AND METHODOLOGY

We surveyed all 50 States and the District of Columbia¹ to identify pre-eligibility verification measures used to prevent inappropriate AFDC payments. We did not separate State pre-eligibility verification measures to distinguish those used to detect unintentional or intentional (fraud) misrepresentation of applicant eligibility information. States generally do not distinguish the measures by type of misrepresentation because an effective measure will detect either type (unintentional and intentional).

We mailed a standardized questionnaire to all 51 States on July 15, 1992. A total of 50 States returned completed questionnaires by December 10, 1992. As needed, we conducted telephone interviews with State AFDC staff to obtain clarification of and elaboration on their responses to the mailed questionnaire.

We interviewed staff from ACF and the American Public Welfare Association (APWA)--an advocacy organization of which all State welfare agencies are members.

This inspection was conducted in accordance with the *Quality Standards for Inspections* issued by the President's Council on Integrity and Efficiency.

¹For convenience in summarizing survey results, we considered the District of Columbia as a 51st State.

FINDINGS

THE 1988 FAMILY SUPPORT ACT HAD LITTLE EFFECT ON STATE ACTIVITIES FOR PREVENTING INAPPROPRIATE AFDC PAYMENTS

The 1988 Family Support Act required States to have "appropriate measures to detect fraudulent applications for aid to families with dependent children prior to the establishment of such aid." However, most States made essentially no changes to their existing eligibility and fraud detection techniques following the Act.

Prior to passage of the Act, States generally conducted computer matches and followed up with third parties as needed to verify conditions of eligibility. For example, States conducted computer matches with Department of Labor and other State and Federal databases. When applicant-provided information was questionable, States followed up with third parties, such as employers. Also, 26 States used pre-eligibility investigative staff to conduct home visits to explore cases with questionable information.

After passage of the Act, only nine States changed or adopted pre-eligibility verification measures. Six of the nine States that adopted new measures added computer matches with additional agencies, two added pre-eligibility investigative units, and one added a profile of error prone cases based on quality control data. Before the Act, 38 States conducted computer matches with IRS. The same 38 States conducted computer matches after passage of the Act.

The States made little changes to their pre-eligibility verification measures because States already had measures in place which they believed met the requirements of the Act. The implementing regulations were broadly written, allowing States to use a range of fraud detection measures that could be tailored to their own needs and circumstances. ACF's regulations did not require a particular program, but gave examples of what many States were already doing. Such examples included, but were not limited to, automated data matches to establish the accuracy of statements on applications, use of error prone profiles, home visits or third-party contacts, credit bureau inquiries, and training on investigative interviewing techniques. The wording in the regulations was widely interpreted by States as allowing them to continue as in the past without changing any procedures or techniques. To satisfy the requirements of the regulations, States now just label pre-eligibility verification as "fraud detection measures." One State agency program official made the following statement.

The regulations do not require or mandate an early fraud [detection] program at all, but rather require a mere description of existing measures used to verify eligibility and to report annually to DHHS on their effectiveness. In effect, they [the regulations] mandate a study and an annual report, rather than a program.

STATES DID NOT ROUTINELY USE ALL COMMONLY ACCEPTED PRE-ELIGIBILITY VERIFICATION MEASURES

Collectively, States used three different types of pre-eligibility verification measures to prevent inappropriate AFDC payments. The measures were (1) computer matches with Federal and State databases to verify income and assets, (2) follow-up with third parties, such as employers, neighbors, and landlords, to verify income, residence, and household composition, and (3) investigative staff to conduct field visits to verify conditions of eligibility.

Most States verified income and assets through computer matches and wage statements. They verified other conditions of eligibility, such as household composition and identity, by examining birth certificates and social security cards. States did little follow-up through contacts with third parties and home visits to verify applicant-provided eligibility information.

Computer Matches Verify Income and Assets

States used computer matches to verify an applicant's income and assets. The computer matches included the Income and Eligibility Verification System (IEVS). The IEVS, mandated by Congress in the Deficit Reduction Act of 1984, was a computer matching system that included matches with Federal and State databases and other public assistance files. For example, computer matches with Social Security Administration wage records and State employment agencies verified and detected reported and unreported income. Motor vehicle and credit bureau matches verified and detected applicants' assets. Internal Revenue Service matches detected unearned income, such as interest and dividends. Table 1 shows computer matches States commonly used to verify income and assets. States used one or more of the eight types of computer matches. Four States used all eight of the computer matches.

**TABLE 1
COMPUTER MATCHES USED BY STATES**

COMPUTER MATCHES (To verify income and assets)	STATES THAT USED MEASURE	STATES THAT USED ON-LINE MATCHING
UNEMPLOYMENT COMPENSATION *	47	38
MOTOR VEHICLE	29	21
STATE VETERANS ADMINISTRATION	9	1
CREDIT BUREAU	8	2
BENDEX (Social Security benefits and earnings) *	43	25
STATE EMPLOYMENT AGENCY *	42	33
INTERNAL REVENUE SERVICE *	38	19
* Measures included in IEVS		

Third-Party Contacts Verify Conditions of Eligibility, But Are Rarely Used

States rarely verified applicant-provided information with third parties. Nine States or less routinely followed up using third parties to verify applicant-provided information to prevent inappropriate AFDC payments. Most States conducted third-party verification of eligibility conditions on an "as-needed" basis. "As-needed" means States conducted follow-up activities only when information on an application was clearly questionable. Follow-up with third parties usually involved (1) caseworkers asking an applicant to bring in written documentation, such as a statement from a landlord verifying residence, (2) caseworkers contacting a third party by phone or mail to verify conditions of eligibility, and (3) investigative staff making home visits to resolve inconsistent applicant information. Table 2 shows the extent that the 50 States responding to our survey conducted follow-up with third parties.

**TABLE 2
THIRD-PARTY FOLLOW-UP USED BY STATES**

FOLLOW-UP WITH THIRD PARTIES (To verify conditions of eligibility)	STATES THAT ROUTINELY USED FOLLOW-UP TECHNIQUES	STATES THAT USED FOLLOW-UP 'AS-NEEDED'
HOME VISITS	2	34
EMPLOYERS	8	36
NEIGHBORS	6	36
LANDLORDS	9	35

Follow-up with third parties on a routine basis was usually conducted at the time of application or at semi-annual reviews. One State said they conducted third-party activities monthly.

Specialized Investigative Staff Are Particularly Effective

Twenty-eight States had specialized investigative staff in selected counties to investigate applicant-provided information that appeared questionable. Specialized investigative staff made field visits to third parties, such as neighbors and landlords, to verify questionable applicant-provided information. For example, investigative staffs were used to confirm whether an absent parent was living in a home with children for whom AFDC had been requested. Two of the 28 States said they added pre-eligibility investigative staff after passage of the Act. States with investigative staff had slightly more (about 3 percent) applications withdrawn or denied than States without investigative units. This suggests that field work done by investigative staffs resulted in better detection of fraudulent information reported by applicants.

The 28 States with county investigative staff included those that we had examined in our original study in 1987. The investigators continue to be effective in detecting fraudulent application information. Program staff associated with them said the units

are effective partly because they can make unannounced home visits. Also, they said the effectiveness of the investigative units is evidenced by a quick turnaround on referrals--usually within one week. The effectiveness of the investigative units is further indicated by the number of counties in one State that has formed such units. Since 1987, the number of counties in that State increased from 23 to 46.

Reasons States Did Not Routinely Use All Commonly Accepted Pre-eligibility Verification Measures

States said they did not routinely use third-party follow-up and investigative staff for pre-eligibility verification because of (1) limited resources and (2) compliance with a 45-day processing standard for AFDC payments.

State agency program officials said limited resources, such as State budget cuts, prevent staff from verifying much of the applicant-provided information that could affect their AFDC eligibility. State agency program officials said State budget cuts have caused staff shortages, thereby increasing eligibility workers' caseloads. To illustrate, one county AFDC program official reported an AFDC caseload increase of 40 percent, while the AFDC staff decreased by 10 percent. Further, APWA figures show an average national AFDC caseload growth of 29.1 percent for the period July 1989 through August 1992. The growth in AFDC cases for individual States ranged from 2.2 percent to over 100 percent during that period.

State AFDC program officials also said they did not routinely use measures such as third-party follow-up because they could not allow pre-eligibility verification to delay application processing. States must adhere to a federally mandated standard of promptness. This standard requires that applicants must receive AFDC payments within 45 days from the date of application. In most instances, disposition of an application must be processed within 30 days to allow time for printing and mailing checks.

Compliance with the 45-day standard places a certain amount of pressure on States and counties to accept applicant-provided information without verification. To illustrate, at least two States have been sued due to untimely processing of AFDC applications. In one of the two States, a court order required that counties accept an applicant's written statement regarding a number of eligibility factors. In this State, fiscal penalties were tied to a county's average processing time and percentage of applications processed within the time standard. In the other State, a new policy was initiated on "minimal verification" at intake. This State now only verifies social security numbers, earned income, and pregnancy.

SOME STATES DID NOT EVALUATE PRE-ELIGIBILITY VERIFICATION MEASURES

The ACF implementing regulations for the Family Support Act require States to annually evaluate the effectiveness of their pre-eligibility verification measures. However, about one-fourth of the States did not evaluate their pre-eligibility verifications in Federal Fiscal Year (FY) 1990 and about one-third did not evaluate in Federal FY 1991. Table 3 shows the number of States not evaluating their measures in each year.

**TABLE 3
THE NUMBER OF STATES NOT EVALUATING
VERIFICATION MEASURES EACH YEAR**

FEDERAL FISCAL YEAR	STATES NOT PERFORMING ANNUAL EVALUATIONS
1990	12
1991	18

Ten of the 12 States that did not perform required evaluations in FY 1990 also did not do so in FY 1991.

Reasons for Not Evaluating

States told us they did not evaluate their pre-eligibility verification measures because it required too much time to track the measures. To illustrate the time required, three State agency program officials furnished the following comments.

- The evaluation would require (1) a case-record-by-case record review of the number of AFDC rejections, (2) a determination as to whether or not a rejection was a result of deliberate applicant misrepresentation, and (3) a determination of which verification measure listed in the State Plan was responsible for detecting any applicant misrepresentation.
- The evaluation would be extremely labor intensive and of questionable quality, due to the manual process that would be required and the judgmental nature of information to be collected. Each case technician would be required to keep track of whether he or she required an applicant to provide additional documentation, whether or not the additional documentation supported the applicant's previous statements or documentation, and the fiscal impact of using the correct information.
- The evaluation would be extremely counterproductive because the time involved in developing, making entries into, and maintaining such a reporting

system would decrease the resources available for pre-eligibility fraud detection measures.

Also, some State agency program officials said they did not evaluate measures because ACF's reporting requirements focused only on measuring effectiveness of fraud investigative units. The required format for reporting was not applicable to pre-eligibility measures most States use, such as computer matches. Appendix A contains the evaluation reporting requirements.

Twenty-two of the 50 States responding to our survey did not have fraud investigative units, and, therefore, were not able to use the mandated format. About half of the State agency officials without fraud investigative units said no mechanisms are in place to collect the data required by the regulations. Creating a mechanism to do so would increase both costs and workloads disproportionately to any benefits that might be gained from evaluating the measures.

Finally, one State agency program official said, "In short, the reporting of the activity is in danger of becoming more important than the desired results."

Quality Control Reviews Serve as Proxy for Evaluations

States without fraud investigative units have sought other ways to evaluate their measures. For example, States use quality control (QC) error rates to satisfy the evaluation reporting requirements. Three State agency program officials made the following comments about using QC data.

- "We have a built-in evaluation in the QC process and this evaluation is more significant than the currently mandated annual report."
- "QC data proves that workers are utilizing the State's pre-eligibility fraud detection measures and those measures are effective."
- "We have chosen to evaluate pre-eligibility fraud detection measures examining QC sample data for evidence that the current measures are not working and to identify areas where additional measures might be cost effective. Because [an] annual QC sample is a reasonably valid random sample of the caseload, the results of the evaluation should be generally reflective of the caseload as a whole."

States Providing Late Evaluation Reports

The ACF regulations for implementing the Family Support Act also require States to submit a written report to ACF regional offices by February 15 of the following Federal fiscal year, and to submit any appropriate amendments to their State plans. However, only 38 States in FY 1990 and 32 in FY 1991 submitted a written report.

The States that did perform required evaluations frequently submitted the written reports late, i.e., after February 15. For example, 20 of the 38 States (about 53 percent) who submitted reports in 1990 were late. In 1991, 15 of 32 States (about 47 percent) submitted reports late. Table 4 shows the number of States submitting reports late.

TABLE 4
THE NUMBER OF STATES REPORTING LATE

MONTH(S) LATE	STATES IN FY 1990	STATES IN FY 1991
Less than 1 month	8	5
1 - 2 months	6	5
3 - 4 months	1	0
5 - 6 months	4	4
7 - 8 months	1	1
TOTAL	20	15

RECOMMENDATIONS

The Family Support Act of 1988 did not achieve its intended purpose of improving pre-eligibility verification to detect inappropriate AFDC payments. We continue to believe that significant opportunities exist to reduce fraud and inappropriate payments through strong pre-eligibility review systems. However, under ACF's regulations, States can comply with the legislative requirements without actually improving their pre-eligibility verification systems.

We also discovered a major disconnect between regulations which prescribed no specific pre-eligibility verification activities and evaluation reporting requirements that focused only on measuring the effectiveness of fraud investigative units. Even more important, the current reporting requirements fail to provide ACF the information it needs to make management judgments about the effectiveness of specific pre-eligibility measures or to advise States about how to improve them. Therefore, we recommend that ACF:

1. **Revise its evaluation reporting requirements to make them applicable to all commonly used types of pre-eligibility verification measures, not just fraud investigative units.** This will eliminate a technical problem that has made it difficult or unnecessary for States to report annually on pre-eligibility systems such as improved computer matching protocols.
2. **Require States to periodically evaluate their pre-eligibility programs and report the results to ACF, and ensure that they do so.** The simple annual reporting requirement now in effect does not provide the kind of information needed to determine which pre-eligibility verification techniques work best, and which are cost effective. More insightful evaluations are needed. The ACF needs to provide guidance to the States as to what kind of evaluative information should be supplied, and how often, and should assess the quality and appropriateness of the evaluation methodologies used.
3. **Conduct or sponsor its own independent evaluations of State pre-eligibility programs.** Such studies should use methodologies of sufficient rigor as to allow identification of approaches and techniques that are most effective in reducing fraud before applicants are approved for receiving benefits.
4. **Provide States with information on effective pre-eligibility verification measures, based on States' evaluation reports and ACF's own independent evaluations of States' pre-eligibility programs.** States must use the most effective ways to prevent inappropriate payments in the AFDC program. With the new administration streamlining welfare policy by focusing on work requirements and limiting benefit periods, attention to eligibility will be increasingly important.

AGENCY COMMENTS

We circulated the draft report for comment to the Acting Assistant Secretary for Children and Families (ACF), the Assistant Secretary for Management and Budget (ASMB), and the Acting Assistant Secretary for Planning and Evaluation (ASPE). Appendix B shows the full text of the comments provided by ACF. ASMB and ASPE did not comment on the report.

The ACF concurred with 3 of our 4 recommendations. It did not concur with our recommendation to revise evaluation reporting requirements to make them applicable to all commonly used types of pre-eligibility verification measures, rather than just to fraud investigative units. The ACF noted in its comments that the first year experience with the evaluations did not provide pertinent information about successful practices States use. This is consistent with our finding that the evaluation requirements are not applicable to commonly used types of pre-eligibility verification measures, and the evaluations did not produce useful information for either ACF or States.

We support ACF's plans to use State demonstration projects to evaluate the impact of various verification methods. However, it will be several years before the results of such an evaluation are available. In the interim, we believe that ACF should collect data on the effectiveness of verification measures commonly used by States. Such data serves as performance indicators and provides important trend information to program managers at the Federal, State, and Local level.

APPENDIX A

PRE-ELIGIBILITY FRAUD DETECTION MEASURES AND REPORTING REQUIREMENTS

**Aid To Families
with Dependent Children
Action Transmittal**

U.S. Department of
Health and Human Services
Family Support Administration
Office of Family Assistance
Washington, D.C. 20447

Transmittal No. FSA-AT-90-10

JUN 27 1990

Date June 12, 1990

FSA
REG. IV

FINAL RULE

TO : STATE ADMINISTRATORS AND OTHER INTERESTED ORGANIZATIONS AND AGENCIES

SUBJECT : Pre-Eligibility Fraud Detection Measures and Reporting Requirements

RELATED REFERENCES : 45 CFR 235.111

BACKGROUND : On April 20, 1989 an Interim Final Rule was published in the FEDERAL REGISTER that provided for (1) the establishment of pre-eligibility fraud detection measures, and (2) an annual evaluation of the effectiveness of the pre-eligibility fraud detection process.

REPORTING INSTRUCTIONS : In accordance with 45 CFR 235.111 (c), the State agency is required to make a written evaluation for each Federal fiscal year of the effectiveness of its verification measures and submit a copy of the evaluation to the FSA Regional Office by February 15 of the following Federal fiscal year. The first of these reports (the one for FY 1990) is due in the FSA Regional Office by February 15, 1991.

The report must contain at a minimum the following information for each of the pre-eligibility verification measures contained in the State plan:

(1) The number of suspected fraud cases identified.

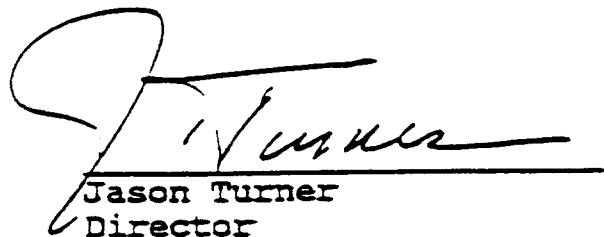
(2) Of the cases identified, the number investigated.

(3) Of the cases investigated, the number found to be ineligible or to have a reduced grant amount.

(4) The total projected monthly dollar amount resulting from reduced grants and cases found to be ineligible.

In addition, the report must contain a brief narrative assessment of the relative effectiveness of each of the pre-eligibility verification measures contained in the State plan. This assessment should be based on the numbers reported above. Collateral information and other evaluation methods may be used, but are not required.

ATTACHMENT : Final Rule
EFFECTIVE DATE : October 1, 1989
INQUIRIES TO : Regional Administrators, FSA



Jason Turner
Director
Office of Family Assistance

APPENDIX B

AGENCY COMMENTS



IG	_____
PDIG	_____
DIG-AS	_____
DIG-EI	_____
DIG-CI	_____
AIG-MP	_____
OGC/IG	_____
EX SEC	_____
DATE SENT	5/28

ADMINISTRATION FOR CHILDREN AND FAMILI
Office of the Assistant Secretary, Suite 600
370 L'Enfant Promenade, S.W.
Washington, D.C. 20447

DATE: May 26, 1993.

TO: Bryan B. Mitchell
Principal Deputy Inspector General

FROM: Laurence J. Love *Laurence J. Love*
Acting Assistant Secretary
for Children and Families

SUBJECT: Comments on the OIG Draft Report Entitled "AFDC Pre-Eligibility Verification Measures," OEI-04-91-00100

We have reviewed the subject report and offer the following comments with regard to the recommendations. We also have some technical comments and suggestions for your consideration in preparing the final report.

OIG Recommendation

1. That ACF revise its evaluation reporting requirements to make them applicable to all commonly used types of pre-eligibility verification measures, not just fraud investigative units.

ACF Comment

We do not concur, because the first year's experience did not provide pertinent information regarding successful practices. As an alternative to revising our reporting requirements, we are examining replacing the reporting requirements with State demonstration projects that will include rigorous evaluation designs to assure that valid conclusions can be made on the effectiveness of pre-eligibility fraud detection measures.

OIG Recommendation

2. That ACF require States to periodically evaluate their pre-eligibility programs and report the results to ACF, and ensure that they do so.

ACF Comment

We concur. It is our practice to provide feedback to States. However, the first year's experience did not provide pertinent and useful information. As mentioned in our comments to recommendation 1, we are considering carefully designed State demonstration projects that will provide productive information, and at the same time, be less burdensome on the States.

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OIG Recommendation

3. That ACF conduct or sponsor its own independent evaluations of State pre-eligibility programs.

ACF Comment

We concur.

OIG Recommendation

4. That ACF provide States with information on effective pre-eligibility verification measures, based on States' evaluation reports and ACF's own independent evaluations of States' pre-eligibility programs.

ACF Comment

We concur, however, the information obtained from the first year's experience did not provide pertinent and useful information regarding effective practices on pre-eligibility verification measures. As indicated in our comments to recommendation 1, we are considering carefully designed State demonstration projects that will enable us to provide States with information on effective measures.

Technical Comments

1. First full paragraph under "RECOMMENDATIONS," page ii. The third sentence of this paragraph states: "However, under ACF's regulations, States can comply with the legislative requirements without actually improving their pre-eligibility verification systems." This is incorrect. The regulations at 45 CFR 235.111(c) require State agencies to submit appropriate plan amendments to the ACF Regional Office based on the findings of the annual evaluation. The clear regulatory expectation is that if the annual evaluation shows that certain measures are ineffective in preventing fraud, the State agency will take corrective action to remedy the deficiency.
2. Fourth full paragraph under "FINDINGS," page 4. The second and third sentences state that: "The implementing regulations were broadly written, allowing States to use a range of fraud detection measures that could be tailored to their own needs and circumstances. ACF's regulations did not require a particular program, but gave examples of what many States were already doing." These statements neglect to point out that the statutory language of section 402(a)(45) of the Social Security Act is imprecise and only calls for States to implement "appropriate measures" to

detect fraudulent applications. The examples included in our regulations at 45 CFR 235.111(b)(2) were reliable measures that a number of States found effective in identifying ineligible applications. Specifying mandatory measures in these regulations was inappropriate since there are no "magic bullets" with respect to techniques or procedures for detecting fraudulent applications. We suggest that you revise this paragraph to include the aforementioned points.

If you have any questions about our comments or if we can be of further assistance, please do not hesitate to call.