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Ineffective Management of Welfare Cases Costing Millions.
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Report to Walter E. Washington, Mayor, District of Columbia; by
Victor L. Lowe, Director, General Government Div.

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Columbia; Senate Committee on the District of Columbia.

Authority: District of Columbia Self-Government and Governmental
Reorganization Act.

A limited review was conducted of the Department of Human Resources' (DHR) procedures for handling certain cases on the welfare rolls where information indicated that the recipients were either ineligible or their public assistance payments were incorrect. Findings/Conclusions: The Department could have prevented significant unnecessary expenditures by acting more effectively on the knowledge that over a third of the welfare recipients were being paid erroneous amounts. The DHR has been slow in adjusting or terminating payments when it became aware of errors, resulting in further unnecessary expenditures. Erroneous payments were made to 38 percent of those tested in a quality control program. From October 1970 through December 1971, 7.4 percent of the cases reviewed revealed willful misrepresentation. The percentage of willful misrepresentation cases almost doubled (to 13.5 percent) in 1975. Overpayments on willful misrepresentation cases totaled about \$8.7 million in 1975. Some cases took up to 9 months to resolve. In a special review, about 21 percent of the AFDC cases were found to be ineligible for welfare and about 10 percent were found to be overpaid. Recommendations: The Department should develop and report information such as causes, to assist in evaluating and changing procedures for verifying information at the time recipients apply for welfare; insure that the status of error cases be reported monthly to Department management; and insure that analyses of Quality Group findings are made to determine whether widespread errors are occurring in the welfare caseload. (RRS)

01741



*UNITED STATES
GENERAL ACCOUNTING OFFICE*

**Ineffective Management Of
Welfare Cases Costing Millions**

Department of Human Resources
District of Columbia Government

The Department needs to strengthen its management oversight of the welfare program by timely identifying and correcting problems causing erroneous payments. Such improvements should help avoid unnecessary welfare expenditures.



UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D.C. 20548

FEDERAL GOVERNMENT
DIVISION

B-118638

The Honorable Walter E. Washington
Mayor of the District of Columbia
Washington, D.C. 20004

Dear Mayor Washington:

We made a limited review of the Department of Human Resources (DHR) procedures for handling certain cases on the welfare rolls where information indicated that the recipients were either ineligible or their public assistance payments were incorrect. On September 22, 1976, we testified on this subject before the Subcommittee on the District of Columbia, Committee on Appropriations, United States Senate. This report represents our formal submission to you on this matter.

We limited our test to identified cases which indicated that the recipients had willfully misrepresented the facts concerning their eligibility for public assistance. Our review was performed at the Department of Human Resources' headquarters and welfare offices. We discussed the procedures and practices for handling welfare cases with Department officials and reviewed the Department of Human Resources:

- Actions regarding cases indicating willful misrepresentation in the Aid to Families with Dependent Children (AFDC) program which had been identified by the Department's Quality Control Group.
- Manuals and instructions and public assistance records.
- Reports relating to the operation and review of the AFDC program.

Appendix I contains details of our findings, conclusions, and recommendations.

In our opinion, the Department could have prevented significant unnecessary expenditures by acting more effectively on knowledge that over a third of its welfare recipients were being paid erroneous amounts. Also, the Department has been slow in adjusting or terminating payments in those instances when it became aware of errors--resulting in further unnecessary expenditures.

The major form of public assistance in the District of Columbia is the AFDC program. In fiscal year 1975 the average monthly caseload was about 30,200; payments totaled about \$86 million. Program costs are shared equally between the District and the Department of Health, Education, and Welfare (HEW).

As a means of monitoring the AFDC program and maintaining continuous and systematic control over the incidence of ineligible recipients and incorrect payments in the AFDC caseload, HEW requires the District to have a quality control program. HEW has set standards providing that the maximum incidences of error for ineligibility and incorrect payment are, respectively, 3 percent and 5 percent.

The Department of Human Resources current Quality Control Program dates back to October 1970. Between that date and December 1975, the Quality Control Group, which is responsible for monitoring the program, reviewed 7,484 cases. It found that erroneous payments were being made to 2,872 recipients--38 percent of those tested.

Cases indicating willful misrepresentation--
a continuing problem

Many erroneous cases involved welfare recipients willfully misrepresenting the facts concerning their eligibility. For the period October 1970 through December 1971, 145 or 7.4 percent of the cases reviewed indicated willful misrepresentation; in calendar year 1975, the percent of indicated willful misrepresentation cases--226--almost doubled to 13.5 percent.

Since 1971 the Department of Human Resources was aware that many indicated willful misrepresentation cases were on the AFDC welfare rolls but did not effectively act until November 1975 to identify these and other erroneous payments. The Department's failure to take prompt effective action to identify willful misrepresentation cases resulted in overpayments exceeding \$26 million from October 1970 through December 1975. In calendar year 1975 we estimate that over 4,200 potential willful misrepresentation cases were on the rolls each month; overpayments in 1975 on such cases totaled about \$8.7 million.

The Department also has been slow in adjusting or terminating payments in those instances where it became aware of erroneous payments. In calendar year 1975, the Quality

Control Group identified 226 instances of indicated willful misrepresentation, of which 165 were resolved as of March 1, 1976. Some cases took up to 9 months to resolve and additional overpayments of about \$33,000 were made.

In addition to welfare overpayments there were incorrect payments for medicaid and food stamp benefits. In calendar year 1975, we estimate that the value of medicaid and food stamp benefits to recipients possibly ineligible because of potential willful misrepresentation could be as much as \$3.5 million.

Special Review Project

In November 1975, the Department of Human Resources started a Special Review Project of all welfare cases including AFDC. The purpose of this review was to identify and correct all cases where the recipient was ineligible for welfare or where the amount paid was incorrect. Through April 23, 1976, it had reviewed about 7,800 AFDC cases. The results showed that about 21 percent of these cases were ineligible for welfare, about 27 percent were overpaid, and about 10 percent were underpaid, or a total error rate of 58 percent.

In September 1976, the Coordinator of the Special Review Project estimated annual savings of about \$11.3 million in correcting the AFDC caseload.

Although the Special Review Project will purify the welfare caseload at this time, the review will not insure that the type of errors found will not continue to occur. The Department has not established procedures to analyze the errors in order to determine the reasons which contributed to the errors and to report this information to management for its use in improving caseworkers' review and evaluation of new welfare applications and existing cases after the special review.

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We recommend that the Department of Human Resources develop a reporting and monitoring system to effectively inform all levels of management when established controls and operating procedures are not being followed and to assist them in evaluating the efficiency and effectiveness of the operation and administration of the public assistance caseload. Specifically the Department needs to:

- Develop and report information, such as the kinds of errors and their causes, to assist the Department in evaluating and changing procedures, if necessary, for verifying information at the time recipients apply for welfare and at the time a redetermination is made for continued eligibility.
- Insure that the status of error cases identified by the Quality Control Group be reported monthly to Department management including reasons for not correcting the errors within the prescribed time.
- Insure that analyses of Quality Control Group findings are made to determine whether widespread errors are occurring in the welfare caseload. Indications of widespread abuses in the welfare program should be investigated immediately. Ineligibles should be removed from the rolls and payments adjusted, if necessary, of recipients determined to be still eligible.

We recommend also that the Department collect, analyze, and report to its management on the results of the 100-percent Special Review Project for use in improving its procedures for handling welfare cases and payments.

The Director, Department of Human Resources, in commenting on our draft report said that he had no substantial disagreement with our findings. (See app. II.) He said that because available staff has not kept pace with rising caseloads, the likelihood of high error rates will continue. We have not reviewed the staff requirements of the Department. However, the Department's efforts to improve the operation of the welfare program are generally consistent with our recommendations.

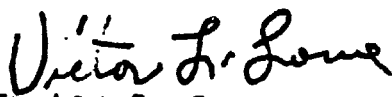
As you know, section 736(b)(3) of the District of Columbia Self-Government and Governmental Reorganization Act of 1973 requires the Mayor, within 90 days after receiving a GAO report, to state in writing to the Council, with a copy to the Congress, what has been done to comply with the recommendations made in the report. Section 442(a)(5) of the same act requires the Mayor to set forth in the District of Columbia's annual budget request to the Congress the status of efforts to comply with such recommendations.

Copies of this report are being sent to interested congressional committees; the Director, Office of Management

B-118638

and Budget; the Council of the District of Columbia; and
the District of Columbia Auditor.

Sincerely yours,


Victor L. Lowe
Director

SUMMARY OF FINDINGS AND CONCLUSIONS
CONCERNING DHR'S PROCEDURES FOR HANDLING
INELIGIBLE AND INCORRECT PAYMENT CASES
ON THE WELFARE ROLLS

FAILURE OF DHR TO ACT PROMPTLY TO
CORRECT THE WELFARE ROLLS WHEN
INFORMATION INDICATED THAT RECIPIENTS
HAD WILLFULLY MISREPRESENTED THE
FACTS CONCERNING THEIR ELIGIBILITY
FOR PUBLIC ASSISTANCE

AFDC program

AFDC is the major public assistance program in the District of Columbia. For fiscal year 1975, AFDC payments represented about 90 percent of the total welfare payments. The Department of Health, Education, and Welfare (HEW) shares in furnishing financial assistance--50 percent--under the AFDC program.

Since fiscal year 1971, the District's AFDC caseload has almost doubled and total payments--Federal and District--have more than doubled. In fiscal year 1971, the average monthly caseload was about 16,800 and payments totaled about \$40.8 million. In fiscal year 1975, the average monthly caseload increased to about 30,200 and payments increased to about \$86 million.

Quality control

As a means of monitoring the AFDC program and maintaining continuous and systematic control over the incidence of ineligible recipients and incorrect payments in the public assistance caseload, HEW requires the District to have a quality control program. The quality control program has the primary purpose of holding the incidence of errors in AFDC to HEW's pre-established tolerance levels. It accomplishes this by:

1. Reviewing a statistically reliable sample of welfare cases.
2. Collecting and analyzing case findings periodically to determine the incidence of errors.

3. Using corrective action to bring the level of erroneous cases--ineligible or incorrect payments--within established levels, when tolerance levels are exceeded.

HEW's maximum acceptable error level for ineligible cases is 3 percent of the caseload; for either overpayments or underpayments it is 5 percent of the caseload. HEW requires the District to randomly sample and review, every 6 months, a minimum number of cases based on its AFDC average caseload, and which are statistically representative of all its cases. The current quality control program became effective October 1970.

The quality control review consists of an analysis of the case records and a field investigation. Field investigations independently verify and document factors affecting eligibility and payment through interviews with applicants and other sources, home visits, and examination of pertinent documents.

The Quality Control Group prepares a summary report on the results of its reviews showing, among other things, the number of cases reviewed and the number of cases found to be in error, classified by whether the recipient is ineligible for welfare or whether the recipient was overpaid or underpaid.

For each case in error, the Quality Control Group prepares a report detailing (1) whether the case is underpaid, overpaid, or ineligible, (2) the cause of the error, (3) the support to substantiate the error, and (4) whether the error was caused by the recipient or DHR.

These reports are sent to DHR's Bureau of Eligibility Determination (BED) for action. For those cases in error, BED must review the data furnished, and, if affirmed, take action to stop or adjust the welfare payment.

DHR procedures require that, if there are indications of widespread errors, action is to be taken to identify and correct the problem. For example, if high error rates were attributable to incomplete or inaccurate information on the amount of income reported by the welfare recipient, DHR may institute new procedures for verifying this data. Similarly, if high error rates were attributable to agency staff misapplying agency policy, DHR could require more employee training or supervisory review. As discussed later in the report, no effective action was taken.

Results of quality control reviews

From October 1970 through December 1975, the Quality Control Group made 11 reports on its reviews of the AFDC program. Of the 7,484 welfare cases reviewed, the Quality Control Group found that 2,872 cases, or 38 percent, were in error. They found that

--782 were ineligible for welfare,

--1,599 were overpaid, and

--491 were underpaid.

Cases indicating willful misrepresentation--
a continuing problem

Many erroneous cases indicated recipients willfully misrepresenting the facts concerning their eligibility. The following table shows, by calendar year, the number of such cases the Quality Control Group found in its reviews. The results of two or more review periods were combined.

Calendar year	Cases reviewed	Cases indicating willful misrepresentation			Percent of cases indicating willful misrep- resentation
		Ineligible	Over- paid	Total	
a/1970 and 1971	1,952	73	72	145	7.4
1972	1,426	90	53	143	10.0
1973	800	45	40	85	10.6
1974	1,634	113	79	192	11.8
1975	<u>1,672</u>	<u>124</u>	<u>102</u>	<u>b/226</u>	13.5
Total	<u>7,484</u>	<u>445</u>	<u>346</u>	<u>791</u>	

a/Includes only last 3 months of 1970.

b/Quality control reports showed a total of 231 willful misrepresentation cases. Our analysis of the supporting data showed a total of 226 such cases.

As the table shows, the problem of willful misrepresentation cases has persisted for years and has become progressively worse. For the period from October 1970 through December 1971, 7.4 percent of the cases reviewed indicated willful misrepresentation; in calendar year 1975, the percent of indicated willful misrepresentation cases almost doubled to 13.5 percent. The principal reasons for the

226 cases being in error, as reported by the Quality Control Group in 1975, were:

- Inaccurate reporting of earned income (62 cases).
- Children not living with specified relative (47 cases).
- Female recipient living with husband or paramour (47 cases).
- Recipients no longer living in the District (23 cases).
- Other (47 cases).

Whenever the Quality Control Group findings indicate that widespread errors may exist in the AFDC caseload, DHR should take appropriate remedial action to (1) reduce the incidence of errors and (2) remove the causes of the errors.

DHR did not effectively reduce or eliminate the number of potential willful misrepresentation cases on the welfare rolls. As a result, DHR made potential welfare overpayments on such cases of at least \$26.6 million from October 1970 through December 1975. Because people who willfully misrepresent the facts concerning their eligibility to receive welfare payments reduce money available for the needy, DHR should have made a concerted effort, as early as 1971, to identify these and other ineligible and incorrect payment cases on the welfare rolls.

In calendar year 1975, the Quality Control Group reported that 740 cases of the total cases reviewed were in error. Of the 740 cases, 226 involved indicated willful misrepresentation by the recipient. By projecting the results of the 1975 review, we estimate that an average of 4,244 potential willful misrepresentation cases were on the welfare rolls during each month in 1975. For 2,330 of these cases, the recipients would be ineligible for welfare payments, and for 1,914 cases the recipients would be ineligible for part of the payment. Based on the average monthly payment made in error on indicated willful misrepresentation cases, as computed by the Quality Control Group, DHR incurred potential welfare overpayments of about \$8.7 million on potential willful misrepresentation cases in calendar year 1975. For each month's delay, beginning in January 1976, in identifying and correcting these cases DHR could incur an additional \$725,000 in potential welfare overpayments. (See table 1.)

We estimate also that, on the basis of the Quality Control Group's review results, DHR made potential welfare overpayments of about \$17.9 million on potential willful misrepresentation cases from October 1970 to December 1974. (See table 2.)

Costly processing delays

Each error identified by the Quality Control Group is to be reported to BED for corrective action. The Quality Control Group referred the 226 indicated willful misrepresentation cases to BED. The status of the 226 cases as of March 1, 1976, was as follows.

<u>Status</u>	<u>Cases</u>
Resolved	165
Not resolved	45
Cannot be located	13
Other	<u>a/3</u>
Total	<u>226</u>

a/Quality Control did not prepare a report for two cases, and information was incomplete for the other case.

BED confirmed the eligibility findings of the Quality Control Group in all but 1 of the 165 resolved cases--BED considered the one eligible. After review by BED, the cases are referred to DHR's Bureau of Payments and Collections where action is to be taken to stop or adjust the welfare payment.

Because prompt action was not taken to review the cases and either stop or adjust the welfare payments, and because management made no followup to assure that error cases were handled promptly, DHR made overpayments of about \$33,000, as the following table shows. Because BED had established a 30-day period to review referred cases, we excluded payments made in the first 30 days.

Time required to
resolve cases
(note a)

	<u>Cases</u>	<u>Overpayment</u>
Less than 1 month	d/54	\$ -
1 to 2 months	b/d/62	10,738
2 to 3 months	c/31	12,019
3 to 4 months	6	1,713
4 to 5 months	d/5	2,040
5 to 6 months	3	2,150
6 to 7 months	1	1,458
7 to 8 months	-	-
8 to 9 months	-	-
9 to 10 months	3	2,871
	<u>165</u>	<u>\$32,989</u>
Total	<u>165</u>	<u>\$32,989</u>

a/Computed from the date of the Quality Control report to the date the payment was stopped or adjusted.

b/Thirty-three processed between 31 and 40 days.

c/Includes one case not confirmed by BED.

d/Includes a total of six cases where the error was not valid at the time BED reviewed the case. No overpayment is included for these cases.

According to HEW regulations recipients must be notified in writing of any reduction in or termination of their payments. District regulations provide that recipients are allowed 15 days following such notification to request a hearing on the findings. If a hearing is requested, no action can be taken on the case until it is resolved. According to DHR officials the hearing process can take from 60 to 90 days. A hearing was requested on only 2 of the 226 cases. One case was closed and the other case was still open as of March 1, 1976. Thus, this requirement did not interfere with DHR's efforts to diligently process the 165 resolved cases.

As of March 1, 1976, BED had not resolved the matters questioned by the Quality Control Group for 45 cases, and BED could not locate the files for 13 other cases. If BED affirms the eligibility errors determined by the Quality Control Group, as it did for 164 of the 165 cases reviewed, the District may have incurred a potential overpayment on the 58 cases of about \$33,000 through March 1, 1976, because of the continued welfare payments after indicated willful misrepresentation was identified.

In February 1974 BED's Chief instructed supervisory personnel to implement and maintain controls to insure that appropriate action would be taken on all cases referred by the Quality Control Group within the 30-day processing period. Supervisors were required to submit a report for each case to BED's Deputy Bureau Chief, setting forth the action taken on all referred cases.

The required reports were made on only 108 of the 226 cases. Information was not always available showing the date the reports were received by the Deputy Chief; however, for 64 cases where the date was available, 26 were received within 30 days and the delays in submitting the other reports ranged from over 1 to 6 months. This occurred because BED's management had not implemented a followup system to assure that the reports were prepared and submitted to the Deputy Chief. As a result, BED's managers did not know what action had been taken, if any, or the time taken to process the cases. Furthermore, the absence of a followup system on the status of referred cases precluded BED from accurately advising DHR's management on the actions to either control or avoid unnecessary welfare payments.

BED supervisors and caseworkers said their major concern was to approve or reject applications for public assistance rather than to review the propriety of payments. They said processing welfare applications was time consuming and they did not have sufficient staff to review cases referred by the Quality Control Group.

Each month DHR delays in reviewing and resolving referred cases results in continuous welfare overpayments. To minimize such overpayments, DHR needs to establish and implement a system for monitoring and reporting on the status of referred error cases. Such a system would alert managers to delays in processing such cases and provide them with a means for questioning the causes of the delays and taking corrective action. A monitoring and reporting system will also assist management in evaluating the efficiency of the various case processing operations.

The Director, DHR, in commenting on this finding, said that BED has taken action to strengthen the controls over reports on error cases provided by the Quality Control Group, that immediate action was taken to correct outstanding cases, and such action will be reported to the Operations Division Chief, BED, by supervisors. He said that a list will be provided to the Division Chief monthly of all quality control reports not replied to within 30 days with an explanation for the delay.

Potential food stamp and medicaid overpayments

People who are eligible to receive AFDC welfare payments may also receive medicaid and food stamp benefits. If AFDC recipients are found to be ineligible for welfare and their welfare payments are terminated, their medicaid and food stamp benefits could also be terminated. However, recipients who are terminated for AFDC are advised that they could be eligible and can apply for medicaid and food stamps as a nonpublic assistance case. In calendar year 1975, the value of medicaid and food stamp benefits to recipients possibly ineligible because of potential willful misrepresentation could be as much as \$3.5 million.

Potential food stamp overpayments

AFDC recipients may receive benefits under the Federal Government's food stamp program. Under this program the welfare recipient can purchase, based on certain eligibility requirements such as the amount of income, food stamps at less than face value. The Department of Agriculture pays the difference. Actions resulting in a loss of welfare eligibility could result in a loss of eligibility for food stamps.

Of the 124 ineligible indicated willful misrepresentation cases identified by the Quality Control Group in calendar year 1975, 94 received food stamps. As of March 1, 1976, BED resolved and terminated the welfare payments for 68 of these 94 cases. (Nineteen cases were unresolved and for the remaining cases the welfare payments were either adjusted or remained the same at the time of our review.) Food stamp benefits were also terminated for the 68 cases.

We reviewed the food stamp records to determine if the terminated AFDC recipients reapplied and were approved to receive food stamps as a nonpublic assistance case. We analyzed the monthly food stamp records covering the period of time that the cases were terminated for welfare through March 1, 1976. For those cases terminated from January to March 1976, we also examined the food stamp records through June 1976. Our analysis showed that eight recipients had reapplied and were approved to receive food stamps as nonpublic assistance recipients, and two recipients reapplied and were approved to receive both welfare and food stamp benefits. One of the eight recipients receiving food stamps as a nonpublic assistance recipient received welfare benefits after receiving food stamps for 3 months.

We estimate that the annual food stamp overpayment to potential ineligible willful misrepresentation cases that could also be ineligible for food stamps could have been about \$1.3 million in calendar year 1975. (See table 3.)

Potential medicaid overpayments

The medicaid program covers the cost of medical expenses of eligible recipients. When an individual or family is approved to receive benefits under the AFDC welfare program, they are automatically eligible to receive medicaid. Conversely, if recipients are found to be ineligible for welfare they could be ineligible for medicaid. HEW regulations generally provide, however, that recipients that become ineligible for AFDC welfare benefits because of increased earnings or hours of employment can continue to receive medicaid benefits for a period of 4 months before such benefits are stopped. In determining the amount of potential medicaid overpayments, we excluded 14 of the 124 ineligible indicated willful misrepresentation cases to eliminate medicaid payments outside the control of DHR because of this requirement.

Of the 226 indicated willful misrepresentation cases identified by the Quality Control Group in calendar year 1975, 110, or 48.7 percent, were found to be ineligible for welfare payments. (This excludes the 14 cases referred to above.) Thus, the 110 cases could also have been ineligible for medicaid. Projecting this percentage to the estimated 4,244 potential willful misrepresentation cases on the welfare rolls during each month in calendar year 1975, about 2,067 such cases could be ineligible to receive medicaid benefits.

Information obtained for the 226 cases, showed that on the average each had 1 adult and about 2.4 children. Applying this data to the 2,067 potential willful misrepresentation cases that could be ineligible to receive medicaid, 2,067 adults and 4,960 children could have been on the rolls who were not entitled to receive medicaid benefits in calendar year 1975.

Based on information provided by DHR officials, about 71 percent of AFDC recipients received medicaid benefits in fiscal year 1975. The average annual medicaid payment in that year was \$755 for each adult and \$310 for each child. Using this data, as shown in the following table, the District could have paid about \$2.2 million in calendar year 1975 in medicaid payments to potential ineligible willful misrepresentation cases that could also be ineligible to receive medicaid.

Computation of Potential Medicaid Overpayments
on Potential Willful Misrepresentation Cases

<u>Potential ineligible recipients</u>	<u>Estimated percent using medicaid</u>	<u>Estimated number using medicaid</u>	<u>Average annual cost per person</u>	<u>Amount of potential overpayment</u>
2,067 adults	71	1,468	\$755	\$1,108,340
4,960 children	71	3,522	310	<u>1,091,820</u>
Total				<u>\$2,200,160</u>

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The Director, DHR, said that if a case is in fact ineligible and remains on the roll there could be some overpayment in food stamps and medicaid; however, a recipient's ineligibility for AFDC does not render him ineligible for such benefits. He said a separate determination of eligibility for these two programs as a nonpublic assistance case must be made before overpayment statistics can be gathered.

We recognize that an ineligible AFDC recipient can continue to receive medicaid and food stamps as a nonpublic assistance case and this would effect the estimated overpayments. As indicated by our analysis of food stamp records, however, only 10 of 68 cases we looked at applied and were approved for food stamps after their welfare benefits were terminated. Thus, it would appear that ineligible AFDC recipients who can qualify for continued food stamp benefits would not materially affect our estimate of overpayments.

Records were not available to readily determine the extent that ineligible AFDC recipients reapplied and who were determined to qualify for continued medicaid. Our estimate would change to the extent that such cases exist.

Unnecessary costs incurred in handling potential
ineligible willful misrepresentation cases

The District's public assistance caseload increased to about 38,000 cases in fiscal year 1976--about 31,000 are AFDC cases. Caseworkers are responsible for determining initial and continuing eligibility of these cases. The caseworkers are required to interview the applicant and make an independent verification of all eligibility and payment factors. If eligible, arrangements for the

issuance of a check are made. A redetermination process, made to insure that the person is still eligible, is to be made every 6 months and involves essentially the same work as the initial verification process. A caseworker must also handle phone calls from recipients, make various changes in their casefolders such as changes in address and grant amounts, and file documents and forms to keep the case information up to date.

In fiscal year 1975, about 250 BED caseworkers were assigned to handle the public assistance caseload. According to DHR officials, about 54 percent of a caseworker's time is spent on AFDC cases. Information was not available showing how much it cost to handle the estimated 2,330 potential ineligible willful misrepresentation cases in 1975. However, removing such cases should reduce the caseworkers' workloads, allow more time to process and handle eligible cases, and permit DHR to obtain more effective use of its staff resources.

Actions taken to reduce error rates

Quality control reviews

The problems of errors in the AFDC caseload, as identified by the Quality Control Group, have persisted for years. In 1970, the ineligibility error rate was about 5 percent; in 1975 the error rate increased to about 13 percent. In 1970, the overpayment error rate was about 17 percent; in 1975 it increased to about 25 percent.

The Director, DHR, said that a Quality Control Committee was established in October 1972 to (1) review the Quality Control Group's reports, (2) prepare corrective action plans to address the errors reported by the Quality Control Group, and (3) monitor the corrective action plans. Information was not available concerning the actions taken by the Committee. However, when considering the continuing escalation of error cases since 1970 in the AFDC caseload, we believe that DHR has not taken effective action to correct the problem.

Special Review Project

In November 1975, DHR started a Special Review Project of all welfare cases including AFDC. The purpose of this review was to identify and correct all cases where the recipient was ineligible for welfare or where the amount paid was incorrect. One hundred and fifty people were

assigned to make the review and DHR expects the review to be completed in December 1976.

As of April 23, 1976, the Special Review Project had completed its review of about 7,800 AFDC cases. The results showed that about 21 percent of the cases were ineligible for welfare, about 27 percent were overpaid, and about 10 percent were underpaid, or a total error rate of 58 percent.

As of September 17, 1976, a total of about 17,200 AFDC cases have been reviewed and the total cumulative error rate was about 52 percent. The Coordinator of the Special Review Project estimated annual savings of about \$11.3 million in correcting the AFDC caseload.

Although the Special Review Project will purify the welfare caseload at this time, the review will not insure that the type of errors found will not continue to happen. DHR has not established procedures to analyze the errors and to determine the factors or reasons which contributed to the errors and to report this information to management and caseworkers for use in the day-to-day administration of the AFDC program.

For instance, before January 1974, under HEW's requirements, people were enrolled in the AFDC program primarily by declaring a need for public assistance. Beginning January 1, 1974, as a means of reducing the number of ineligible welfare recipients, DHR procedures required a 100-percent verification of all data provided by the person applying for welfare. No provision was made, however, to provide management with the effect this procedure had on reducing the errors in the welfare caseload.

The following illustrates that improvement is needed in verifying data supplied by the recipient at the time of application. Of the 226 indicated willful misrepresentation cases identified by the Quality Control Group in 1975, 34 were enrolled after January 1, 1974, and their most recent action was an approved application. Of these 34 cases, 18 or 53 percent, were in error at the time the recipient was approved for welfare. If procedures had been established to provide for collecting and reporting this data to management and the Special Review Project highlighted such data, DHR could have taken action to improve the effectiveness of the 100-percent verification process.

In a meeting with the Director, DHR, he agreed that a system is needed to analyze, collect, and report to

management the results of the Special Review Project, including data on the causes of errors and actions needed to minimize their occurrence.

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In formally commenting on the draft report, the Director, DHR, said that because available staff has not kept pace with rising caseloads, the likelihood of high error rates will continue. He said that the Department has determined that a total additional staff requirement of 180 positions, including supervisors and clerical support, is needed, and that the Department has included a request for these positions in its fiscal year 1978 budget.

We have not reviewed the staff requirements of DHR. We, therefore, cannot comment on whether the present staff resources are being used most efficiently and effectively or whether additional resources may be needed after considering such items as available staff time resulting from eliminating ineligible cases.

CONCLUSIONS

Since 1971 the Department of Human Resources was aware that many indicated willful misrepresentation cases were on the AFDC welfare rolls but did not effectively act until November 1975 to identify these and other erroneous payments. The Department also has been slow in adjusting or terminating payments in those instances where it became aware of erroneous payments.

The Department's failure to promptly remove ineligibles from the rolls and correct erroneous payments cost the District millions of dollars unnecessarily.

Further, although a special concerted review of all welfare cases to identify and correct errors will purify the welfare caseload at this time, the review will not insure that the type of errors found will not continue to occur. The Department has not established procedures to analyze errors, determine their causes, and report the information to management for its use in improving caseworkers' review and evaluation of new welfare applications and existing cases.

The Department needs to strengthen its management oversight of the welfare system to help improve welfare case handling and prevent unnecessary expenditures.

RECOMMENDATIONS

We recommend that the Department of Human Resources develop a reporting and monitoring system to effectively inform all levels of management when established controls and operating procedures are not being followed and to assist them in evaluating the efficiency and effectiveness of the operation and administration of the public assistance caseload. Specifically the Department needs to:

- Develop and report information, such as the kinds of errors and their causes, to assist the Department in evaluating and changing procedures, if necessary, for verifying information at the time recipients apply for welfare and at the time a redetermination is made for continued eligibility.
- Insure that the status of error cases identified by the Quality Control Group be reported monthly to Department management including reasons for not correcting the errors within the prescribed time.
- Insure that analyses of Quality Control Group findings are made to determine whether widespread errors are occurring in the welfare caseload. Indications of widespread abuses in the welfare program should be investigated immediately. Ineligibles should be removed from the rolls and payments adjusted, if necessary, of recipients determined to be still eligible.

We recommend also that the Department collect, analyze, and report to its management on the results of the 100-percent Special Review Project for use in improving its procedures for handling welfare cases and payments.

SOURCE OF DATA AND METHODOLOGY
FOR COMPUTING OVERPAYMENTS ON
POTENTIAL WILLFUL MISREPRESENTATION
CASES FOR TABLE 1

All data used in computing the amount of welfare overpayments made to recipients where willful misrepresentation may be involved was obtained from information developed by the Quality Control Group. This data included the number of cases reviewed by the Quality Control Group, the number of cases they identified where willful misrepresentation may be involved, and the amount of money paid in error to each of these cases. The cases identified to contain willful misrepresentation are not duplicated in any of the 12 months. Using this data we estimated the total

potential number of willful misrepresentation cases in the AFDC caseload and the total amount of overpayments to such cases.

The total potential number of willful misrepresentation cases--column 7--was computed by multiplying the average number of AFDC cases--column 6--with the percent of indicated willful misrepresentation cases--column 4. The estimated overpayments were computed by multiplying the number of potential willful misrepresentation cases--column 7--by the average amount paid in error to identified indicated willful misrepresentation cases--column 5.

The Quality Control Group review is based on a random sample of cases. Thus, projection of sample results to the total universe would be statistically valid. Based on the size of the Quality Control Group's sample, the computed amount of overpayments is within a 95-percent confidence level plus or minus \$640,000.

TABLE 1
COMPUTATION OF ESTIMATED OVERPAYMENTS TO POTENTIAL WILLFUL MISREPRESENTATION
CASES IN AFDC CASELOADS FOR CALENDAR YEAR 1975 (note a)

<u>Month (1975)</u>	<u>AFDC cases reviewed</u>	<u>Willful misrepresentation cases</u>	<u>Percent of willful misrepresentation cases</u>	<u>Average monthly payment in error per willful misrepresentation case</u>	<u>AFDC caseload</u>	<u>Potential willful misrepresentation cases in AFDC caseload</u>	<u>Overpayments to potential willful misrepresentation cases (note b)</u>
Jan.	137	15	10.9	\$182.73	33,793	3,683	\$ 672,995
Feb.	141	17	12.1	153.06	29,872	3,615	553,312
Mar.	137	19	13.9	179.89	32,851	4,566	821,378
Apr.	139	27	19.4	136.78	31,521	6,115	836,410
May	143	24	16.8	152.83	30,867	5,186	792,576
June	142	18	12.7	186.78	27,645	3,511	655,785
July	138	19	13.8	170.79	31,022	4,281	731,152
Aug.	136	18	13.2	162.06	32,406	4,278	693,293
Sept.	143	20	14.0	180.65	30,676	4,295	775,892
Oct.	141	16	11.3	166.25	30,682	3,467	576,389
Nov.	140	14	10.0	214.93	32,867	3,287	706,475
Dec.	<u>135</u>	<u>19</u>	14.1	191.53	32,926	<u>4,643</u>	<u>889,274</u>
Total	<u>1,672</u>	<u>226</u>				<u>c/4,244</u>	<u>d/\$8,704,931</u>

a/Computed by GAO based on cases reviewed each month by DHR's Quality Control Group. The cases are randomly sampled and statistically representative of all AFDC cases. The computation results in a 95-percent confidence plus or minus \$640,000.

b/Any adjustments to quality control data by BED on those cases that they have resolved are not reflected in these totals but, if considered, would result in a net increase in the overpayments.

c/An average of 4,244 cases per month.

d/An average of about \$725,000 in potential overpayments per month.

TABLE 2

COMPUTATION OF ESTIMATED OVERPAYMENTS TO POTENTIAL WILLFUL
MISREPRESENTATION CASES FROM OCTOBER 1970 THROUGH DECEMBER 1974

Period of review	Cases reviewed	Ineligible willful misrepresentation cases	Percent of ineligible willful misrepresentation cases	Overpaid willful misrepresentation cases	Percent of overpaid willful misrepresentation cases	Average monthly caseload	Average monthly potential ineligible willful misrepresentation cases	Average monthly potential overpaid willful misrepresentation cases	Average monthly overpayment per ineligible case (note a)	Average monthly overpayment per overpaid case (note a)	Overpayment to ineligible willful misrepresentation cases (note b)	Overpayment to overpaid willful misrepresentation cases (note b)
Jan.-June 1974	823	62	7.5	42	5.1	29,959	2,247	1,528	\$207.44	\$73.39	\$2,796,706	\$ 672,840
July-Dec. 1974	811	51	6.3	37	4.6	30,406	1,916	1,399	197.26	74.16	2,267,701	622,499
April-Aug. 1973	800	45	5.6	40	5.0	29,673	1,662	1,484	192.11	65.84	3,831,442	1,172,479
Jan.-June 1972	596	38	6.4	24	4.0	25,525	1,634	1,021	171.88	51.44	1,685,112	315,121
July-Dec. 1972	830	52	6.3	29	3.5	27,866	1,756	975	168.78	56.18	1,778,266	328,653
April-June 1971	533	21	3.9	21	3.9	19,497	760	760	168.24	46.15	383,587	105,222
July-Dec. 1971	547	20	3.7	19	3.5	23,110	855	809	173.25	46.52	888,773	225,808
Jan.-Mar. 1971	521	22	4.2	23	4.4	17,253	725	759	182.20	40.03	396,285	91,148
Oct.-Dec. 1970	351	^{c/} 10	2.8	^{c/} 9	2.6	15,610	437	406	^{c/} 190.00	^{c/} 45.00	249,090	54,810
Total overpayments											<u>\$14,276,962</u>	<u>\$3,588,580</u>

^{a/} Based on an average overpayment for all ineligible and overpaid cases identified by the Quality Control Group. Information was not available on the amount of overpayment for ineligible and overpaid misrepresentation cases.

^{b/} Computed by multiplying the average number of cases by the average cost per case times the number of months covered by the review period except for the 1973 review period which was multiplied by 12.

^{c/} Quality Control report was not available for this period. Information was obtained orally from a Quality Control Group official.

TABLE 3
COMPUTATION OF ESTIMATED FOOD STAMP
OVERPAYMENTS TO POTENTIAL INELIGIBLE
WILLFUL MISREPRESENTATION CASES IN AFDC CASELOAD
FOR CALENDAR YEAR 1975

Month (1975)	Willful misrepresentation cases identified by quality control	Ineligible willful misrepresentation cases	Percent of ineligible willful misrepresentation cases	Ineligible willful misrepresentation cases receiving food stamps	Percent receiving food stamps	Potential ineligible willful misrepresentation cases (note a)	Potential ineligible willful misrepresentation cases receiving food stamps	Cost of food stamps (note b)	Total food stamp overpayment in \$
Jan.	15	9	60.0	7	77.8	2,210	1,719	\$56.71	\$ 97,484
Feb.	17	8	47.1	6	75.0	1,703	1,277	51.17	65,344
Mar.	19	13	68.4	11	84.6	3,123	2,642	58.27	153,949
Apr.	27	13	48.1	10	76.9	2,941	2,262	50.00	113,100
May	24	11	45.8	9	81.8	2,375	1,943	71.22	138,380
June	18	14	77.8	12	85.7	2,732	2,341	48.75	114,124
July	19	7	36.3	6	85.7	1,575	1,350	74.00	99,900
Aug.	18	7	38.9	5	71.4	1,664	1,188	81.00	96,228
Sept.	20	13	65.0	9	69.2	2,792	1,932	66.22	127,937
Oct.	16	9	56.3	6	66.7	1,952	1,302	64.50	83,979
Nov.	14	7	50.0	4	57.1	1,644	939	72.25	67,843
Dec.	<u>19</u>	<u>13</u>	68.4	<u>9</u>	69.2	3,176	<u>2,198</u>	59.33	<u>130,407</u>
Total	<u>226</u>	<u>124</u>		<u>94</u>			<u>c/1,758</u>		<u>\$1,288,675</u>

a/Computed by multiplying the number of potential willful misrepresentation cases in AFDC caseload (See table 1) by column 4.

b/Represents the average cost of food stamps to the Department of Agriculture for each ineligible case.

c/Monthly average 1,758.



GOVERNMENT OF THE DISTRICT OF COLUMBIA
DEPARTMENT OF HUMAN RESOURCES
WASHINGTON, D. C. 20004

SEP 7 1973

JOSEPH P. YELDELL
DIRECTOR

REPLY TO:
1280 E STREET, N. W.
WASHINGTON, D. C. 20004

Mr. Frank Medico
Assistant Director
General Accounting Office
Room 208, District Building
Washington, D.C. 20004

Dear Mr. Medico:

We have reviewed the report on the follow-up approach to the AFDC Quality Control findings and must report that we can raise no substantial disagreements with your findings, particularly since you made many of the revisions we requested in our conference on the draft report. I would like to emphasize with respect to your study as we do with the quality control system generally, that errors relate to particular points in time which may not persist over the entire period being projected. We would further like to call your attention to two major factors which we feel account for the persistently unsatisfactory level of our error rates - the declaration method of applying for public assistance and the continuing loss of staff determining eligibility.

In accordance with CFR 205.20, effective January 24, 1969 all jurisdictions were required by Federal Regulation to accept the client's assertion for all elements of eligibility. This regulation remained in effect until December 1973. During that period total public assistance caseload nearly tripled. I am convinced that we are still paying the price for many of the cases enrolled during the open door period.

I would further like to call your attention to the attached table which demonstrates dramatically the impossible caseloads the eligibility staff has been attempting to serve. Although the personnel figures are partially estimated because of major internal realignments, it clearly indicates the continued likelihood of high errors because available staff has not kept pace with rising caseloads.

We would like to make the following specific comments.

Costly Processing Delays - the recipient must be notified in writing of any adverse action (i.e. reduction in payment or termination) and be given 15 days to request a fair hearing. If a hearing is requested, no further action can be taken on the case. Therefore, some cases may remain on the roll for a substantial period of time after overpayment or ineligibility has been identified. The fair hearing process may range from 60 to 90 days. This process may well be the reason for the delay in the 117 cases cited as taking more than 30 days for payment to be stopped or adjusted rather than any lack of diligence on the part of the eligibility workers.

Potential Medicaid and Food Stamp Overpayments - it is dangerous to place a dollar amount on cases that are labeled as potentially overpaid or ineligible. Obviously, if a case is in fact ineligible and remains on the roll there could be some overpayment in Food Stamps and Medicaid. However, a recipient's ineligibility for AFDC does not in itself render him ineligible for Food Stamps or Medicaid. Many of the working poor are eligible for these two programs but are not eligible for any money payments. A redetermination of eligibility for these two programs would be required for each case cited before alleging overpayment.

[See GAO note.]

Table 3 (page 20) - this table reflects the premise in the body of the report that ineligibility for public assistance means ineligibility for Food Stamps. As stated previously, this is not necessarily true. A separate determination of eligibility for Food Stamps as a Non-PA household must be made before any overpayment statistics can be gathered.

GAO note: This portion was deleted because the material it concerns has been reworded in the final report.

Action Taken by the Administration

In October 1972 a Quality Control Committee was established in the Administration. This committee is composed of top level program managers, the Chief of Quality Control and staff from the Research and Statistics Division and chaired by the Deputy Administrator. The purpose of this working committee is to review QC reports, prepare corrective action plans to address the errors reported by QC, to monitor the corrective action plan and to make decisions regarding immediate action as required. The committee meets biweekly.

The Bureau of Eligibility Determination has taken action to strengthen the control of reports on error cases provided by QC. Immediate action was taken to correct outstanding cases. A list of all remaining cases was provided the Operations Division Chief, and each case will be acted upon and reported on to the Division Chief by supervisors. An on-going list will be provided to the Division Chief monthly of all QC reports not replied to within 30 days with an explanation for the delay. This will capture the data regarding cases in which a fair hearing has been requested.

The institution of a special task force to review the entire AFDC caseload was effected in November 1975.

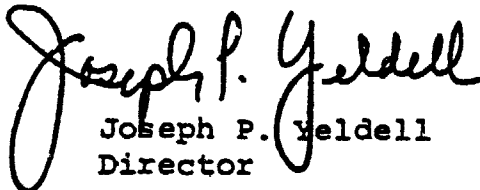
Staffing Requirements and Performance Standards

We have determined from experience that with proper supervision and support staff, one eligibility worker can accomplish 46.3 redeterminations of eligibility per month. In order to accomplish the 5,000 AFDC recertifications due each month, we have determined a total staff requirement of 180 including supervisors and clerical support. We have requested these positions in our FY-78 budget submission. The 250 BED eligibility workers on board referred to in the GAC report would be needed to maintain the rest of the workload in BED namely, 650 new AFDC applications monthly, 400 new GPA applications and 2,300 Food Stamp reapplications monthly, 900 new Medicaid applications and 2,000 Medicaid recertifications monthly.

This Department requests that GAO, when presenting audit findings do so in a conservative manner to avoid overgeneralizations and possible distortions of facts.

Consideration of this Department's concerns as stated above is appreciated.

Sincerely,



Joseph P. Yeldell
Director

MORE AND MORE CALLS FOR FINANCIAL AID

Graph for pages 5 and 6

Cases and staff (shown as stick figures)

	1971	1972	1973	1974	1975	1976
<u>Aid to Families with Dependent Children (AFDC)</u>						
<u>Cases/Month</u>	16,770	24,197	28,614	30,054	31,018	31,790
<u>General Public Assistance (GPA)</u>						
<u>Cases/Month</u>	2,125	2,176	3,675	4,082	5,598	7,000
<u>Emergency Assistance (EA)</u>						
<u>Cases</u>	8,600	4,525	901	1,618	5,300	5,146
<u>Food Stamps</u>						
<u>Cases Participating/ Month</u>		33,839	37,694	37,987	39,020	42,000
<u>Authorized Positions</u>						
<u>For All Financial Programs</u>	(a)	(a)	435	497	511	490

All cases, and annual payments are average rather than total numbers. (a) Data for periods 1971 and 1972 are not comparable to subsequent years.