

H. CARL McCALL
STATE COMPTROLLER



A.E. SMITH STATE OFFICE BUILDING
ALBANY, NEW YORK 12236

STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

February 2, 2000

Mr. Brian J. Wing
Commissioner
Office of Temporary and Disability Assistance
40 North Pearl Street
Albany, New York 12243

Re: Report 99-F-21

Dear Mr. Wing:

Pursuant to the State Comptroller's authority as set forth in Article V, Section 1 of the State Constitution and Article II, Section 8 of the State Finance Law, we have reviewed the actions taken by officials of the Office of Temporary and Disability Assistance (OTDA), as of December 31, 1999 to implement the recommendations in our audit report, *Welfare Fraud Detection Programs* (Report 96-S-50). Our report, which was issued February 12, 1998, examined OTDA's oversight of welfare fraud detection programs.

Background

Section 134-b of the Social Services Law requires each social services district to establish procedures to identify, investigate and resolve potential cases of fraud, misrepresentation or inadequate documentation on the part of applicants for public assistance. At the time of our prior audit, the former Department of Social Services (Department) had developed many programs to identify and control welfare fraud. These programs included the Front End Detection System (FEDS), the Automated Finger Imaging System (AFIS), and the Eligibility Verification Review program (EVR).

On August 20, 1997, the Governor signed welfare reform legislation that abolished the Department of Social Services and created a new agency in its place: the Department of Family Assistance. OTDA became part of this new agency and currently has oversight responsibility for these fraud detection programs.

Summary Conclusions

In our prior audit, we found that improvements could be made in the administration of welfare fraud detection programs. We found that procedures for FEDS processing were not always followed in the New York City, Monroe and Oneida districts. We further found that, in the New York City district, income information reported by applicants often was not verified as required. As a result of these practices, welfare fraud was less likely to be prevented in these three districts. In addition, because of limitations in the Department's information system, we could not evaluate the cost-effectiveness of individual welfare fraud detection programs. Also, the Department had not, as of June 30, 1997, received a comprehensive consultant's evaluation of AFIS, which was required by legislation to be submitted by February 1, 1996.

In our follow-up review, we found that OTDA officials have made progress in implementing the recommendations contained in our prior audit report. Officials have increased their presence at upstate district offices through more audits of AFIS and FEDS. Officials have also increased their AFIS audit presence at the New York City Human Resources Administration (HRA), and have a FEDS/EVR audit underway at HRA since October 1999. In addition, OTDA has developed the Automated Listing of Eligibility Requirements Tracking System (ALERTS) and an EVR paperless case file system which has improved procedures for FEDS and AFIS processing at the New York City HRA offices. However, OTDA officials have not examined ways to identify and track costs by individual program.

Status of Prior Audit Recommendations

Of the 18 audit recommendations, OTDA officials have implemented 5 recommendations, partially implemented 12 recommendations, and have not implemented 1 recommendation.

Follow-up Observations

Recommendation 1

In districts other than New York City, ensure that public assistance applications with indicators of possible fraud are referred for investigation, and benefits are not paid to the applicants until the investigations are complete.

Status - Implemented

Agency Action - OTDA has measured compliance with FEDS referrals at its upstate districts by conducting a number of FEDS audits. This action, along with efforts to reinforce staff effectiveness through training, should ensure that public assistance applications with indicators of possible fraud are referred for investigation.

Recommendation 2

In New York City, ensure that indicators of possible fraud are identified in the initial public assistance application and are documented for follow-up in the more intensive review of the applications.

Status - Partially Implemented

Agency Action - OTDA officials informed us that HRA has provided several training courses on the FEDS and EVR processes, and has implemented an automated case tracking system called ALERTS. HRA officials believe these changes will ensure that indicators of possible fraud are identified in the initial public assistance application and documented for follow-up investigation. OTDA advised us that it is evaluating these changes as part of its review of the FEDS/EVR systems at HRA.

Recommendation 3

Ensure that FEDS referrals are recorded in the case files.

Status - Partially Implemented

Agency Action - According to OTDA officials, the Monroe and Oneida districts have revised its procedures to improve the FEDS referral process and to ensure that a copy of the FEDS referral is retained in the cases record. In addition, OTDA has instituted a series of FEDS audits at its upstate districts that specifically look at some of those conditions we found in our prior audit.

HRA officials reported that they have automated the FEDS/EVR application process which should greatly improve FEDS referrals and ensure such referrals are properly recorded in case files. OTDA advised us that it is evaluating this automated process as part of its review at HRA.

Recommendation 4

Require HRA staff to use a preprinted checklist when reviewing public assistance applications.

Status - Implemented

Agency Action - HRA officials stated that they re-issued Center Memorandum 95-27 which includes the use of a checklist, Form W-151L. In addition, OTDA officials told us that HRA has changed its FEDS/EVR process so that every applicant identified as having a fraud indicator is automatically sent to the EVR unit for further processing and investigation. As part of this investigation process, investigators use the ALERTS system,

which HRA staff said also contains a checklist to ensure that investigators ask all of the appropriate questions.

Recommendation 5

Ensure that HRA staff follow the required procedures when performing RFI [Resource File Integration System] matches.

Status - Partially Implemented

Agency Action - According to OTDA officials, HRA has added a PC-based system to enable its staff to match the applicant-provided financial resource information with the Resource File Integration System. This process enables the staff to quickly identify cases where no follow-up was performed or where a Resource File Integration System match was not made. OTDA advised us that it is evaluating this process as part of its review at HRA.

Recommendation 6

Require that AFIS match results be included in the case files before making eligibility determinations.

Recommendation 7

Review the AFIS/WMS match process and correct the process so that it detects all cases that should be flagged.

Recommendation 8

Ensure that clients who have not been finger imaged report for finger imaging.

Recommendation 9

Enable WMS to flag applications without finger images.

Status - Partially Implemented

Agency Action - In early calendar 1998, OTDA implemented a series of program audits of the AFIS process at all of its district offices. These audits reviewed applicant files to ensure that they contain proper documentation to support finger imaging. In addition, OTDA has developed a finger-imaging indicator program which is tied into WMS and flags applicants that have not been finger imaged for one reason or another.

Also, OTDA has reviewed the AFIS/WMS match process and has proposed two system changes that will add four indicators to the process which identify applicants that were not finger imaged at the time they completed their application. Officials claim that this change will provide a computer record, rather than a case file notation, of the applicants that were not finger imaged and need follow-up.

However, the effectiveness of these initiatives has not yet been tested. According to OTDA officials, they will be including a test of them in future audits.

Recommendation 10

Take action to expedite the consultant's report on AFIS.

Status - Implemented

Agency Action - OTDA officials recently provided OSC with a copy of the consultants report.

Recommendation 11

Ensure that eligibility verification reviews are performed thoroughly.

Recommendation 12

Ensure that procedures are not duplicated in HRA's public assistance application review process.

Status - Partially Implemented

Agency Action - According to OTDA officials, HRA has changed its FEDS/EVR procedures so that all benefit applications are currently processed by the EVR unit. Officials told us that these changes will make the application process more effective. In addition, HRA and New York State have together developed ALERTS. ALERTS automates the review of client applications using electronic case file information from collateral sources to enhance the investigative process. The addition of ALERTS should ensure that eligibility verification reviews are performed thoroughly as required. OTDA officials advised us that they are evaluating these changes as part of its review at HRA.

Recommendation 13

Ensure that New York City applicants who are found to be ineligible for public assistance are not referred to the Brooklyn office for further investigation.

Status - Implemented

Agency Action - On September 27, 1999, HRA issued a policy directing Income Support staff not to send applicants who are found to be ineligible at the initial interview for further interviews at the Brooklyn Office. OTDA advised us that it is following up on the implementation of this policy as part of its review at HRA.

Recommendation 14

Evaluate the cost-effectiveness of each fraud detection program by comparing the costs incurred in operating each program to the welfare benefit costs avoided as a result of each program.

Status - Not Implemented

Agency Action - OTDA maintains that to change the way costs are allocated would place a great burden on the counties both in money and in staff resources.

Auditors' Comments - We continue to believe that OTDA must evaluate the cost effectiveness of each fraud detection program to ensure that funds for these programs are being prudently expended, and that the benefit of the additional fraud and detection efforts outweigh the investment.

Recommendation 15

Ensure that avoided costs are accurately reported by the New York City and Oneida districts.

Status - Implemented

Agency Action - According to OTDA, HRA accurately reports avoided costs. Also, Oneida has changed its procedures to maintain better control and ensure accuracy in cost avoidance reporting.

Recommendation 16

Ensure that the districts accept or deny public assistance applications within the time limits established by relevant regulations.

Status - Partially Implemented

Agency Action - OTDA has increased its program audits of the FEDS process at its upstate districts. These audits include a review of the timeliness of the eligibility determination process. OTDA officials advised us that it is evaluating this process as part of its review at HRA.

Recommendation 17

Ensure that the districts maintain adequate accountability over case files.

Status - Partially Implemented

Agency Action - OTDA stated that all of the districts have taken steps to address this recommendation. In addition, HRA reported that its initiatives to improve case file accountability has started; however, it could not give us a date when the case file retention plan would be fully implemented in the New York City District. OTDA advised us that it is checking the status of the implementation of the case file retention program as part of its review at HRA.

Recommendation 18

Investigate the 30 missing case files in the New York City district.

Status - Partially Implemented

Agency Action - According to HRA officials, staff have located 22 of the 30 missing case files and have checked them to ensure that they contain the proper documentation. As of December 1999, staff had not found any of the eight remaining files. OTDA advised us that it is following up on this matter as part of its review at HRA.

Major contributors to this report were Richard Sturm, Ron Skantze and Donald Wilson.

We would appreciate your response to this report within 30 days, indicating any action planned or taken to address any unresolved matters discussed in this report. We also thank Office management and staff for the courtesies and cooperation extended to our auditors during this review.

Very truly yours,

William P. Challice
Audit Director

cc: Charles Conaway
David Dorpfeld