



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General

Washington, D.C. 20201

DEC - 4 2007

**TO:** Daniel C. Schneider  
Acting Assistant Secretary for Children and Families

**FROM:** Daniel R. Levinson *Daniel R. Levinson*  
Inspector General

**SUBJECT:** Review of Improper Temporary Assistance for Needy Families Basic Assistance Payments in Pennsylvania for July 1 Through December 31, 2005  
(A-03-06-00566)

Attached is an advance copy of our final report on improper Temporary Assistance for Needy Families (TANF) basic assistance payments in Pennsylvania. We will issue this report to the Pennsylvania Department of Public Welfare (the State agency) within 5 business days. The Administration for Children and Families and the Office of Management and Budget requested this audit.

The TANF program, which the Federal and State Governments jointly fund and administer, is a block grant program that provides eligible families with work opportunities and other assistance, including basic assistance payments for such ongoing basic needs as food, clothing, shelter, and utilities. Federal and State laws, regulations, and other requirements establish TANF eligibility, payment, and documentation requirements.

Our objectives were to determine whether the State agency made TANF basic assistance payments to or on behalf of recipient families in accordance with Federal and State requirements and adequately documented eligibility and payment determinations.

From July 1 through December 31, 2005, the State agency made some TANF basic assistance payments that did not meet Federal and State requirements and did not adequately document all eligibility and payment determinations. We did not identify any errors in 126 of the 150 payments in our statistical sample. However, the remaining 24 payments were improper. For 16 of these payments, the recipient families were ineligible for TANF basic assistance or the payments were calculated improperly, and for 8 payments, the case files did not contain all required documentation supporting eligibility and payment determinations.

Based on our sample results, we estimated that the overall TANF improper payment rate was 11.5 percent of the Federal dollars expended and 16 percent of the number of payments made for

basic assistance during the 6-month audit period. Specifically, we estimated that the State agency paid \$12,173,000 (Federal share) for 90,390 improper payments.

We recommend that the State agency:

- use the results of this review to help ensure compliance with Federal and State TANF requirements by (1) reemphasizing to recipients the need to provide accurate and timely information and (2) requiring its county assistance office employees to verify eligibility information and maintain appropriate documentation in all case files,
- determine the current eligibility of all recipients identified in this review as improperly enrolled in the TANF program and ensure that further assistance is denied for those who remain ineligible, and
- recalculate assistance budgets for all recipients identified in this review as having received improperly calculated payments.

In its comments on our draft report, the State agency concurred with all of our recommendations. The State agency separately provided additional information clarifying State guidance on underpayments and showing that the State agency had acted within that guidance. The State agency also provided additional information about one budget calculation. We have modified the final report to reflect the additional information.

If you have any questions or comments about this report, please do not hesitate to call me, or your staff may contact Joseph J. Green, Assistant Inspector General for Grants and Internal Activities, at (202) 619-1175 or through e-mail at [Joe.Green@oig.hhs.gov](mailto:Joe.Green@oig.hhs.gov) or Stephen Virbitsky, Regional Inspector General for Audit Services, Region III, at (215) 861-4470 or through e-mail at [Stephen.Virbitsky@oig.hhs.gov](mailto:Stephen.Virbitsky@oig.hhs.gov). Please refer to report number A-03-06-00566.

Attachment



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Public Ledger Building, Suite 316  
150 S. Independence Mall West  
Philadelphia, PA 19106-3499

DEC - 6 2007

Report Number: A-03-06-00566

Mr. Theodore Dallas  
Executive Deputy Secretary  
Pennsylvania Department of Public Welfare  
P.O. Box 2675  
Harrisburg, Pennsylvania 17105

Dear Mr. Dallas:

Enclosed is the U.S. Department of Health and Human Services (HHS), Office of Inspector General (OIG), final report entitled "Review of Improper Temporary Assistance for Needy Families Basic Assistance Payments in Pennsylvania for July 1 Through December 31, 2005." We will forward a copy of this report to the HHS action official noted on the following page for review and any action deemed necessary.

The HHS action official will make final determination as to actions taken on all matters reported. We request that you respond to this official within 30 days from the date of this letter. Your response should present any comments or additional information that you believe may have a bearing on the final determination.

Pursuant to the principles of the Freedom of Information Act, 5 U.S.C. § 552, as amended by Public Law 104-231, OIG reports generally are made available to the public to the extent the information is not subject to exemptions in the Act (45 CFR part 5). Accordingly, within 10 business days after the final report is issued, it will be posted on the Internet at <http://oig.hhs.gov>.

If you have any questions or comments about this report, please do not hesitate to call me, or contact Michael Walsh, Audit Manager, at (215) 861-4480 or through e-mail at [Michael.Walsh@oig.hhs.gov](mailto:Michael.Walsh@oig.hhs.gov). Please refer to report number A-03-06-00566 in all correspondence.

Sincerely,

Stephen Virbitsky  
Regional Inspector General  
for Audit Services

Enclosure

**Direct Reply to HHS Action Official:**

Mr. David J. Lett  
Regional Administrator  
Administration for Children and Families  
Department of Health and Human Services, Region III  
150 South Independence Mall West, Suite 864  
Philadelphia, Pennsylvania 19106

Department of Health and Human Services

**OFFICE OF  
INSPECTOR GENERAL**

**REVIEW OF IMPROPER  
TEMPORARY ASSISTANCE FOR  
NEEDY FAMILIES BASIC  
ASSISTANCE PAYMENTS IN  
PENNSYLVANIA FOR JULY 1  
THROUGH DECEMBER 31, 2005**



Daniel R. Levinson  
Inspector General

December 2007  
A-03-06-00566

# ***Office of Inspector General***

<http://oig.hhs.gov>

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In accordance with the principles of the Freedom of Information Act (5 U.S.C. 552, as amended by Public Law 104-231), Office of Inspector General, Office of Audit Services reports are made available to members of the public to the extent the information is not subject to exemptions in the act. (See 45 CFR part 5.)

## **OAS FINDINGS AND OPINIONS**

The designation of financial or management practices as questionable or a recommendation for the disallowance of costs incurred or claimed, as well as other conclusions and recommendations in this report, represent the findings and opinions of the HHS/OIG/OAS. Authorized officials of the HHS divisions will make final determination on these matters.



## **EXECUTIVE SUMMARY**

### **BACKGROUND**

The Temporary Assistance for Needy Families (TANF) program, a block grant program, provides eligible families with work opportunities and other assistance, including basic assistance payments for such ongoing basic needs as food, clothing, shelter, and utilities. The Federal and State Governments jointly fund and administer the TANF program. The Administration for Children and Families (ACF), Office of Family Assistance, administers the program at the Federal level.

Federal and State laws, regulations, and other requirements establish TANF eligibility, payment, and documentation requirements. To be eligible for TANF, a needy family must, among other requirements, include a minor child or pregnant woman, not exceed established time limits for receiving assistance, engage in work activities, not exceed income and resource thresholds established by the State, meet citizenship and residency requirements, submit a written application for benefits, and furnish the Social Security number of each family member. The State must maintain records on the provision of assistance, including facts to support eligibility and payment determinations.

In Pennsylvania, the Department of Public Welfare (the State agency) administers the TANF program. The State agency's county assistance offices determine the eligibility of applicants and the payment amounts for basic assistance. From July 1 through December 31, 2005, the State agency made 564,938 monthly basic assistance payments totaling \$194,294,994 (\$106,119,167 Federal share) to or on behalf of TANF recipient families.

ACF and the Office of Management and Budget requested this pilot review in Pennsylvania and two other States for fiscal year 2007 performance and accountability reporting. The purpose of the pilot review is to test a methodology to measure the amount of improper payments in the basic assistance portion of the TANF program. Upon completion of the pilots, the methodology will be refined, as appropriate, and used to measure and calculate a national TANF error rate for basic assistance payments in fiscal year 2008.

### **OBJECTIVES**

Our objectives were to determine whether the State agency made TANF basic assistance payments to or on behalf of recipient families in accordance with Federal and State requirements and adequately documented eligibility and payment determinations.

### **SUMMARY OF FINDINGS**

From July 1 through December 31, 2005, the State agency made some TANF basic assistance payments that did not meet Federal and State requirements and did not adequately document all eligibility and payment determinations. We did not identify any errors in 126 of the 150 payments in our statistical sample. However, the remaining 24 payments were improper:

- For 16 payments, the recipient families were ineligible for TANF basic assistance or the payments were calculated improperly.
- For eight payments, the case files did not contain all required documentation supporting eligibility and payment determinations.

Based on our sample results, we estimated that the overall TANF improper payment rate was 11.5 percent of the Federal dollars expended and 16 percent of the number of payments made for basic assistance during the 6-month audit period. Specifically, we estimated that the State agency paid \$12,173,000 (Federal share) for 90,390 overpayments. The following table summarizes our statistical estimates.

**Statistical Estimates of Improper Payments**

<b>Error Category</b>	<b>Improper Payment Rate</b>		<b>Improper Payments</b>	
	<b>Federal Dollars</b>	<b>No. of Payments</b>	<b>Federal Dollars</b>	<b>No. of Payments</b>
Eligibility and payment calculation errors	4.7%	10.7%	\$4,958,477	60,260
Documentation errors	6.8%	5.3%	7,214,523	30,130
<b>Overall</b>	<b>11.5%</b>	<b>16.0%</b>	<b>\$12,173,000</b>	<b>90,390</b>

**RECOMMENDATIONS**

We recommend that the State agency:

- use the results of this review to help ensure compliance with Federal and State TANF requirements by (1) reemphasizing to recipients the need to provide accurate and timely information and (2) requiring its county assistance office employees to verify eligibility information and maintain appropriate documentation in all case files,
- determine the current eligibility of all recipients identified in this review as improperly enrolled in the TANF program and ensure that further assistance is denied for those who remain ineligible, and
- recalculate assistance budgets for all recipients identified in this review as having received improperly calculated payments.

**STATE AGENCY’S COMMENTS AND OFFICE OF INSPECTOR GENERAL’S RESPONSE**

In its comments on our draft report (Appendix E), the State agency concurred with all of our recommendations. The State agency separately provided additional information clarifying State

guidance on underpayments and showing that the State agency had acted within that guidance. The State agency also provided additional information about one budget calculation. We have modified this final report to reflect the additional information.

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## INTRODUCTION

### BACKGROUND

The Administration for Children and Families (ACF) and the Office of Management and Budget (OMB) requested this pilot review in Pennsylvania and two other States for fiscal year 2007 performance and accountability reporting. The purpose of the pilot review is to test a methodology to measure the amount of improper payments in the basic assistance portion of the Temporary Assistance for Needy Families (TANF) program. Upon completion of the pilots, the methodology will be refined, as appropriate, and used to measure and calculate a national TANF error rate for basic assistance payments in fiscal year 2008.

### Improper Payments Information Act of 2002

The Improper Payments Information Act of 2002 (Public Law 107-300) requires Federal agencies to estimate and report to Congress on the annual amount of improper payments in their programs, the causes of the improper payments, and the corrective actions taken. Section 2(d)(2) of this Act (31 U.S.C. § 3321) defines an improper payment as:

... (A) any payment that should not have been made or that was made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements; and (B) any payment to an ineligible recipient, any payment for an ineligible service, any duplicate payment, payments for services not received, and any payment that does not account for credit for applicable discounts.

To clarify this definition, OMB Circular A-123, Appendix C, part I.A, states that "when an agency's review is unable to discern whether a payment was proper as a result of insufficient or lack of documentation, this payment must also be considered an error."

### Temporary Assistance for Needy Families Program

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (Public Law 104-193) established the TANF program to help families progress from welfare to self-sufficiency. The Federal and State Governments jointly fund and administer the program. At the Federal level, the ACF Office of Family Assistance administers the program. Within broad national guidelines established by Federal statutes, regulations, and other requirements, States have significant flexibility in designing their programs and determining eligibility requirements.

The Federal Government provides TANF funds in the form of block grants, which are specified amounts directly allocated to States. To be eligible for a TANF block grant, a State must submit a State plan to ACF within the 27-month period prior to the Federal fiscal year in which the funds are to be provided. The State plan is an outline of how each State will operate its TANF program, including program administration, criteria for determining eligibility and delivering benefits, and assurances against fraud and abuse. ACF reviews the State plan for completeness

but does not issue an approval. ACF has stated that a determination that a plan is complete does not constitute its endorsement of State policies.<sup>1</sup>

Pursuant to section 401 of the Social Security Act (the Act), the TANF program provides assistance and work opportunities to needy families. As a general rule, States must use the funds for eligible families with a minor child or pregnant woman and for one of the four purposes of the TANF program, including providing assistance to needy families.<sup>2</sup> Federal regulations (45 CFR § 260.31(a)(1)) define assistance as cash, payments, vouchers, and other forms of benefits designed to meet a family's ongoing basic needs, including, but not limited to, food, clothing, shelter, and utilities. Such assistance is referred to as "basic assistance."

States may use various funding options to provide benefits and services under their TANF programs (e.g., commingled Federal and State funds or segregated State funds). The funding option chosen determines what specific requirements apply and whether a particular use of funds is appropriate. Commingled Federal and State funds are subject to Federal laws and requirements.

### **Pennsylvania's Temporary Assistance for Needy Families Program**

In Pennsylvania, the Department of Public Welfare (the State agency) administers the TANF program. The State agency uses the Client Information System, a computerized payment and information reporting system, to process and pay TANF basic assistance benefits.

The State agency has opted to commingle Federal and State funds in its TANF program. For families receiving TANF assistance for 60 months or less, the State agency, on average, funds 50 percent of its basic assistance expenditures from the Federal TANF block grant, and the State pays the remaining 50 percent. For families receiving TANF assistance for more than 60 months (called extended TANF), the State funds 100 percent of its basic assistance expenditures from the Federal TANF block grant.

Pursuant to Title 55 of the Pennsylvania Administrative Code (PA. CODE) § 125.1(a), individuals must submit State-approved application forms for TANF basic assistance. The State agency's county assistance offices review the applications and determine whether individuals meet TANF eligibility requirements. For each family, the county assistance office creates a "budget group" that includes all eligible family members and, on the basis of the budget group and other factors, calculates the amount of assistance to be paid. As part of the application process, the county assistance office informs the applicant of his or her responsibility to notify the office of any changes that might affect eligibility or payment status. Every 6 months thereafter, pursuant to 55 PA. CODE § 133.23(a)(1)(v)(A), the county assistance office must verify any updated information and redetermine the budget group's eligibility. The State agency conducts

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<sup>1</sup>See 64 Federal Register 17720, 17847 (April 12, 1999).

<sup>2</sup>The other purposes of TANF are to (1) end the dependence of needy parents by promoting job preparation, work, and marriage; (2) prevent and reduce out-of-wedlock pregnancies; and (3) encourage the formation and maintenance of two-parent families (section 401 of the Act).

independent case file reviews on a sample basis to determine the validity of eligibility determinations and benefit amounts and the sufficiency of documentation supporting these determinations.

### **Federal and State Requirements Related to Temporary Assistance for Needy Families Basic Assistance**

The State agency must comply with certain Federal requirements in determining and redetermining eligibility and payment amounts. Federal regulations (45 CFR §§ 205.51–205.60 and parts 260–264) set forth basic TANF eligibility requirements that States must impose on families receiving assistance, including time limits and work requirements for adults. Appendix A of this report contains the specific Federal requirements related to TANF basic assistance.

In addition, the Pennsylvania State plan, the public assistance provisions of Title 62 of the Pennsylvania Statutes Annotated (PA. STAT. ANN.), the “Public Assistance Manual” at Title 55 of the PA. CODE, and State guidance establish TANF basic assistance requirements. The State plan incorporates Federal requirements and establishes all other eligibility requirements, such as income and resource levels, as set forth in 55 PA. CODE Chapters 100–299. Appendix B of this report contains the specific State requirements related to TANF basic assistance.

## **OBJECTIVES, SCOPE, AND METHODOLOGY**

### **Objectives**

Our objectives were to determine whether the State agency made TANF basic assistance payments to or on behalf of recipient families in accordance with Federal and State requirements and adequately documented eligibility and payment determinations.

### **Scope**

Our audit period covered July 1 through December 31, 2005. We did not review the overall internal control structure of the State TANF program. Rather, we reviewed the State agency’s procedures relevant to the objectives of the audit.

We performed fieldwork from September 2006 to March 2007 at the State agency’s offices in Harrisburg and King of Prussia, Pennsylvania.

### **Methodology**

To accomplish our objectives, we:

- reviewed Federal and State laws, regulations, and other requirements related to TANF basic assistance eligibility and payment amounts;

- held discussions with ACF regional officials and with State officials to obtain an understanding of policies, procedures, and guidance for determining TANF basic assistance eligibility and payment amounts;
- obtained a list of TANF basic assistance payments for the period July 1 through December 31, 2005, from the State agency's Client Information System;
- combined all payments to or on behalf of each recipient family in a month and obtained a universe of 564,938 monthly payments totaling \$194,294,994 (\$106,119,167 Federal share); and
- selected a simple random sample of 150 payments from the universe of 564,938 monthly payments, as detailed in Appendix C.

For each of the 150 sampled items, we determined whether the corresponding case file (electronic or paper) contained sufficient information for the county assistance office to have made a TANF basic assistance eligibility determination on the date of initial determination or redetermination. We also attempted to obtain sufficient independent information to determine whether the recipient family was eligible for TANF basic assistance and received the proper payment amount on the payment date selected. Specifically, we determined whether:

- the case file contained a completed application and an agreement of mutual responsibility signed by the required members of the recipient family;
- the case file contained a Social Security number for each member of the recipient family and, if so, whether the Social Security Administration had issued the number to the family member;
- the recipient family resided in Pennsylvania by checking driver's licenses, rental agreements, landlord statements, and utility bills;
- each family member's identity, including name and age, was adequately documented in the case file (e.g., birth certificates, adoption papers, court decrees, and passports);
- each noncitizen family member's citizenship status in the case file matched the information on file with the U.S. Citizenship and Immigration Services's Systematic Alien Verification for Entitlement program;
- the recipient family's income was at or below the income threshold required to be eligible for TANF basic assistance on the payment date selected by reviewing information from

the State's Income Eligibility Verification System, the family member's employer, and the case file;<sup>3</sup>

- the recipient family's resources were at or below the resource threshold required to be eligible for TANF basic assistance on the payment date selected by checking the State agency's Client Information System and the case file;
- the recipient family was not receiving concurrent payments from more than one State by reviewing data from the ACF Public Assistance Reporting Information System;
- no member of the recipient family was a fugitive felon or parole violator by reviewing information from the State's Income Eligibility Verification System, the Pennsylvania Clerk of Courts, and the case file;
- the recipient family complied with child support requirements by reviewing information from the Pennsylvania Child Support Enforcement System and the case file;
- assistance was not provided to any adult member, minor head of household, or minor spouse in the recipient family for a total of more than 60 cumulative months (or longer, as allowed by extended TANF) by reviewing information from the State agency's Client Information System; and
- the parent or caretaker in the recipient family met work requirements by reviewing the case file.

We used a variable appraisal program to estimate, for the total universe of 564,938 TANF monthly basic assistance payments, the total dollar value of payments with eligibility or calculation errors and with documentation errors. We used an attribute appraisal program to estimate, for the total universe, the total number of these improper payments.

In addition, we determined the improper payment rate in dollars by dividing the estimated improper dollars by the total Federal dollars in the universe. We also determined the improper payment rate for the number of payments in error by dividing the estimated number of improper payments by the total number of payments in the universe.

We conducted our review in accordance with generally accepted government auditing standards.

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<sup>3</sup>The Income Eligibility Verification System uses Social Security numbers to compare individuals in the Client Information System against individuals in the State's Commonwealth Judiciary Inquiry System database and in the resource files of various State and Federal agencies, including the State Department of Labor and Industry and the Social Security Administration.

## FINDINGS AND RECOMMENDATIONS

The State agency made some TANF basic assistance payments that did not meet Federal and State requirements and did not adequately document all eligibility and payment determinations. Of the 150 payments in our statistical sample, 24 payments totaling \$3,232 (Federal share) were improper because the recipient families were ineligible for TANF basic assistance, the payments were calculated improperly, or the case files did not contain all required documentation supporting eligibility and payment determinations. We did not identify any errors in the remaining 126 payments.

Based on our sample results, we estimated that the overall TANF improper payment rate was 11.5 percent of the Federal dollars expended and 16 percent of the number of payments made for basic assistance during the 6-month audit period. Specifically, we estimated that the State agency paid \$12,173,000 (Federal share) for 90,390 overpayments. (See page 9 for additional statistical estimates.)

### IMPROPER PAYMENTS

Table 1 summarizes the errors noted in the 24 improper payments in our sample.

**Table 1: Summary of Improper Payments**

Type of Error	Improper Federal Payments	No. of Improper Payments
<b>Eligibility and Payment Calculation Errors</b>		
Recipient families were ineligible:		
Income threshold exceeded on payment dates	\$815	7
Subtotal	\$815	7
Payments were calculated improperly:		
Incorrect household size	\$321	5
Incorrect household income	180	4
Subtotal	\$501	9
<b>Subtotal</b>	<b>\$1,316</b>	<b>16</b>
<b>Documentation Errors</b>		
Documentation was not sufficient to support eligibility and payment determinations	\$1,916	8
<b>Total</b>	<b>\$3,232</b>	<b>24</b>

We have provided details on each of these payment errors to the State agency.

## **Eligibility and Payment Calculation Errors**

### *Recipient Families Were Ineligible*

State regulations (55 PA. CODE § 125.24(b)(5)) require the county assistance offices to inform each applicant and recipient, at the time of application and subsequently, of his or her initial and continuing responsibilities to furnish accurate, complete, and current eligibility information. In addition, 55 PA. CODE §§ 125.24(c)(3) and (d)(1) require each applicant to promptly report any changes that may affect eligibility or the amount of the monthly assistance payment.

Pursuant to 45 CFR § 263.2(b)(3), income and resource thresholds are established by the State and must be included in the State plan. Generally, income thresholds vary based on the number of family members in the household. Federal regulations (45 CFR §§ 205.51 and 205.55) establish requirements for income and eligibility verification. These regulations, which govern the Income and Eligibility Verification System, require a State to request information from other agencies to verify individuals' eligibility for assistance under the State plan and the correct amount of assistance payments for applicants and recipients.

Of the 150 sampled payments, 7 payments totaling \$815 (Federal share) were made to or on behalf of recipient families who did not meet Federal and State eligibility requirements. For all seven of these overpayments, the recipient families' household incomes exceeded the TANF basic assistance income threshold on the payment dates.

### *Payments Were Calculated Improperly*

State regulations (55 PA. CODE § 171.21(a)(1)) establish the household members who must be included in a TANF budget group for purposes of calculating assistance payments. The family size allowance, which is based on the number of eligible household members and the county of residence, represents the maximum monthly assistance payment to a recipient family. The State must apply TANF income requirements, including all allowable deductions, to the family size allowance to calculate the basic assistance payment (55 PA. CODE § 183.101(c)).

Section 408(a)(9)(A)(ii) of the Act prohibits TANF assistance for individuals who have not complied with the terms and conditions of their probation or parole imposed under Federal or State law. In accordance with 62 PA. STAT. ANN. § 432(9), section VI(A)(7) of the State plan provides that an individual who has been sentenced for a felony or misdemeanor offense and who has not satisfied the penalty imposed by the court is ineligible for TANF assistance. An ineligible person must be excluded from the budget group (55 PA. CODE § 171.21(a)(1)). In addition, 55 PA. CODE § 183.53 states that an individual receiving Supplemental Security Income (SSI) must be excluded from the budget group.

Of the 150 sampled payments, 9 payments totaling \$501 (Federal share) were made to or on behalf of recipient families who were eligible for basic assistance but for whom payments were calculated improperly:

- For five overpayments totaling \$321 (Federal share), the State agency used incorrect family size allowances in its payment calculations. The budget groups improperly included household members who were not in compliance with the terms and conditions of their probation or parole for three of these payments, a child who was receiving SSI for one payment, and an individual who did not exist for one payment.
- For four overpayments totaling \$180 (Federal share), the State agency used incorrect income amounts in its payment calculations.

### **Documentation Errors**

State agencies are required to maintain records regarding applications and eligibility determinations for the provision of financial assistance. Included in such records should be facts supporting initial and continuing eligibility determinations (45 CFR § 205.60(a)). OMB Circular A-123, Appendix C, part I.A, states that when a Federal agency's review is unable to discern whether a payment was proper as a result of insufficient or lack of documentation, this payment must be considered an error.

Pursuant to 55 PA. CODE § 125.1(a), a State-approved application form must be completed for each case. All variable factors of need and eligibility must be reconsidered, reevaluated, and verified at least every 6 months (55 PA. CODE § 133.23(a)(1)(v)(A)). Pursuant to 55 PA. CODE § 125.1, each applicant for and recipient of cash assistance and other individuals who are required to sign an application must sign an agreement of mutual responsibility specifying the individual's obligations pertaining to work-related activities, child health care, and other requirements.

The case files for eight sampled payments totaling \$1,916 (Federal share) did not contain adequate documentation to support eligibility and payment determinations. For five of these overpayments, the case file did not contain any documentation to support the eligibility determination for the payment month. For the remaining three overpayments, the case file lacked an application, documentation of an eligibility redetermination, or an agreement of mutual responsibility covering the payment month.

### **CONCLUSION**

Some of the sampled payments did not meet Federal and State eligibility, payment, or documentation requirements. For these payments, (1) recipient families did not notify the State agency's county assistance offices of changes in financial situation or other changes affecting eligibility; (2) recipient families disclosed information properly, but the county assistance offices made errors in determining the size of the budget group; or (3) the county assistance offices did not maintain appropriate documentation to support eligibility and payment determinations.

As a result, we estimated that the overall TANF improper payment rate was 11.5 percent of the Federal dollars expended and 16 percent of the number of payments made for basic assistance during the 6-month audit period. Specifically, we estimated that the State agency paid

\$12,173,000 (Federal share) for 90,390 overpayments. Table 2 summarizes our statistical estimates. (See Appendix D for details on our sample results and projections.)

**Table 2: Statistical Estimates of Improper Payments**

Error Category	Improper Payment Rate		Improper Payments	
	Federal Dollars	No. of Payments	Federal Dollars	No. of Payments
Eligibility and payment calculation errors	4.7%	10.7%	\$4,958,477	60,260
Documentation errors	6.8%	5.3%	7,214,523	30,130
<b>Overall</b>	<b>11.5%</b>	<b>16.0%</b>	<b>\$12,173,000</b>	<b>90,390</b>

We are not recommending recovery of the overpayments identified in this report primarily because ACF decided to assess penalties<sup>4</sup> in the TANF program rather than take disallowances in response to audit findings.

**RECOMMENDATIONS**

We recommend that the State agency:

- use the results of this review to help ensure compliance with Federal and State TANF requirements by (1) reemphasizing to recipients the need to provide accurate and timely information and (2) requiring its county assistance office employees to verify eligibility information and maintain appropriate documentation in all case files,
- determine the current eligibility of all recipients identified in this review as improperly enrolled in the TANF program and ensure that further assistance is denied for those who remain ineligible, and
- recalculate assistance budgets for all recipients identified in this review as having received improperly calculated payments.

**STATE AGENCY’S COMMENTS**

In its October 4, 2007, comments on our draft report, the State agency expressed its concerns with a national TANF payment error rate because the States are allowed to use different criteria, rules, and operational procedures in their programs. Nevertheless, the State agency concurred with all of our recommendations and provided information on steps it had taken or planned to implement the recommendations. The State agency’s comments are included in their entirety as Appendix E.

<sup>4</sup>Penalties are set forth in section 409 of the Act.

The State agency separately provided additional information clarifying State guidance on underpayments and showing that the State agency had acted within that guidance. The State agency also provided additional information about one budget calculation.

#### **OFFICE OF INSPECTOR GENERAL'S RESPONSE**

The Improper Payments Information Act of 2002 requires Federal agencies to estimate the annual amount of improper payments in their programs and report that estimate to Congress. We have modified this final report to explain that ACF and OMB requested this pilot review to test a methodology for measuring the amount of improper payments in the basic assistance portion of the TANF program.

After reviewing the State agency's additional information, we revised three payment determinations, as well as our statistical estimates and error rates.

# **APPENDIXES**

**FEDERAL REQUIREMENTS RELATED TO TEMPORARY ASSISTANCE  
FOR NEEDY FAMILIES BASIC ASSISTANCE**

- Section 401 of the Social Security Act (the Act) states that one purpose of the Temporary Assistance for Needy Families (TANF) program is to provide assistance to needy families.
- The Federal Register, Vol. 64, No. 69, page 17825 (April 12, 1999) defines a needy family as one that is financially deprived, i.e., lacking adequate income and resources.
- Regulations (45 CFR § 260.31(a)(1)) define assistance as cash, payments, vouchers, and other forms of benefits designed to meet a family's ongoing basic needs (i.e., food, clothing, shelter, utilities, household goods, personal care items, and general incidental expenses), as well as supportive services, such as transportation and childcare provided to families whose household heads are not employed.
- Regulations (45 CFR § 263.2(b)) state that cash assistance benefits may be provided only to or on behalf of eligible families.
- Section 408(a)(1) of the Act requires that a State not use any part of the grant to provide assistance to a family unless the family includes a minor child who resides with the family or includes a pregnant woman.
- Section 408(a)(7) of the Act and 45 CFR § 264.1(a)(1) provide that a State may not use Federal TANF funds to provide assistance to a family that includes an adult who has received Federal assistance for more than 60 cumulative months. However, 45 CFR § 264.1(c) allows States the option to extend assistance beyond the 5-year limit for up to 20 percent of the average monthly number of families receiving assistance during the fiscal year on the basis of hardship, as defined by the State, or battery of a family member.
- Regulations (45 CFR § 261.10(a)(1)) require that a parent or caretaker receiving assistance engage in work activities when the State has determined that the individual is ready to do so or when the individual has received assistance for a total of 24 months, whichever is earlier.
- Regulations (45 CFR §§ 205.52(a)(1) and (2)) require, as a condition of eligibility, that each applicant for or recipient of aid furnish his or her Social Security number to the State or local agency. If the individual cannot recall or was not issued a Social Security number, the individual is required to apply to the Social Security Administration (SSA) for a number through procedures adopted by the State or local agency. If such procedures are not in effect, the individual must apply directly for such a number, submit verification of such application, and provide the number upon its receipt.

- Regulations (45 CFR § 205.52(g)) require the State agency to submit all unverified Social Security numbers to SSA for verification.<sup>1</sup>
- Title IV of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (Public Law 104-193, as codified, in part, at 8 U.S.C. §§ 1601–1646) requires a TANF recipient to be a citizen or national of the United States or a qualified alien. Legal resident aliens and other qualified aliens who entered the United States on or after August 22, 1996, are ineligible for assistance for the first 5 years after entry.
- Regulations (45 CFR § 263.2(b)(3)) state that TANF basic assistance income and resource thresholds are established by the State and must be included in the State plan. The income and resource thresholds, which are subject to adjustments, vary based on the number of members in the household.
- Regulations (45 CFR §§ 205.51 and 205.55) establish requirements for income and eligibility verification. These regulations governing the Income and Eligibility Verification System require States to request information from other Federal and State agencies to verify individuals' eligibility for assistance under the State plan and the correct amount of assistance payments for applicants and recipients.
- Regulations (45 CFR § 264.30(a)) require the State agency to refer to the child support enforcement agency all appropriate individuals in the family of a child for whom paternity has not been established or for whom a child support order needs to be established, modified, or enforced. Referred individuals must cooperate in establishing paternity and in establishing, modifying, or enforcing a support order with respect to the child.
- Section 408(a)(2) of the Act provides that if an individual does not cooperate with the State in establishing paternity or in establishing, modifying, or enforcing a support order, the State must reduce assistance by at least 25 percent or may deny the family any assistance.
- Section 408 of the Act prohibits assistance for individuals who (1) fail to assign support rights to the State, (2) fail to attend high school or an equivalent training program when the individual is a teenage parent, (3) fail to reside in an adult-supervised setting when the household head is a teenager, (4) are fugitive felons or parole violators, or (5) are minor children absent from the home or parents who fail to notify the State agency of the absence.

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<sup>1</sup>The State agency may accept as verified a Social Security number provided directly to the State agency by SSA or by another Federal or federally assisted benefit program that has received the number from SSA or has submitted it to SSA for verification.

- Regulations (45 CFR § 205.60(a)) require State agencies to maintain records regarding applications and eligibility determinations for the provision of assistance. Included in such records should be facts supporting initial and continuing eligibility determinations.

**STATE REQUIREMENTS RELATED TO TEMPORARY ASSISTANCE  
FOR NEEDY FAMILIES BASIC ASSISTANCE**

- Title 55 of the Pennsylvania Administrative Code (PA. CODE) §§ 125.24(c)(7)(v) and 171.21(a)(1) establish that a county assistance office will determine public assistance eligibility for all household members.
- Regulations (55 PA. CODE § 125.1) require that a State-approved application form be completed for each case.
- Regulations (55 PA. CODE §§ 151.41–151.43) state that to receive TANF assistance, a family must include (1) a child living with a specified relative capable of and responsible for the care and control of the child or (2) a pregnant woman.
- Pursuant to 55 PA. CODE § 151.43(d)(1), the temporary absence of either the child or a relative from the home will not affect the child's eligibility for TANF assistance as long as the absence of the child is not more than, or expected to be more than, 180 consecutive days.
- Regulations (55 PA. CODE § 149.23) state that a person who is not a U.S. citizen is not eligible for TANF assistance unless that person is an alien lawfully admitted for permanent residence or otherwise permanently residing in the United States under provisions of law.
- Pursuant to 55 PA. CODE § 125.1, each applicant for and recipient of cash assistance and other individuals who are required to sign an application must sign an agreement of mutual responsibility that must be signed and approved by the county assistance office. The agreement specifies the individual's obligations pertaining to work-related activities, child health care, and other requirements. In addition, if substance abuse is determined to be a barrier to employment, the individual is required to remain free of alcohol and illegal drugs and participate in an approved treatment program.
- Regulations (55 PA. CODE § 141.21(d)(2)) require the applicant to furnish a Social Security number, or proof of having applied for a Social Security number, for each family member for whom assistance is to be granted or is being received.
- Regulations (55 PA. CODE § 187.23(b)) state that as a condition of eligibility for cash assistance, every applicant or recipient seeking or receiving cash assistance on behalf of an unemancipated minor child must cooperate in establishing the paternity of the child and in obtaining support from a legally responsible relative of the child unless the applicant or recipient establishes good cause for failing to do so.
- Regulations (55 PA. CODE § 165.1(a)) state that a recipient who is not exempt must participate in the Road to Economic Self-Sufficiency Through Employment and Training program. Also, 55 PA. CODE § 165.31 states that nonexempt individuals who are not

employed for an average of at least 20 hours per week must accept referral to, and participate in, available work-related activities, including those specified in the agreement of mutual responsibility.

- Pursuant to 55 PA. CODE § 145.43, a child is eligible for assistance if he or she is under age 18 or if he or she is under age 19 and a full-time student regularly attending a secondary school or in the equivalent level of vocational or technical training.
- Regulations (55 PA. CODE § 147.41) state that to be eligible for assistance, a person must live in the State at the time of application, other than for temporary purposes.
- Pursuant to 55 PA. CODE §§ 177.21, 177.22, and 177.31, the maximum amount of assets that a family may own and still qualify for assistance is \$1,000. However, certain items may be excluded from the asset calculation, such as resident property owned by an applicant or recipient, basic items essential for day-to-day living, the full value of one automobile, and educational savings accounts or monies related to educational expenses.
- Regulations (55 PA. CODE § 183.101(c)) state that a person is ineligible for assistance if, after the application of TANF income requirements, the net income, when prospectively determined, equals or exceeds the family size allowance.
- Regulations (55 PA. CODE § 183.53) state that the income of a Supplemental Security Income (SSI) recipient is not considered available to meet the needs of an applicant or recipient except those payments made to the applicant or recipient for goods, services, and room and board. An individual receiving SSI must be excluded from the budget group.
- Title 62 of the Pennsylvania Statutes Annotated § 432(9) states that “[a]ssistance may not be granted to any person who has been sentenced for a felony or misdemeanor offense and who has not otherwise satisfied the penalty imposed on that person by law.” Regulations (55 PA. CODE § 141.21(t)) state that an individual who is fleeing to avoid prosecution, custody, or confinement following a conviction for a felony is ineligible for cash assistance. The State plan, section VI(A)(7), provides that an individual who is violating probation or parole imposed under Federal or State law or who has been sentenced for a felony or misdemeanor offense and has not satisfied the penalty imposed by the court is ineligible for TANF assistance.
- Regulations (55 PA. CODE §§ 201.1(1) and 201.3) state that the client must be the primary source of information in establishing eligibility for financial assistance and must, to the extent possible, substantiate the information provided by documentary evidence or other means. In addition, conditions of eligibility must be verified at the application interview and at the time of a redetermination (complete or partial).
- Pursuant to 55 PA. CODE § 125.24(b)(5), the county assistance office must inform each applicant and recipient, at the time of application and subsequently, of his or her initial

and continuing responsibilities to furnish accurate, complete, and current eligibility information. In addition, 55 PA. CODE § 125.24(c)(3) requires each applicant to promptly report any changes that may affect eligibility or the amount of the monthly assistance payment.

- Regulations (55 PA. CODE § 133.23(a)(1)(v)(A)) require, as a condition of eligibility, that every cash assistance budget group have a complete redetermination semiannually. Section VI(A)(7) of the State plan in part supersedes the provision of the regulations and requires a complete redetermination annually, provided that the applicant submits an annual reporting form completed for the alternate 6-month review period.

## **SAMPLE DESIGN AND METHODOLOGY**

### **AUDIT OBJECTIVES**

Our objectives were to determine whether the Pennsylvania Department of Public Welfare made TANF basic assistance payments to or on behalf of recipient families in accordance with Federal and State requirements and adequately documented eligibility and payment determinations.

### **AUDIT UNIVERSE**

The universe consisted of all TANF basic assistance payments made during the 6-month audit period that ended December 31, 2005.

### **SAMPLING FRAME**

The sampling frame was a computer file containing 564,938 monthly basic assistance payments to or on behalf of TANF recipients in Pennsylvania during the 6-month period that ended December 31, 2005. The total TANF reimbursement for the 564,938 payments was \$194,294,994 (\$106,119,167 Federal share).

### **SAMPLE UNIT**

The sample unit was a monthly TANF basic assistance payment to or on behalf of a recipient family during the audit period. The payment included all basic assistance payments made to or on behalf of the family within the month, including utilities, rent, and cash payments.

### **SAMPLE DESIGN**

We used a simple random sample.

### **SAMPLE SIZE**

We selected a sample size of 150 monthly TANF basic assistance payments.

### **SOURCE OF THE RANDOM NUMBERS**

The source of the random numbers was the Office of Inspector General, Office of Audit Services (OAS), statistical sampling software, RAT-STATS 2005, version 6. We used the random number generator for our simple random sample.

### **METHOD FOR SELECTING SAMPLE ITEMS**

We sequentially numbered the payments in our sampling frame and selected the sequential numbers that correlated to the random numbers. We then created a list of 150 sampled items.

**CHARACTERISTICS TO BE MEASURED**

We based our determination of whether each sampled payment was improper on Federal and State laws, regulations, and other requirements. Specifically, if at least one of the following characteristics was met, we considered the payment under review improper:

- The recipient family did not meet one or more eligibility requirements.
- The recipient family was eligible for assistance but received an improper payment amount (overpayment or underpayment).
- The case file did not contain sufficient documentation to support eligibility and payment determinations as required by Federal and State regulations.

**ESTIMATION METHODOLOGY**

We used both the OAS variable and attribute appraisal programs in RAT-STATS to appraise the sample results.

We used the variable appraisal program to estimate the total dollar value of TANF basic assistance payments with eligibility or calculation errors and with documentation errors. We used the attribute appraisal program to estimate the total number of these improper payments.

In addition, we determined the improper payment rate for the dollars expended by dividing the estimated improper dollars by the total Federal dollars in the universe. We also determined the improper payment rate for the number of payments in error by dividing the estimated number of improper payments by the total number of payments in the universe.

## SAMPLE RESULTS AND PROJECTIONS

## OVERALL SAMPLE RESULTS AND PROJECTIONS

## Sample Details and Overall Results

Value of Universe (Federal Share)	No. of Payments in Universe	Value of Sampled Payments (Federal Share)	Sample Size	Value of Improper Payments (Federal Share)	No. of Improper Payments
\$106,119,167	564,938	\$30,323	150	\$3,232	24

## Overall Projection of Sample Results

*Precision at the 90-Percent Confidence Level*

	<u>Variable Appraisal</u>	<u>Attribute Appraisal</u>
Midpoint	\$12,173,000	90,390
Lower limit	6,504,628	63,755
Upper limit	17,841,371	122,910

## Calculation of Overall Improper Payment Rate

Dollar value of payments	<u>Projected improper dollars</u>	\$12,173,000	= 11.5%
	Total Federal dollars in universe	\$106,119,167	
Number of payments	<u>Projected No. of improper payments</u>	90,390	= 16.0%
	Total No. of payments in universe	564,938	

**SAMPLE RESULTS AND PROJECTIONS FOR  
ELIGIBILITY AND PAYMENT CALCULATION ERRORS**

**Sample Results—Eligibility and Payment Calculation Errors**

<b>Value of Improper Payments (Federal Share)</b>	<b>No. of Improper Payments</b>
\$1,316	16

**Projection of Sample Results—Eligibility and Payment Calculation Errors**  
*Precision at the 90-Percent Confidence Level*

	<b>Variable <u>Appraisal</u></b>	<b>Attribute <u>Appraisal</u></b>
Midpoint	\$4,958,477	60,260
Lower limit	2,321,370	38,452
Upper limit	7,595,584	88,970

**Calculation of Improper Payment Rate—Eligibility and Payment Calculation Errors**

Dollar value of payments	<u>Projected improper dollars</u>	<u>\$4,958,477</u>	=	4.7%
	Total Federal dollars in universe	\$106,119,167		
Number of payments	<u>Projected No. of improper payments</u>	<u>60,260</u>	=	10.7%
	Total No. of payments in universe	564,938		

**SAMPLE RESULTS AND PROJECTIONS FOR  
DOCUMENTATION ERRORS**

**Sample Results—Documentation Errors**

<b>Value of Improper Payments (Federal Share)</b>	<b>No. of Improper Payments</b>
\$1,916	8

**Projection of Sample Results—Documentation Errors**  
*Precision at the 90-Percent Confidence Level*

	<b>Variable <u>Appraisal</u></b>	<b>Attribute <u>Appraisal</u></b>
Midpoint	\$7,214,523	30,130
Lower limit	2,067,563	15,149
Upper limit	12,361,483	53,198

**Calculation of Improper Payment Rate—Documentation Errors**

Dollar value of payments	<u>Projected improper dollars</u>	<u>\$7,214,523</u>	=	6.8%
	Total Federal dollars in universe	\$106,119,167		
Number of payments	<u>Projected No. of improper payments</u>	<u>30,130</u>	=	5.3%
	Total No. of payments in universe	564,938		



COMMONWEALTH OF PENNSYLVANIA  
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Mr. Stephen Virbitsky  
Regional Inspector General for Audit Services  
Department of Health & Human Services  
Office of Inspector General  
Office of Audit Services  
150 S. Independence Mall West  
Suite 316  
Philadelphia, Pennsylvania 19106-3499

Dear Mr. Virbitsky:

Thank you for your August 27 letter transmitting the draft report entitled "Review of Improper Temporary Assistance for Needy Families (TANF) Basic Assistance Payments in Pennsylvania."

As I believe you are aware, through the American Public Human Services Association (APSHA), Pennsylvania and several other states including New York and Michigan have voiced some significant concerns with the audit's concept that a national payment error rate can be developed to compare different states. TANF programs are funded through block grants that allow states to use different methodologies, eligibility criteria, sanction rules and operational procedures. Partly as a result, the majority of TANF funding is not issued as a cash grant but rather is used to fund programs that support working families such as child care and employment training.

Notwithstanding our concerns with the validity of the overall audit approach, the Department of Public Welfare (DPW) is providing the following response to the specific recommendations in the audit report:

**Recommendation 1:** Use the results of this review to help ensure compliance with Federal and State TANF eligibility and payment requirements by (1) reemphasizing to recipients the need to provide accurate and timely information and (2) requiring its county assistance office (CAO) employees to verify eligibility information and maintain appropriate documentation in all case files.

**DPW Response:** The DPW concurs with the recommendation. We agree that DPW needs to communicate reporting responsibilities and that the recipient should also be

Mr. Stephen Virbitsky

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informed of the income limits. We are analyzing options on how to communicate this information in a way that is easily understandable and remembered by the recipient.

CAO Executive Directors will be issued an Information Memorandum providing the findings and recommendations of the draft report along with Operations Memorandum 06-11-02, Record Retention Guidelines, pertaining to record retention requirements, and will be instructed to review with their staff. They will also be requested to review Chapter 178 of the Cash Assistance Handbook, Verification.

**Recommendation 2:** Determine the current eligibility of all recipients identified in this review as being improperly enrolled in the TANF program and ensure that further assistance is denied for those who remain ineligible.

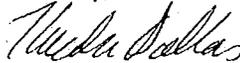
**DPW Response:** The DPW concurs with the recommendation. The majority of the case budgets cited in the audit has been recalculated. The remainder of the cases will be recalculated by October 15, 2007.

**Recommendation 3:** Recalculate assistance budgets for all recipients identified in this review as receiving improperly calculated payments.

**DPW Response:** The DPW concurs with the recommendation. For those case budgets currently receiving benefits, eligibility will be recalculated at the next scheduled renewal or by December 31, 2007, whichever is first. For those cases found ineligible, the CAO will refer all overpayments to the OIG within 60 days from the date the CAO verified the overpayment, per Chapter 910 of the Supplemental Handbook.

Thank you for the opportunity to respond to this report. If you need any further information, please contact Brent Heywood, Bureau of Financial Operations, Audit Resolution Section, at (717) 787-1980, or via e-mail at [bheywood@state.pa.us](mailto:bheywood@state.pa.us).

Sincerely,



Theodore Dallas