

Department of Health and Human Services

**OFFICE OF  
INSPECTOR GENERAL**

**REVIEW OF  
AID TO FAMILIES  
WITH DEPENDENT CHILDREN  
EMERGENCY ASSISTANCE PROGRAM**



**JUNE GIBBS BROWN**  
Inspector General

**FEBRUARY 1996**  
CIN: A-07-95-01009



Region VII  
601 East 12th Street  
Room 284A  
Kansas City, Missouri 64106

CIN: A-07-95-01009  
February 20, 1996

Ms. Rochelle Chronister, Secretary  
Kansas Department of Social  
and Rehabilitation Services  
Docking State Office Building, Room 603 North  
Topeka, Kansas 66612

Dear Ms. Chronister:

This report provides the results of our review of the *Aid to Families With Dependent Children, Emergency Assistance Program* administered by the Kansas Department of Social and Rehabilitation Services (SRS), Topeka, Kansas. The objectives of our review were to (i) ascertain whether SRS practices for administering Emergency Assistance (EA) complied with Federal requirements, and (ii) identify the reason(s) EA costs increased from \$800,000 in 1991 to \$18 million in 1994.

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### SUMMARY OF FINDINGS

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Our review identified practices which were not in compliance with Federal requirements and contributed to the escalating costs of EA. Specifically:

EA applications or other evidence of eligibility determinations were not prepared to support EA costs for staff effort classified as:

- ▶ *EA Eligible* and
- ▶ *EA Investigations*

SRS erroneously charged EA for costs related to:

- ▶ *Effort of Income Maintenance staff* and
- ▶ *Vendor Payments*

We identified unallowable EA costs totaling \$1,260,351 (Federal financial participation or FFP \$630,175). Based on practices in effect, we concluded that other EA costs totaling \$18,969,612 (FFP \$9,484,806) may also include unallowable costs. We are recommending that SRS: (1) implement controls to ensure that costs charged to EA comply with Federal regulations, and (2) make financial adjustments for costs improperly claimed.

In general, officials of SRS said their actions were consistent with: the approved plans for EA services and cost allocations; and Federal requirements as SRS understood them. We were advised that adjustments had been made for the erroneous income maintenance effort and vendor payments totaling \$17,485 which were identified during our review. SRS officials said that our use of judgmental sampling could produce misleading results about the population of vendor payments. The SRS response to our draft report appears in its entirety as Appendix A.

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**Background**

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The EA program was authorized in 1968 under Section 406 of Title IV-A of the Social Security Act through the enactment of Public Law 90-248. The intent of the EA program was to provide temporary financial assistance and social services to needy families in emergency situations to prevent the destitution of a child and/or to provide living arrangements.

At the Federal level, the EA program is administered by the Administration for Children and Families (ACF). Regional Offices of ACF approved states' service plans after the plans were reviewed by ACF Central Office. The HHS Division of Cost Allocation must approve plans for identifying and allocating costs. States claim Federal reimbursement by submitting periodic fiscal reports to ACF.

Federal requirements for EA eligibility are listed at 45 Code of Federal Regulations (CFR) 233.120. Federal reimbursement is available for emergency assistance to or on behalf of a needy child under 21 and any other member of the household in which the child is living if certain requirements are met.

A key eligibility provision limits Federal financial participation (FFP) to assistance which the State authorizes during one period of 30 consecutive days in any 12 consecutive months. Other Federal regulations (45 CFR 205.60 and 206.10) require State agencies to maintain records necessary for the proper and efficient operation of the Title IV-A State service plan; including records regarding applications and determinations of eligibility.

The SRS is the single State agency in Kansas responsible for the administration of EA. SRS local offices are responsible for taking applications, determining eligibility and authorizing EA services. In making eligibility determinations, workers determine whether the child:

- ▶ lived with a relative as required,
- ▶ is without resources,
- ▶ needs assistance to avoid destitution and provide living arrangements, and
- ▶ refused (or had a relative that refused) employment or training.

The approved EA service plan and SRS internal policies-procedure manual provides that a family is eligible for EA only if an application is filed which clearly designates the type of emergency existing. The approved plan also limits EA benefits to 6 months.

Prior to July 1, 1993, SRS limited its EA assistance to *traditional* types of EA services such as rent/shelter, food, clothing, and utilities. Effective July 1993, SRS amended and expanded its EA program to include children at risk of out of home placement, increase the benefit period and transfer responsibility for administering EA from its Income Maintenance staff to its Social Service staff. Responsibility for providing *non-traditional* services such as counseling, case management and similar expansion services was also assigned to social service staff.

For Federal Fiscal Year (FFY) 1994, SRS claimed EA costs totaling \$17,983,671, including \$931,758 used to pay vendors for rent/shelter, food, clothing, and utilities on behalf of EA clients. The remaining \$17,051,913 represented administrative costs based on the effort of social service staff. Staff effort related to EA was identified by means of periodic random moment time sampling (RMTS). The EA effort was recorded on RMTS observation forms under two activities/codes: *EA eligible* and *EA investigations*.

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**Scope**  
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Our review of EA activities at SRS was conducted in accordance with generally accepted government auditing standards. The objectives of our review were to ascertain whether SRS practices for administering EA complied with Federal requirements and identify the reason(s) for significant increases in EA costs.

Our evaluation of SRS internal controls was limited to those procedures related to identifying, allocating, and reporting EA costs. In this regard, we discussed pertinent EA policies, procedures, and practices for identifying staff effort and EA costs with SRS officials.

To accomplish our objectives, we reviewed: the Legislative History of Public Law 90-248; Section 406 of the Social Security Act; Federal requirements in 45 CFR: Sections 233.120, 205.60, and 206.10; Office of Management and Budget (OMB) Circular A-87, Cost Principles for State and Local Governments; and SRS approved plans for EA services and cost allocation. We also:

- ▶ acquired a general description of the SRS cost allocation process and random moment sampling methodology,
- ▶ reviewed all of the random moment sampling observation forms which identified staff effort with *EA eligible* activities for the quarter ended September 30, 1994,
- ▶ made on-site visits to three SRS area offices and made inquiries at the other seven offices to determine if effort identified with EA was supported by EA applications,

- ▶ traced costs reported for FFY 1994 to primary accounting records, and
- ▶ reviewed a judgmental sample of 60 EA claims to evaluate SRS procedures for determining EA eligibility.

Our field work was performed during the period February through June 1995 at the SRS located in Topeka, Kansas, and SRS area offices located in the Kansas counties of Wyandotte, Shawnee, and Douglas.

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## FINDINGS AND RECOMMENDATIONS

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### EFFORT CLASSIFIED EA ELIGIBLE

The SRS charged EA costs based on the effort of social service staff as reported on time study observation forms. We reviewed forms for the quarter ended September 30, 1994 and found that *EA eligible* effort was not supported for \$1,225,381 (FFP \$612,690) of the total \$1,761,301 claimed. Federal regulations and the State plan required that costs claimed for EA be supported by evidence of an eligibility determination. However, the SRS did not ensure effort classified as *EA eligible* was supported by corresponding EA applications or other documentation. We concluded that there was the potential for an additional \$6,915,275 (FFP \$3,457,637) in unsupported costs for the remainder of the audit period.

For the quarter ended September 30, 1994, we reviewed all 221 time study observation forms which identified effort with the code *EA eligible*. The *EA eligible* observations identified a client name. We contacted area offices and requested EA applications or any corroborating evidence that the identified individuals were in fact *EA eligible* clients. We found that 152 of 221 observations (or 69 percent) were not supported by an EA application or other evidence of eligibility. The related unallowable costs totaled \$1,225,381 (FFP \$612,690).

The SRS officials said their training seminars disclosed that staff tended to be client oriented and were reluctant to complete EA applications for *non-traditional* assistance. These staff members were aware of Federal regulations limiting authorization for EA to one 30 day period and the State plan requirement limiting EA benefits to a 6 month period. By completing an application for *non-traditional* services, the worker would begin the eligibility period thereby possibly limiting future client eligibility for *traditional* EA assistance.

Given the limits on the benefit period for FFP, a properly documented eligibility determination is necessary to support costs claimed for Federal reimbursement.

Based on the rate of missing applications for the quarter reviewed, we concluded that the potential exists for additional unsupported effort (and related costs) applicable to the 12-month period ended June 30, 1994. For that period, SRS reported \$6,915,275 (FFP \$3,457,637) for *EA eligible* activity.

### **Recommendations**

We recommend that SRS:

- ❶ Comply with Federal regulations and the approved State service plan by documenting their eligibility decisions.
- ❷ Refund the \$612,690 (FFP) improperly claimed for the quarter ended September 30, 1994.
- ❸ Review EA cases and effort included in the \$6,915,275 claimed for the 12-month period ended June 30, 1994 and provide ACF with additional documentation to support compliance with Federal regulations, or refund the \$3,457,637 (FFP).

### **Auditee Comments**

The SRS did not directly address this finding. In general, SRS officials said their actions in administering EA were consistent with the approved plans for EA services and cost allocations.

### **OIG Response**

As we stated in the background section of the report, Federal regulations and the EA service plan required that EA costs be supported by an application or other evidence of an eligibility determination. The SRS actions deviated from Federal regulations. Also, HHS approves cost allocation plans with the qualification that costs claimed for Federal reimbursement must be allowable under Federal law, regulations, and cost principles. Accordingly, we believe our recommendations are appropriate.

### **EFFORT CLASSIFIED AS EA INVESTIGATIONS**

For the 15-month period ended September 30, 1994, SRS reported \$10,955,680 (FFP \$5,477,840) for costs associated with EA *investigations*. Federal regulations and the State plan required that costs claimed for EA be supported by evidence of an eligibility determination. However, the SRS did not require its social service workers to complete EA applications for EA *investigation* activities. As a result, costs of \$10,955,680 (FFP \$5,477,840) associated with EA *investigations* could not be substantiated as being related to EA. SRS officials said they believed a determination of EA eligibility could be established from their standard intake and assessment form.

We made site visits to three area offices and contacted seven others to inquire about the EA application process. We were told that EA applications were not required for *investigation* activities. According to State and area office officials, EA applications were not completed unless a vendor provided *traditional* types of emergency assistance (food, rent, clothing, and utilities). Further, officials indicated that some *investigations* did not require completion of a case folder.

For the 15-month period ended September 30, 1994, SRS claimed EA *investigation* costs totaling \$10,955,680 (FFP \$5,477,840) which were not supported by formal EA applications or other evidence of an eligibility determination.

We did not conduct a detailed review of records to determine the extent that case folders were prepared for *investigations*. The SRS officials agreed that EA applications were not completed for *investigation* activities but said some *investigations* required completion of an intake and assessment form. These officials were of the opinion that this form could establish that an EA eligibility determination was made for some clients.

We reviewed the current intake and assessment form and concluded that the form did not address all Federal criteria for documenting determinations of EA eligibility. Specifically, the form did not address the requirement that FFP is available only for assistance which the SRS authorizes during one period of 30 consecutive days in 12 consecutive months. We concluded there was insufficient evidence to substantiate that SRS complied with the State plan in claiming costs for the EA *investigation* effort.

### **Recommendations**

We recommend that SRS:

- ④ Document their eligibility determination decisions as required by Federal regulations and the EA service plan.
- ⑤ Refund the FFP of \$5,477,840 or provide ACF with documentation to support *investigation* costs reported for the 15-month period ended September 30, 1994.

### **Auditee Comments**

The SRS officials said: *investigations* are completed on all referrals and EA applications are completed if an emergency exist; negative determinations of eligibility are an allowable administrative cost; and they have operated the EA program as they understand Federal requirements.

### **OIG Response**

As discussed in the background section of the report, Federal regulations list specific criteria for determining EA eligibility and require states to document all determinations, both positive and negative. The SRS did not maintain documentation to support their determinations but claimed related administrative effort/costs totaling \$10,955,680 (FFP \$5,477,840). Without such documentation, we have no basis for evaluating either the determination decisions or the related administrative costs. Therefore, we believe our recommendations are appropriate.

We have incorporated terminology into our report to clarify that *investigation* activities may involve both positive and negative determinations of eligibility.

### **EFFORT OF INCOME MAINTENANCE STAFF**

For the quarter ended September 30, 1993, the SRS erroneously charged EA \$6,414 (FFP \$3,207) for effort of income maintenance staff. Under the approved cost allocation plan, income maintenance staff involvement with EA terminated July 1, 1993 when responsibility for administering EA was transferred to the social service staff. SRS officials indicated this error occurred during the first quarter after the transfer of EA functions.

### **Recommendation**

- ⑥ We recommend that SRS refund \$3,207 (FFP).

### **Auditee Comments**

Officials of SRS said the finding on effort of income maintenance staff should be removed from the report. According to SRS, an adjustment had been made to Federal accounts and documentation to this effect had been furnished to OIG auditors.

### **OIG Response**

Officials of SRS did not furnish us with evidence of an adjustment for the improper income maintenance effort. Therefore, we feel it is appropriate to address this item in our report.

### **VENDOR PAYMENTS**

For the 15-month period ended September 30, 1994, the SRS erroneously charged EA at least \$28,556 (FFP \$14,278) for assistance claims classified as *vendor payments*. We reviewed 60 of these claims and found that 25 did not relate to EA clients and therefore were ineligible for Federal EA reimbursement. The remaining universe of vendor payments totaled \$1,098,657 (FFP \$549,328) and may contain additional erroneous payments.

Under the OMB Circular A-87, an allowable Federal charge must be reasonable, necessary, and allocable to a Federal award. Furthermore, Federal regulations at 45 CFR 205.60 and 206.10 require EA assistance payments to be supported by evidence of an eligibility determination.

The SRS classified assistance for traditional emergency assistance (rent, food, utilities, and clothing) as vendor payments. Accounting codes were established to charge EA and various other assistance programs.

We evaluated the EA eligibility determination process in three area offices by reviewing 60 vendor payment claims. The offices and payments were judgmentally selected based on the materiality of the costs recorded for EA services.

Our review identified 25 claims (42 percent) which were not allocable to EA. These claims were not supported by evidence of an eligibility determination and the individuals who received services were not EA clients. The improper claims in our sample totaled \$28,556 (FFP \$14,278).

The SRS and area office officials said the improper charges resulted from keypunch and coding errors. These officials said adjustments would be made to EA accounts.

Given the 42 percent error rate in the vendor payments reviewed, we concluded that there is a potential for additional errors in the remaining \$1,098,657 (FFP \$549,328) reported for the 15-month period ended September 30, 1994.

### **Recommendations**

We recommend that SRS:

- ⑦ Refund \$14,278 (FFP).
- ⑧ Provide ACF with documentation to support the allowability of the remaining vendor payments of \$1,098,657 (FFP \$549,328) claimed for the 15-month period ended September 30, 1994, or refund \$549,328 to the Federal government.
- ⑨ Implement controls to ensure that vendor payments charged to EA meet the criteria for Federal reimbursement.

### **Auditee Comments**

SRS officials said adjustments had been made for the erroneous payments identified by our sample and documentation to that effect was given to OIG auditors. These officials also said our use of judgmental sampling could lead to misleading conclusions about the population of vendor payments.

**OIG Response**

SRS officials did not provide us with documentation to show that adjustments had been made for the erroneous vendor payments identified by our sample.

In regard to our sampling methodology, we did not project the sample result to the universe of vendor payments nor are we recommending a financial adjustment based on the sample results. Given the 42 percent error rate detected by our sample, we indicated there was a **potential** for additional errors in the remaining universe of vendor payments. Accordingly, we recommended that SRS review the allowability of the remaining vendor payments claimed for Federal reimbursement. Based on our sample results, we believe our recommendations are appropriate.

**Instructions For Auditee Response**

Final determination as to actions to be taken on all matters reported will be made by the HHS action official named below. We request that you respond to her within 30 days from the date of this report. You should present comments or additional information that you believe could affect the final determination.

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If you have any questions , please contact Mr. Allan Pewe, Audit Manager, at (816) 426-3591. Please refer to the Common Identification Number (CIN) in all correspondence relating to this report.

Sincerely ,



Barbara A. Bennett  
Regional Inspector General  
for Audit Services

Enclosure

**Direct Reply to HHS Action Official**  
Ms. Linda Carson, Regional Administrator  
Administration for Children and Families  
601 East 12th Street, Room 276  
Kansas City, Missouri 64106

BILL GRAVES, GOVERNOR OF THE STATE OF KANSAS



KANSAS DEPARTMENT OF SOCIAL  
AND REHABILITATION SERVICES

915 SW HARRISON STREET, TOPEKA, KANSAS 66612

ROCHELLE CHRONISTER, SECRETARY

December 15, 1995

Barbara A. Bennett  
Office of Inspector General  
Office of Audit Services  
Region VII  
601 East 12th Street  
Room 284A  
Kansas City, MO 64 106

RE: CIN: A-07-95-01 009

Dear Ms. Bennett:

We are in receipt of the draft "Review of Aid to Families with Dependent Children Emergency Assistance Program", dated 11-9-95.

The following are our comments "relative to the validity of the facts and reasonableness of the recommendations presented":

This review was conducted over a period of five months. At the entrance conference on February 15, 1995, Joe Green, Mike Herman and Blair Underwood, of your staff, defined the process as a review which was occurring in many states to gather information about state practices for identifying, allocating and reporting costs. They then began their "study". Mid-process we learned that Mr. Herman had remarked to a member of our staff that the "review" had now become an "audit". The Commissioner of Youth and Adult Services immediately requested another conference. At that conference, Mr. Herman confirmed that they were now conducting an "audit". It is our understanding that this is not consistent with standard protocol.

#### Sampling Methodology

The process used by your staff did not follow proper audit procedures. The sample methodology used during this review was judgmental and directed to finding errors and not determining the degree of compliance. Judgmental sampling is used to select examples of deficiencies. Conclusions about the total population can only be drawn when the sample taken was representative of the population or by a random sample. Judgmental sampling may not be used to estimate the number or value of such items in the total population as having the errors since each item in the population is not given an equal chance of selection.

#### Approved State Plans

When Kansas moved the Emergency Assistance (EA.) program from Income Support to Social Services, the EA state plan and the cost allocation plan were amended as per communication and coordination with the Region VII ACF staff. Both plans were approved by Health and Human Services. All action taken by Kansas are consistent with those plans.

Effort of Income Maintenance Staff

We would ask that the section entitled "Effort of Income Maintenance Staff" be removed from this report. As stated to OIG auditors during their review, during the transition moving the EA program from Income Support to Social Services, the EA category was included on the Income Support form. One response from Income Support staff was noted during the transition. Costs associated with this response were \$6,414. ACF and cost allocation officials indicated this was an unallowable cost during their annual review of our cost allocation plan. An adjustment was completed and submitted on the January to March, 1995 quarter. Documentation of this adjustment was given to the OIG auditors while they were in Kansas.

Vendor Payments:

Also discussed with OIG auditors were funding errors related to the EA program. Payment staff had erroneously charged payments to EA that were ineligible for the program. Documentation that staff had identified and corrected these coding errors prior to the review was given to the auditors prior to June of 1995. Any conclusions made as a result of the sampling of these payments would be misleading. Again, the sampling methodology utilized by the auditors was inappropriate and statistically invalid.

Investigation:

Intake and Assessment activities (a/k/a Investigations) are completed on all referrals to the agency. This is the first phase of eligibility determination. The first step in determining eligibility is to ascertain whether or not the family is experiencing a crisis (emergency) due to a child being at risk of abuse or neglect, at risk of out of home placement or institutionalization (as specified in the Kansas plan). If no crisis is found to exist then there is no basis for eligibility. This is a negative determination of eligibility and as such is allowable as an administrative cost. If the assessment (investigation) process establishes that one of the defined emergencies exists and the family seeks services to alleviate the situation an FEA application is completed at that time. This is consistent with the federal requirements as we understand them and our claim for administrative costs is allowable.

In conclusion? we have operated the Family Emergency Assistance program according to the federally approved plans. The administrative claims were appropriate and allocated in accordance with the approved agency cost allocation plan.

Thank you for the opportunity to respond to the draft review.

Sincerely:

*Rochelle Chronister*

Rochelle Chronister  
Secretary

RC:JSW:br

cc: Teresa Markowitz, Commissioner, Children & Family Services  
Dave Regan, Region VII, I-II IS  
Judith Flynn, Region VII, I II IS  
Tom McMorris, Region VII, I II IS