

# Secretary of State **AUDIT REPORT**

Report No. 2003-16 • April 29, 2003

## Department of Human Services: Temporary Assistance for Needy Families Eligibility Review



Bill Bradbury, Secretary of State  
Cathy Pollino, Director, Audits Division

### Summary

#### PURPOSE

The purpose of our audit was to determine whether clients who received Temporary Assistance for Needy Families (TANF) cash benefits met specific eligibility requirements for household income, deprivation due to the continued absence of a parent, and the existence of an eligible child in the household.

#### RESULTS IN BRIEF

We concluded that the rate of ineligible clients receiving TANF cash benefits was within reasonable limits. Though we found instances where benefits were paid in error, the types and extent of non-compliance were not significant to the program as a whole.

The department, however, could improve its efforts to detect and prevent payments to ineligible clients by timely performing analytical reviews and further expediting investigations of suspected ineligibles.

#### RECOMMENDATIONS

We recommend that the department improve the timing and efficiency of its analytical procedures to detect client non-compliance and ensure that compliance exceptions are timely and appropriately resolved.

#### OTHER MATTERS

During our review we noted that a computer programming error inhibited the department's efforts to obtain required client social security numbers. We recommend that the department correct the error or implement manual procedures to ensure that the process occurs.

#### AGENCY RESPONSE

The Department of Human Services generally agrees with the recommendations.

### Introduction

Federal welfare reform was initiated in 1996 with the passage of the Personal Responsibility and Work Opportunity Reconciliation Act. This act repealed the Aid to Families with Dependent Children program and combined its funding stream with several childcare and training programs into the Temporary Assistance for Needy Families (TANF) block grant program. More importantly, the Act refocused public assistance efforts on employment and self-sufficiency and required clients to participate in various activities as a condition for receiving benefits.

On July 1, 1996, Oregon implemented its version of welfare reform. Under the Oregon Option, clients are generally required to participate in employment and training activities and may be subject to penalties for non-cooperation. If necessary, TANF

recipients may be required to participate in alcohol/drug abuse or mental health treatment programs. The state was allowed to continue operating under the Oregon Option until the year 2003.

### Background

To receive TANF benefits, families must apply at a department branch office serving the area in which the family lives or works. At the branch office, an assigned case manager determines the family's eligibility for program benefits and provides the necessary case management services.

Families receiving TANF must meet specific eligibility requirements based on income and household composition. The income limit for a single-parent family with two children is approximately \$616 per month. In addition, the household must include at least one minor child.

To remain on the program, clients must periodically reapply for TANF benefits and report changes that may affect their status.

During calendar year 2001, more than \$6.5 million in TANF cash benefits were issued each month to an average client base of 16,400 families.

### Audit Results

#### TANF Client Eligibility Was Within Reasonable Limits

We concluded that the rate of ineligible clients receiving TANF cash benefits was within reasonable limits. Although we found instances in which benefits were paid in error, the types of and extent of those errors were not significant to the program as a whole.

We tested a sample of TANF cases from a population that we

considered at increased risk of not meeting selected eligibility requirements. The specific eligibility factors that we tested included:

- Household income requirements;
- Absence of a parent from the household; and
- Presence of an eligible child in the client household.

Based on these tests, we estimated that cash payments to ineligible clients totaled approximately \$1 million, or about 1 percent of all TANF cash benefits paid during the period. In most of the exceptions we identified, the non-compliance resulted from clients not reporting changes to their income or household composition subsequent to their initial eligibility determination. Of the cases we tested, there were no exceptions to the requirement that household composition include at least one child living in the home.

### **The Department Should Improve Efforts To Detect Non-compliance**

During our review we identified instances in which the department could have detected ineligible TANF clients earlier, thereby reducing the amount of improper cash benefits that would be paid.

Department staff used analytical procedures to identify clients who may have misreported their income. Those procedures included reviewing discrepancy reports that matched client records with quarterly wage information from the Employment Department. However, department staff often did not review the reports until four to five months after they were generated.

In addition, the necessary follow-up of exceptions found in the reports was often not completed for up to three months after the reports were reviewed. Consequently, cash payments to ineligible clients identified through this process were

not stopped in a timely manner. We tested a sample of 18 cases with questionable client income (out of a population of 568), and found five cases in which improper benefit payments began in the first or second quarter of 2001 and were not detected for the remainder of the year.

Further, we found that the average client overpayment balance for a public assistance case was approximately \$1,353, of which the department collected approximately 4 percent. Because of the inherent difficulty and inefficiency of collecting TANF overpayments, early detection and avoidance of overpayments may be the most effective means of reducing the economic impact of non-compliance.

**We recommend** that the department improve the efficiency of its wage match process to ensure that analytical reports are timely reviewed and that exceptions identified in those reports are promptly investigated and resolved.

#### **Agency's Response:**

*We agree that this is an important task and we will do everything we can to improve the process. However, there are limitations that the Department has to work within that prevent the ideal process. There is generally a period of at least three months between the time the client earns the money and the time that a discrepancy report is issued by the Oregon Employment Department. There are five staff at the Overpayment Recovery Unit to work on 20,000 wage match discrepancy reports that are generated each quarter. This number represents an enormous increase in workload in just two years when compared to the 10,000 wage match discrepancy reports per quarter generated in 2001. Nevertheless, we will assess the process and try to determine if improvements can be made.*

## **Other Matters**

### **Computer Errors Inhibited Department Efforts to Obtain Required Client Social Security Numbers**

Clients are required to provide their social security number in a timely manner. Department policy indicates that TANF benefits are to be withheld if a client's social security number has not been received by the sixth month of eligibility.

The department's computer system has been programmed to generate written notices to clients who, after the first month of eligibility, have not provided their social security numbers. If a client has not provided his or her social security number by the middle of the fifth month, the computer system is to generate a notification indicating benefits will be withheld.

For calendar year 2001, the department did not have social security numbers for approximately 2,000 TANF clients. The majority of those were children; only 254 were adults.

The department determined that an error in its computer program logic prevented the automated hold process from working as intended.

Providing a social security number is a requirement for receiving TANF cash payments. In addition, the absence of that client information lessens the department's ability to verify other eligibility factors such as client income.

**We recommend** that the department correct errors in computer logic to enable the automated hold process to work as intended, or design and implement manual controls to ensure that client social security numbers are timely recorded and benefits withheld for those who do not comply.

**Agency's Response:**

*Your report stated that the reason for this finding was that the computer system was not automatically holding benefits for clients who have not submitted their SSNs. The error in the computer logic to which your report refers has been corrected.*

*We will take the following additional steps to improve our system as a result of the audit:*

- *Train staff on the importance of using automated information to detect earnings, locations for absent parents and verification of the addresses of school-age children;*
- *Examine our method of processing wage match discrepancy reports to find ways to process them faster and more efficiently; and*
- *Examine our process for gathering Social Security Numbers and attempt to identify ways to improve our collection of those numbers.*

### Objectives, Scope and Methodology

The objective of our audit was to determine whether clients who received TANF cash benefits met specific eligibility requirements for household income, deprivation due to the continued absence of a parent, and the existence of an eligible child in the household.

To accomplish this objective we reviewed applicable laws, rules, policies and procedures. We interviewed department staff and management. We also reviewed reports prepared by the department for public assistance programs and

overpayments written during calendar year 2001.

To identify the population used to test the eligibility requirement for income, we matched client records maintained by the department with wage information from the state Employment Department. We identified a total of 568 cases with income 10 percent or more above the limit for at least one quarter of calendar year 2001. We then randomly selected a sample of 20 cases for review. Our initial testing identified all 20 cases with questionable client eligibility. These cases were then referred to the department's Investigations Unit for subsequent review. At the conclusion of our fieldwork, we had received and reviewed the results for all but two cases.

To identify the population used to test the eligibility requirement for deprivation due to the continued absence of a parent, we matched client records maintained by the department with child support information maintained by the state Department of Justice's Division of Child Support. We identified a total of 2,503 cases with a reported absent parent having an address matching that of the client's during their eligibility in calendar year 2001. We then matched those records with wage information from the state Employment Department. We identified a total of 1,124 cases with a reported absent parent earning income and having a matching address of the client's during his or her eligibility in calendar year 2001. We then randomly selected a sample of 20 cases for review. Our initial testing identified 15 cases with questionable client eligibility. These cases were then referred to the department's Investigations Unit for subsequent review. At the

conclusion of our fieldwork, we had received and reviewed the results for all but six cases.

To identify the population used to test the eligibility requirement for an eligible child to be residing in the household of the benefit group, we used client records maintained by the department to identify cases that were open at least six months during calendar year 2001 and reported the continued absence of a parent and included only a single child in the benefit group between the age of seven and 18. We identified a total of 3,558 cases that met our criteria. We then randomly selected a sample of 35 cases to determine whether the child was enrolled in the school district of their stated residency. We sent formal letters to the school district of each child requesting school attendance and residency information during calendar year 2001. Our initial testing identified seven cases with questionable client eligibility. These cases were then referred to the department's Investigations Unit for subsequent review. At the conclusion of our fieldwork, we had received and reviewed the results for all seven cases.

We analyzed client records maintained by the department to identify individuals without recorded social security numbers for at least one month of their eligibility during calendar year 2001. We then reviewed a sample of these cases.

We conducted this audit according to generally accepted government auditing standards. We limited our review to the areas specified above.

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AUDIT ADMINISTRATOR: *Neal E. Weatherspoon, CPA, CISA* • AUDIT STAFF: *Robert Martinez, CGAP* • *Michelle L. Rock, CPA* • *Katrina Bauman*

DEPUTY DIRECTOR: *Charles A. Hibner, CPA*

*The courtesies and cooperation extended by the officials and staff of the Department of Human Services were commendable and much appreciated.*

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