

April 24, 1995
ILR 95-D

President R. Lane Beattie, Senate Chairman
Representative Byron L. Harward, House Chairman
Members of the Legislative Process Committee
State Capitol Building
Salt Lake City, Utah 84114

Subject: Office of Recovery Services (ORS) Follow-up

Dear Legislators,

At your request, we have conducted a follow-up on the implementation status of those recommendations made in our November 1994 **Office of Recovery Services (ORS)** audit (Report # 94-09). Overall, we are impressed with the accomplishments that ORS has made in a relatively short period of time. In particular, we are pleased with the efforts which have been made in the Bureau of Child Support Services (BCSS). Of the six recommendations made to BCSS, five have been implemented and one is in process. The Bureau of Investigations and Collections (BIC) has made a good effort as well. Of the 11 recommendations made, 5 have been implemented, 3 are in the process of being implemented and 3 have not been implemented.

As you recall, the 1994 audit of ORS identified four broad areas of concern. First, there seemed to be few consequences for those people who committed welfare fraud. Second, stronger judicial action was justified in some child support cases but was not taken by BCSS. Third, we estimated that BCSS collections could increase by as much as \$2.9 million dollars if more determined collections approaches were made. Fourth, AFDC collections needed to be improved. Because of a greater focus by workers on non-AFDC cases, as much as \$1.7 million in FY 1993 AFDC collections were lost to the state.

Because of the significance of the issues, President Beattie requested that a follow-up be done no later than April 1995. In our opinion, this quick follow-up was instrumental in encouraging ORS to respond quickly to the recommendations. However, it should be noted that while many of the recommendations could be implemented in five months, some could not

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Specifically, some of the recommendations required cooperation between more than one agency and, as a result, five months was not long enough to allow for full implementation. At your request, we will conduct another follow-up audit in November, 1995 to determine whether all recommendations are fully implemented. At that time, we will again review ORS's implementation of our recommendations, with particular attention to those recommendations identified in this report as "in process" or "not implemented".

The recommendations made and the reported action taken as of April 1995 follow:

Recommendations and Reported Action

Recommendation #1

We recommend that the Department of Human Services (DHS) implement within the Office of Recovery Services (ORS) and the Office of Family Support (OFS) computer systems an automated process which will assure that all recipient disqualifications are effectively tracked and enforced.

Reported Action: In Process

Through interviews with ORS and OFS computer personnel and a system demonstration, we verified that when the ORSIS system (ORS's computerized case management system) comes on line in September, it will allow ORS workers to set a computer disqualification on fraudulent participants. When an ORS worker sets a disqualification for a fraudulent participant, the ORSIS system will transfer this information nightly to OFS's PACMIS system (OFS's computerized case management system.) Each day when OFS caseworkers assess PACMIS, they will be alerted to any new disqualifications and prompted to enter the effective disqualification start date and enter an alert on the client's alert screen. An alert signals the caseworker that the client should not be allowed welfare benefits for a set period of time.

Recommendation #2

In the interim, we recommend that DHS provide a tracking system to assure that disqualifications are effectively processed.

Reported Action: Implemented

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OFS has developed an interim system for tracking disqualifications which will be used until the computerized disqualification system comes on-line. To determine whether the interim tracking system was being followed, we randomly selected 10 welfare disqualifications from ORS's files and reviewed OFS's subsequent action. We found all of the 10 disqualified participant's case files and PACMIS records contained proper disqualifications and partial-to-full evidence that the interim policy had been followed.

Recommendation #3

We recommend that OFS provide regular training to caseworkers regarding the management of disqualified recipients to assure disqualifications are properly implemented.

Reported Action: Implemented

We verified, through discussions with OFS trainers, that the ORS/OFS welfare disqualification policy was distributed to and viewed by each OFS office via the ED-NET video training system. In addition, hard copies of the interim PACMIS disqualification procedures were also distributed to each OFS office. OFS trainers plan to continue training on an ongoing basis.

Recommendation #4

We recommend that DHS establish a system that assures all ORS referrals of welfare fraud to rural OFS offices are investigated.

Reported Action: Not Implemented

Both ORS and OFS have improved the referral process so that fraud investigations are being received in the field offices. However, the field staff still are not properly investigating many of the potential fraud referrals. The problem seems to be that a number of OFS field offices do not have investigators and the case workers feel unqualified to conduct an investigation. Also, some of the investigators give the ORS referral such low priority that the investigation was not completed at the time of our follow-up. We have been told by both ORS and OFS officials that they plan to develop a system to give ORS more complete responsibility for fraud investigations throughout the state.

Recommendation #5

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We recommend that DHS develop uniform criteria and methodology for investigations of welfare fraud to assure consistency between investigators in both rural and metropolitan areas of the state.

Reported Action: Not Implemented

Both ORS and OFS officials indicate that, in the future, they plan to obtain uniformity in the investigation process by consolidating all investigations under ORS. However, it is clear that the current welfare fraud investigations conducted by those agencies are not consistent. OFS field staff are often content with just closing a case of a potential welfare fraud recipient. However, ORS investigators aggressively report overpayments, take action to disqualify fraud recipients from future welfare benefits, and sometimes send cases to the Attorney General for criminal prosecution. We believe that potential welfare fraud recipients in the rural areas (investigated by OFS) still do not receive the intense welfare investigation nor the consequences that recipients along the Wasatch Front area receive (investigated by ORS).

Recommendation #6

We recommend that ORS develop and impose more stringent penalties for check fraud offenders consistent with those specified in the Check Loss Affidavit and Agreement Form.

Reported Action: In Process

OFS has drafted but not finalized a number of policies pertinent to check fraud. First, caseworkers will be instructed to review the Check Loss Affidavit Form 510 with the client and assure the client understands that there are legal actions and associated recoupment fees if the client cashes the original check after receiving a replacement check. Second, clients will now be placed on district issuance if a replacement check was requested twice in 6 months. Third, OFS has now initiated a policy which will attach interest costs to check fraud.

Recommendation #7

We recommend that ORS develop a criteria to identify the willful intent of the most flagrant check fraud violators and pursue these cases with criminal prosecution.

Reported Action: Implemented

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ORS has modified the policy entitled "Guidelines for Referring Cases for Criminal Prosecution." This policy now includes multiple instances of check fraud as a criteria which prompts criminal prosecution. In order for prosecution to be timely, check fraud investigations must be processed within a reasonable time period. Compared with the status of the cases during the original audit, we saw a marked improvement in the processing of check fraud cases. We reviewed 18 cases and, while one case has been open in excess of 19 months, the average time to complete a check fraud case is currently 4.6 months

Recommendation #8

We recommend that ORS replace the 1-year criterion for criminal prosecution currently used with the Public Assistance Theft statute in **Utah Code** 76-8-1206. Specifically, we recommend that investigations exceeding \$1,000 in monies fraudulently obtained be considered for criminal prosecution.

Reported Action: Implemented

OFS officials have changed the investigation policy regarding criminal fraud prosecution to include any case where evidence clearly shows an intent to fraud with a combined overpayment that exceeds \$1,000.

Recommendation #9

We recommend that ORS increase the emphasis on criminal welfare fraud investigation by sending more cases to prosecution.

Reported Action: Implemented

ORS has established a goal of referring 60 cases a year to the Attorney General for criminal prosecution of welfare fraud. Our test shows that during the last three months of 1995, the agency has referred 19 cases to the Attorney General for prosecution. This is a significant improvement over the performance of past years and on track to exceed the goal of referring 60 cases a year.

Recommendation #10

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We recommend that ORS provide the criminal investigative unit with training, enforcement tools, and policies consistent with that function.

Reported Action: In Process

Since the audit, the investigative staff have received more investigative training than in past years. However, our follow-up indicates a need to up-grade this training even further. The Office of the Attorney General has taken the position that the ORS criminal fraud investigators should receive POST (peace officer) training with respect to reviewing, investigating reporting, etc. public assistance fraud. We concur with this position and agree that serious criminal prosecution requires serious training. In the past, welfare fraud investigations sent to the Attorney General for prosecution were repeatedly returned for better documentation. Although the staff is improving the quality of its investigations, it is the opinion of the Attorney General that the ORS staff lack the training necessary to provide the type of criminal investigation required. We agree and recommend ORS provide the criminal investigators the training as requested by the Office of the Attorney General.

Recommendation #11

We recommend that the Legislature consider increasing the appropriation to ORS to include one new full-time criminal fraud investigator for FY 1996, and request documentation of the cost-benefit of this enforcement action. Also in future years, increased criminal investigators could be considered based on the cost-benefit established.

Reported Action: Not Implemented

Department officials indicated that the audit report was released too late in the year for them to include this recommendation in their budget request. However, they indicated that this recommendation will be given high priority in the fiscal year 1997 budget.

Recommendation #12

We recommend that BCSS and the Attorney General's Office reach an understanding as to what information BCSS must provide in a child support case in order for judicial enforcement to be initiated.

Reported Action: Implemented

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The civil contempt enforcement policy was rewritten in January 1995. The policy clarifies the elements which must be present if a non-custodial parent is to be found guilty of civil contempt. In addition, the criteria which must be met for a charge of civil contempt and the documentation which must be sent to the Attorney General when referring a case for civil contempt are also stated in the new policy.

Recommendation #13

We recommend that BCSS develop a system which insures that cases which meet agreed upon criteria are given to the Attorney General's Office for judicial enforcement.

Reported Action: In Process

While BCSS has developed, in policy, criteria which must be met to justify judicial enforcement, they are in the process of developing an adequate system for identifying cases which meet the criteria and which insures that those cases are sent for judicial enforcement. We reviewed 17 cases which were in our original Salt Lake relocation sample. In the audit, we identified 5 cases contained in this sample as candidates for judicial action. To date, Salt Lake has referred 2 of these 5 cases (40%) for judicial enforcement.

Recommendation #14

We recommend that BCSS implement more aggressive relocation procedures and provide training to relocation workers where necessary. These procedures should specifically include the use and follow-up of credit bureau reports.

Reported Action: Implemented

BCSS has provided intensive training to improve relocation procedures and has specifically provided training in the use of credit bureau reports. In our review of the 17 relocation cases from our original sample, we noted significant improvement in the relocation techniques used. As a result, while all 17 cases were in relocation during our audit, only 3 (17%) currently remain in relocation. Four (24%) are currently in collections, 6 (35%) are in enforcement and 4 (24%) are closed.

Recommendation #15

We recommend that the Legislature study the effects of implementing more moderate enforcement techniques.

Reported Action: Implemented

House Bill 268, which allowed for the suspension of drivers' licenses and professional licenses for failure to pay child support, was presented to the Legislature during the 1995 session. After deliberating on the issue, the Legislature voted against House Bill 268.

Recommendation #16

We recommend that BCSS take appropriate action which encourages initiative in case management and discourages minimal (reactive/passive) case management.

Reported Action: Implemented

BCSS has developed performance plans for the relocation technician and the collection/enforcement investigator which discourages minimal case management. In addition, cases are randomly audited by BCSS's auditor for evidence of active case management. The results of these audits can affect an individual's performance rating. In our review of the 17 relocation cases, we determined that 15 (88%) were being managed in an active way. In addition, one of the 17 cases reviewed contained documentation of a field visit made by an investigator to gather information. In the original case review, we saw no evidence of an investigator in any district ever conducting a field visit.

Recommendation #17

We recommend that BCSS develop policies and procedures which ensure that relocation cases are actively monitored on a more frequent basis.

Reported Action: Implemented

BCSS has developed a 6 month review policy for all relocation cases. BCSS indicates the first review cycle for all relocation cases will be completed in June 1995.

Recommendation #18

We recommend that BCSS consider implementing techniques which will allow them to better manage non-AFDC client demands.

Reported Action: Implemented

ORS moved the Customer Service Unit (CSU) under BCSS's supervision. CSU workers were provided with call management training and then assigned to respond to all interstate calls, all custodial parent calls involving a case which has been suspended, and all requests for accounting information. These three types of inquiries are typically from non-AFDC clients. BCSS reports significant increases in AFDC collection rates as a result.

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We hope the information is helpful to you. We would be happy to meet with you to further discuss these issues.

Sincerely,

Wayne Welsh, CPA
Auditor General

WLW:JTC/lm