

November 29, 1995  
ILR 95-K

Senator Leonard Blackham, 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 # 2**

Dear Legislators,

At your request, we have conducted a second follow-up on the implementation status of those recommendations made in our November 1994 **Office of Recovery Services (ORS)** audit (Report # 94-09). The first follow-up report (ILR 95-D) was issued in April 1995 and reported on the status of the 18 recommendations made in the original audit report. At that point, 11 of the recommendations had been "implemented", 4 were "in process", and 3 were "not implemented". The purpose of the second follow-up audit is specifically to address the status of the seven recommendations that were either in process or not implemented as of last April. Of those, six related to the Bureau of Investigations and Collections (BIC) and one to the Bureau of Child Support Services (BCSS).

As you recall, the 1994 audit of ORS identified four broad areas of concern. First, there seemed to be few consequences for recipients who commit 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 improvement. Because of a greater focus by workers on non-AFDC cases, as much as \$1.7 million dollars in FY 1993 AFDC collections were lost to the state.

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As mentioned, many of the recommendations had been implemented as of our first follow-up report, but some had not. Specifically, implementation of some recommendations required cooperation between ORS and the Office of Family Support (OFS), so it has taken a longer period of time, and in other cases implementation is still in process. Overall, we are impressed with the progress ORS (and OFS) has made on addressing our recommendations, and we see genuine effort to improve effectiveness in the areas where the audit drew attention. For example, total BCSS collections increased from \$62.8 million in FY 1994 to \$71.3 million in FY 1995 (13.6%), while the AFDC portion increased from \$20.6 million to \$23.5 million (14.1%). Both of these are improvements over the average percentage increase in the four previous years in those categories, particularly for the AFDC collections.

The status of the seven recommendations not previously implemented and the reported actions taken as of November 1995 are as follows:

## **Recommendation 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 Services (OFS) computer systems an automated process which will assure that all recipient disqualifications are effectively tracked and enforced.

#### **Reported Action: In Process**

In September 1995, ORS brought the much awaited Office of Recovery Services Information System (ORSIS) on line. Under ORSIS, ORS workers input recipient disqualification information which is electronically transferred in nightly batches to the OFS Public Assistance Case Management Information System (PACMIS). OFS caseworkers are then notified that the recipient should be disqualified. Though ORSIS is on line, it should be understood that we were unable to adequately test the effectiveness of this interface with PACMIS because the program is simply too new. In fact, OFS is now in the process of training its caseworkers on how to make sure this electronic transfer of information is properly processed. It should also be understood that this system does not automatically disqualify recipients; it is still incumbent upon ORS and OFS staff to input the proper information and read the proper screens to make sure disqualifications are processed appropriately. We looked at a sample of six disqualification cases that were processed after ORSIS came on line, and in five of the six we found computer documentation that OFS caseworkers had received a disqualification alert from ORS workers. However, in one case

we found no computer record that OFS received or processed the disqualification information. In the five cases that were received, it was not clear whether the alert came through ORSIS or through the transfer of a physical document as had been happening prior to ORSIS. We also noticed that in three cases where the recipient was currently not receiving benefits, the appropriate alert screens had not been properly set by OFS caseworkers so as to remind the caseworker to disqualify the recipient when he/she does come back on the system. We are pleased with the fact that ORSIS is on line and will interface with PACMIS, but we do believe ORS and OFS management should continue to track these disqualifications to make sure they are actually being enforced and make sure caseworkers are properly trained. When all caseworkers have been properly trained, we see no reason why all disqualifications should not be properly executed, including the setting of all alert screens for those recipients not currently on welfare.

#### **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: In Process**

OFS has designated one staff person to see that referrals for investigation outside the Wasatch front are properly handled. This individual receives the referrals directly from the ORS investigative unit and transfers them to each OFS field office to an individual who is designated as an ORS liaison. This person is then supposed to make sure that all referrals are routed to the appropriate caseworker and/or investigator and are processed. We tested ten referrals to four OFS offices and found eight were handled correctly. This is clearly a vast improvement over the findings in our original audit where only 12% of the cases we sampled had been investigated. In eight of the ten cases we tested this time, the referrals were properly transferred to OFS offices and the cases were investigated. However, in two cases the referral was not found in the recipient's file, and neither the caseworker nor the ORS liaison remember seeing it. One of the cases had already been investigated due to a tip from another source, but the other case was never investigated. We are pleased with the progress made in this area, but we encourage OFS particularly to improve this process so that all referrals, once received by ORS, are properly transferred and investigated. According to the Department, the transfer of fraud referrals between the two offices is only an interim system, and will eventually be phased out as explained in the next recommendation.

### **Recommendation #5**

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: In Process**

We spoke with department officials who indicated that planning is underway for ORS to receive six additional investigative staff so that the responsibility for welfare fraud investigation throughout the entire state will be handled exclusively by ORS. This addition in staff will eliminate the need for OFS involvement and should assure that all cases are investigated under uniform criteria. This change will require some shifting of budgets and current workload in both ORS and OFS because no new funds will be appropriated for these positions, but the department says it is supposed to be effective July 1996. In the interim, ORS will be analyzing where the bulk of fraud activity outside the Wasatch Front is occurring so they can know where to place and best utilize these new investigators.

### **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: Implemented**

OFS has now revised policies 834-3 and 834-4 which pertain to lost or stolen welfare checks. Specifically indicated is that OFS caseworkers must explain to clients seeking a replacement check "that recovery and legal action will be taken if the client cashes (or assists in cashing) the original and the replacement check/warrant". Caseworkers are to further explain that the client's grant will be reduced to pay back the amount of the fraudulently cashed check as well as to pay for the cost of the handwriting analysis if necessary. OFS has further strengthened its policy on "district issuance" by requiring a recipient to pick up future checks in person from the local office if the recipient has requested two replacement checks in a 13-month period.

However, check fraud should in theory be greatly reduced in the future because the state introduced on October 1 a new program called "Electronic Benefit Transfer" which will convert the disbursement of all welfare benefits from check to card. Each recipient will be issued a magnetic-strip card with a self-selected PIN number which will keep a running, on-line balance of all food stamp and financial benefits issued to the recipient. The cards will be

accepted at grocery stores and automatic teller machines and will immediately reflect usage as it occurs and deduct it from the balance on the card. A major benefit of this program should be the virtual elimination of check fraud because checks will no longer be issued. The program is scheduled to be completely phased in by May 1996.

### **Recommendation #10**

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

#### **Reported Action: Implemented**

ORS has purchased tape recorders and cellular telephones to facilitate the investigative process, and also plans to purchase a camera with telephoto lens for photographic evidence. We also noted that management is supplying the investigative team with training on several topics such as controlling animals while on investigation, evidence necessary for criminal cases, and training on how to use bank documents for evidence in investigations. In addition, there are documented plans to send specific investigators through POST (peace officer) training, which is something the Attorney General's office has definitely favored. Though cost is an issue, ORS appears committed to sending additional investigators through POST training in the future.

### **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: In Process**

Department officials indicate they will be requesting funding for this position for FY 1997. This request is currently fourth on the department's list of twenty prioritized building blocks.

### **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: Implemented**

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ORS has finalized policy CS 370 which outlines specific procedures as to how and when child support cases should be referred to the Attorney General's office for judicial enforcement. The policy lists some basic guidelines for identifying cases which should be referred as well as six minimum criteria that a case should also meet. In addition, our conversation with those in the Attorney General's office responsible for this enforcement indicates they are satisfied with the criteria used by ORS to identify criminal cases and the policy for making sure they do get referred. In the original audit, we identified five cases from our samples as candidates for judicial action. As of last April, two had been referred to the Attorney General, and we noted since then a third case has been referred as well.

We hope this letter has addressed your concerns and questions. If you have any other questions please feel free to contact us.

Sincerely,

Wayne L. Welsh  
Auditor General

WLW:ME/lm