

May 22, 1996
ILR 96-D

Senator Leonard Blackham, Senate Chairman
Representative Byron L. Harward, House Chairman
Members of the Legislative Process Committee
State Capitol Building
Salt Lake City, UT 84114

Subject: **Office of Recovery Services (ORS) Follow-up # 3**

Dear Legislators:

At your request, we have conducted a third follow-up on the implementation status of those recommendations made in our original audit of the **Office of Recovery Services (ORS)** in November 1994. The first follow-up report 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 second follow-up report, issued in November 1995, addressed the status of the seven recommendations either "in process" or "not implemented" as of April; at that point three recommendations had been "implemented" and four were still "in process." The purpose of the third follow-up is to report on the status of the four recommendations that were still "in process" as of last November.

As you may recall, the 1994 audit of ORS identified several concerns in the areas of welfare fraud investigations and child support collections. 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 ORS. Third, we estimated that child support 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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Since the original audit, ORS has continued to make improvements in these areas. For example, in our second follow-up we noted that total child support 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 were improvements over the average percentage increase in the four previous years in those categories, particularly for the AFDC collections. Based on actual collection amounts this fiscal year, ORS is projecting total collections for FY 1996 to be about \$76.5 million, which would represent a 7.3% increase over FY 95. AFDC collections are projected to be about \$22.9 million, which is actually down from FY 95, but that is largely due to a reduction in the number of AFDC cases.

The four recommendations addressed in this follow-up all pertain to the welfare fraud area, and some pertain directly to the Office of Family Support (OFS), also in the Department of Human Services (DHS). Implementation of the recommendations has taken some time due to ongoing dialogue between ORS and OFS in order to define and clarify the roles each office will assume.

The status of these recommendations and the reported actions taken as of May 1996 are as follows:

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

Reported Action: Implemented

In our original audit, we discovered the system of disqualifying recipients from welfare for intentional fraud was very ineffective because it was a manual process. ORS mailed disqualification notices to OFS which were placed in recipient files and supposed to be acted upon, but often times were not. At the time of the second follow-up, the ORS computer system (ORSIS) had just been brought on line and had just begun interfacing with the OFS computer system (PACMIS), so we were unable to effectively test this new method of disqualifying recipients. However, this time we were able to test the system because it has been in operation for several months, and, except for the need for some fine-tuning in certain areas, it appears to be working effectively. Under ORSIS, ORS workers input recipient

disqualification information which is electronically transferred in nightly batches to PACMIS. OFS caseworkers are then notified that the recipient should be disqualified. The ORSIS-PACMIS link does not by itself disqualify recipients from welfare; it only provides the information electronically so that OFS caseworkers can actually disqualify the recipient from benefits. In this third follow-up, we looked at a sample of twelve cases and found that eleven (92%) were handled properly. The recipient had either been disqualified from welfare benefits, or an alert had been posted on the computer screens to notify the OFS worker to disqualify the recipient if he/she returns to the welfare system. However, one case was not processed at all; according to information on ORSIS, the case was entered and transferred to PACMIS, but we found no evidence on the PACMIS screens that the case had ever been received or worked. OFS did not know for sure what had happened but speculated that some sort of system error prevented the information from being properly transferred from ORSIS to PACMIS. Because this disqualification did not get processed, the recipient has been receiving more in public assistance than that to which she is actually entitled. Although we feel this system has been implemented, we still encourage ORS and OFS management to continue to track and periodically test these disqualifications to make sure they are actually being enforced and make sure workers understand how cases are to be processed.

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: Implemented

In our original audit, we found that allegations of welfare fraud outside the Wasatch Front—which are transferred from ORS to OFS to investigate—were rarely investigated because of poor communication between the offices. Since then, 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. The liaison is then supposed to make sure that all referrals are routed to the appropriate caseworker and/or investigator and are processed. Last November, we looked at ten referrals and found that eight were handled correctly, a significant improvement over the findings in our original audit where only 12% of the referrals we sampled had been investigated. In this follow-up, we felt it necessary to only look at a small sample of cases because this transfer of fraud referrals between the two offices has been an interim system, and is actually now obsolete as explained in the next recommendation. We reviewed four cases and found that three were properly transferred and investigated. However, an ORS referral could not be found in the OFS file in the fourth case, and neither the ORS liaison nor the caseworker

remembers receiving an ORS referral. Coincidentally, the case was investigated because of a taxpayer's referral directly to the OFS office, but it evidently had nothing to do with the ORS referral.

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

In our original audit, we found that allegations of welfare fraud are not investigated with equal intensity depending upon the location of the case. ORS is in the process of hiring staff for four new, full-time investigator positions as well as ½ FTE as a technician in order to assume responsibility for all welfare fraud investigations throughout the state. This will replace the current method of ORS investigating only cases along the Wasatch Front while OFS investigates all rural cases, and should assure that all cases are investigated under uniform criteria. ORS will officially accept responsibility for welfare fraud investigations throughout the state on July 1, 1996, but the transfer of responsibility is already occurring as ORS is now keeping and opening all investigations in the state. Evidently, two of the investigator positions have already been filled, and ORS is currently recruiting for the other positions. OFS has agreed to fund three investigator positions and the ½ FTE technician position for the months of May and June of this year and for FY 1997. Beyond that, ORS will seek to have the funds for these positions appropriated directly to their budget. Also, the department has agreed to provide funds for one of the investigator positions, and ORS management indicated that the department has agreed to help them with additional costs if the volume of fraud cases necessitates more investigators. All investigators will be centrally stationed until ORS determines that the volume of cases in a certain area warrants relocating an investigator to that area.

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

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ORS requested funding for this position for FY 1997 during the last legislative session. The request was supported by the department and was included in the Governor's budget. However, it was not recommended in the Fiscal Analyst's budget, and therefore the position was not funded.

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