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UNITED STATES GENERAL ACCOUNTING OFFICE  
WASHINGTON, D.C. 20548



HUMAN RESOURCES  
DIVISION

B-164031(3)

OCT 21 1976

The Honorable  
The Secretary of Health, Education,  
and Welfare

Dear Mr. Secretary:

Based on our review of the Aid to Families with Dependent Children (AFDC) program in Ohio, we estimate that, in fiscal year 1975, Federal and State funds of \$3.2 million in cash assistance (AFDC) and \$1.5 million in medical services (Medicaid) were paid to families previously determined to be ineligible for such aid. The payments were made because of delays in communicating information from counties to the State's centralized payment center. These delays also resulted in AFDC overpayments to eligible families. The State estimates that the overpayments in fiscal year 1975 were at least as much as the \$3.2 million paid to ineligibles. HEW did not review Ohio's AFDC program in fiscal year 1975 and, therefore, was unaware of the problem.

As part of a review of States' procedures for making AFDC eligibility determinations, we reviewed Ohio's procedures for closing cases and adjusting grant amounts in two counties and at the Department of Public Welfare in Columbus. The two counties had problems in promptly transmitting information on closed cases and adjustments which resulted in an extra month's AFDC payment and Medicaid coverage to ineligible families and AFDC overpayments and underpayments to eligible families.

Ohio is making changes to correct the situation. These changes, if properly implemented, could save about \$5 million annually. We believe that HEW should monitor Ohio's corrective actions and, because this problem is not considered an error in HEW's quality control program, HEW should be aware that similar problems may exist in other States.

HRD-77-6

TERMINATION OF BENEFITS  
HAS NOT BEEN TIMELY

In Ohio, the counties are responsible for administering the AFDC program, but the State mails the AFDC checks and Medicaid cards from a central office in Columbus. Each person receiving an AFDC check also receives a Medicaid card. Under procedures followed until the State initiated corrective action in March 1976, the State set a deadline each month for counties to send notices to stop AFDC payments to closed cases or adjust payments where necessary. To meet the State's deadline, the counties set their own deadlines. The counties did not notify the State of payments that should have been stopped or adjusted after their deadlines--not even for closed cases--until the following month. As a result, AFDC checks and Medicaid cards were mailed to many ineligible recipients.

For example, to meet the State's deadline for July 1975, Cuyahoga County set June 20, 1975, as the last day for caseworkers to stop the July AFDC checks and Medicaid cards. Therefore, if a caseworker closed a case after June 20, the State was not notified in time to stop the mailings of the July AFDC check and Medicaid card to the ineligible recipient. Also, some cases that became ineligible after June 20 were not closed until the following month, July, because the caseworkers knew they could not stop the July payment.

We recognize that when AFDC benefits are terminated because of employment, Medicaid eligibility continues for 4 months. Nevertheless, when AFDC benefits are terminated 1 month late, the recipient also receives an extra month's Medicaid eligibility. For example, individual cases which should have been terminated in June but were terminated in July continued receiving Medicaid eligibility for August through November. If the cases had been terminated in June, Medicaid eligibility would have been for July through October.

Thirty-two percent of AFDC cases closed in June 1975 in Summit County and in one district in Cuyahoga County involved an extra month's AFDC payment to ineligible families. The cases receiving extra payments were of two types:

--Cases that became ineligible in late May, but were not closed until June because caseworkers could not meet the deadline to stop June payments.

--Cases that became ineligible in June and were closed in June, but the State was not notified in time to stop the July checks.

Below is a summary of our analysis.

<u>County</u>	<u>Cases closed in June 1975</u>	<u>Cases that received an AFDC check and a Medicaid card for an extra month</u>	<u>Percent</u>
Cuyahoga	250	113	45
Summit	<u>270</u>	<u>55</u>	20
Total	<u>520</u>	<u>168</u>	32

Based on our findings in the two counties, the Director of the Ohio Department of Public Welfare recommended a method to estimate the number of AFDC checks issued to closed cases. Using the recommended method, we estimated that 19,000 extra AFDC checks were sent to ineligible recipients in fiscal year 1975. The average AFDC grant during this period was \$170, therefore, the estimated total AFDC payments to ineligible recipients were about \$3.2 million.

The State welfare director said that about half the AFDC recipients use Medicaid services. Therefore, about half, or 9,500, of the 19,000 Medicaid cards mailed with the extra AFDC checks to ineligible recipients during fiscal year 1975 were probably used. The average monthly Medicaid cost for AFDC recipients who used their cards in fiscal year 1975 was \$160; therefore, the estimated cost for Medicaid services provided to ineligible recipients was about \$1.5 million.

In addition to AFDC payments to ineligible recipients, delayed information from the counties to the State payment center results in AFDC overpayments and underpayments to eligible recipients because their grant amounts are not promptly adjusted. Changes in circumstances reported to caseworkers after the cutoff date are not reported to the State in time to adjust the following month's grant. For example, changes reported to caseworkers in Cuyahoga County after June 20, 1975, were not reported to the State in time to adjust the July grants. We did not estimate the overpayments; however, State officials said they believed the overpayments (minus the underpayments) are at least as much as the \$3.2 million AFDC payments to ineligible recipients.

#### WHY THE PROBLEM WENT UNDETECTED

The HEW region V office could have detected the problem through an administrative review of Ohio's AFDC program. A regional official said that Ohio's AFDC program was not reviewed in fiscal year 1975 because of insufficient staff.

B-164031(3)

The erroneous payments and overpayments were not identified through HEW's quality control program because payments not terminated or adjusted after cases were closed or circumstances changed in the preceding month are not counted as errors by quality control reviewers. Federal regulations (C.F.R. 45 205.40(b)(2)) provide that a case shall be counted in error if the payment is not correctly terminated or adjusted by the second month following the month in which the change in circumstances leading to the termination or adjustment occurred. An HEW official said that payments not terminated or adjusted by Ohio in July 1975 when cases were closed or circumstances changed in June 1975 would not be counted as errors by quality control reviewers. It is possible, therefore, that HEW is unaware of similar problems that may exist in other States.

#### ACTIONS TO CORRECT THE PROBLEM

We discussed the problem of stopping and adjusting payments under the existing system with the welfare directors in Cuyahoga and Summit Counties. We suggested to the Ohio Department of Public Welfare that it change the computer system for terminating and adjusting payments to AFDC recipients by establishing regional centers with computer terminals tied into the State's system. The counties using these centers could then stop payments to ineligibles or adjust payments to eligibles in a timely manner.

A State official said that our suggestion for the regional centers was included in a plan for statewide use of computer terminals and that the plan was approved by HEW region V and the Ohio legislative budget committee. While the plan is being implemented, county information is being delivered by car to the State central office or telephoned in by the small rural counties. State officials said they believe that this action will help prevent extra payments to ineligibles and overpayments to eligibles.

Since Ohio mails Medicaid cards with AFDC checks, we believe that the corrective action to promptly stop the extra AFDC payments should also correct the problem of providing an extra month's Medicaid services to ineligibles.

#### OTHER STATES

We did not review New York's procedures for making AFDC eligibility determinations, but we understand that New York City has had problems similar to Ohio's. Conversely, we did

B-164031(3)

not find similar problems in those States we did review-- California, Massachusetts, and Pennsylvania.

According to a November 1975 audit report by the New York State Office of the Comptroller, New York City was not promptly stopping payments to AFDC recipients whose cases had been closed. The State Comptroller estimated that the problem resulted in \$9 million in erroneous payments annually. We did not determine whether this problem has been corrected.

#### CONCLUSIONS AND RECOMMENDATIONS

The erroneous payments in Ohio and New York highlight the need for systems to facilitate timely termination and adjustment of AFDC payments. Although we are aware of the problem only in Ohio and New York, other States may have similar problems.

Accordingly, we recommend that the Administrator of the Social and Rehabilitation Service be instructed to determine whether other States have similar problems and, if so, to help those States design and implement effective measures to correct them.

We also recommend that the Administrator be instructed to assure that HEW's Chicago regional office monitors Ohio's payment system changes to insure that timely terminations and adjustments of AFDC payments and Medicaid eligibility result, and that the New York regional office determines whether the problem in New York City can be corrected.

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As you know, section 236 of the Legislative Reorganization Act of 1970 requires the head of a Federal agency to submit a written statement on actions taken on our recommendations to the House and Senate Committees on Government Operations not later than 60 days after the date of the report and to the House and Senate Committees on Appropriations with the agency's first request for appropriations made more than 60 days after the date of the report.

We are sending copies of this report to the responsible Senate and House Committees and Subcommittees and to the Director, Office of Management and Budget.

B-164031(3)

We would appreciate your comments and hope you will advise us of any actions taken.

Sincerely yours,



Gregory J. Ahart  
Director