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DEPARTMENT OF AUDITOR-CONTROLLER**

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February 27, 2004

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FROM: J. Tyler McCauley 
Auditor-Controller

SUBJECT: **DEPARTMENT OF PUBLIC SOCIAL SERVICES - LOS ANGELES
ELIGIBILITY AUTOMATED DETERMINATION, EVALUATION AND
REPORTING SYSTEM: BENEFIT RECOVERY SUB-SYSTEM REVIEW**

We have completed a review of the Department of Public Social Services' (DPSS) Los Angeles Eligibility Automated Determination, Evaluation and Reporting System (LEADER) Benefit Recovery sub-system. DPSS uses the Benefit Recovery sub-system to track and monitor the recovery of overpayments made to welfare participants.

SCOPE/OBJECTIVES

Our review was performed to evaluate the Benefit Recovery sub-system's effectiveness in managing overpayments. We also evaluated if DPSS appropriately identifies overpayments that occur and records the overpayments on the sub-system. In conducting our review, we interviewed DPSS staff, reviewed applicable policies and procedures, and reviewed cases for compliance with established procedures. We also performed on-site testwork at DPSS' Glendale, Metro Special and San Gabriel Valley districts. Our review focused on the GR program which is funded 100% with County funds.

SUMMARY OF FINDINGS

In April 2001, the Department fully implemented LEADER in all district offices. LEADER automated the Department's manual and paper intensive eligibility and case processing functions. It also consolidated many of the Department's automated systems. Overall, LEADER has helped the Department to better track and manage its overpayments.

LEADER automatically detects overpayments and initiates collections through grant reductions.

We did identify several areas where DPSS can improve its ability to minimize GR overpayments and maximize benefit recoveries when overpayments are detected. The following are examples of our key findings.

- 1. District staff do not always terminate GR benefits for participants approved for Social Security income (SSI) timely enough to prevent overpayments.** Once GR participants begin receiving Supplemental Security income (SSI), they are no longer entitled to receive GR. We estimate that participants were overpaid \$368,840 between July 1, 2001 and June 30, 2003 because their GR benefits were terminated late. DPSS management needs to ensure GR benefits are terminated timely enough to prevent overpayments. Since our testwork indicates that districts do not terminate cases timely, DPSS management should evaluate centralizing this function.
- 2. LEADER uses incorrect dates to track participants' GR time limits.** GR Regulations require that GR benefits for employable participants be limited to a maximum of 277 days in any 365 day period. LEADER uses an incorrect date to track the time limit. This leads to some participants receiving aid more than the 277 days within the 365 day period, resulting in overpayments. To ensure accurate payments to participants, DPSS management should modify LEADER to correctly track the GR time limit.
- 3. DPSS staff do not always refer terminated GR cases to the Treasurer and Tax Collector (TTC) for collection.** DPSS' procedures require districts to make a TTC referral through DPSS' Special Operations Section (SOS) whenever a GR recipient owes more than \$50 and finds employment, acquires sudden wealth, has personal property exceeding GR standards, signs a lien on real property, or sponsors an alien. District staff do not always refer GR cases terminated for these reasons. Due to the potential for increased collections, DPSS management should ensure that district staff follow established procedures for making referrals to the SOS.
- 4. LEADER does not generate any reports that would assist management in monitoring GR overpayments and collections.**

DPSS management should develop reports showing GR overpayment activity. Reports showing overpayment activity will help management monitor and identify trends/problem areas requiring management's attention. Without monitoring reports, DPSS management does not know the volume of overpayments nor the amount of overpayments recovered.

Details of these and other findings and recommendations are contained in the attached Comments and Recommendations section of our report. Some of the recommendations will require system modifications. The cost of these recommendations is not known at this time. DPSS management should evaluate the cost effectiveness of making these modifications. If it is determined that a particular modification is not cost effective, DPSS management should work with the Auditor-Controller to develop acceptable compensating controls to address the issue cited.

REVIEW OF REPORT

We discussed our report with DPSS management. The Department's written response, attached, indicates agreement with our recommendations and that the Department has already implemented some of the recommendations. We thank DPSS management and staff for their cooperation and assistance during our review.

If you have any questions regarding this report, please contact me or your staff may contact DeWitt Roberts at (626) 293-1101.

JTM:DR:RD
Attachment

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Department of Public Social Services
LEADER- Benefit Recovery Review

SCOPE/OBJECTIVES

Our review was performed to evaluate the Los Angeles Eligibility Automated Determination, Evaluation and Reporting System (LEADER) Benefit Recovery sub-system's effectiveness in managing overpayments. We also evaluated if the Department of Public Social Services (DPSS or Department) appropriately identifies overpayments that occur and records the overpayments on the sub-system. Once an overpayment has been recorded on the Benefit Recovery sub-system, the overpayment recovery process can begin.

In conducting our review, we interviewed DPSS staff, reviewed applicable policies and procedures, and reviewed sample cases for compliance with established procedures. We performed on-site testwork at DPSS' Glendale, Metro Special, and San Gabriel Valley district offices. Our review focused on the General Relief (GR) program, which is funded 100% with County funds.

BACKGROUND

DPSS administers welfare programs for Los Angeles County residents. These programs include diverse services such as cash aid, food stamps, job training, GR, and child support. DPSS uses LEADER, implemented in 2001, to help administer these programs.

Based on information entered into LEADER, the Benefit Issuance (BI) sub-system calculates how much to pay the participant. The calculation is based on various factors, such as the household size and the participant's income. Sometimes DPSS staff enter updated information into LEADER, which requires BI to recalculate benefits for a prior month. For example, if DPSS learns that a participant has earned \$500 a month for the last six months, this information is entered into LEADER and BI recalculates how much the participant should have been paid for each of these months. The Benefit Recovery sub-system then determines the amount of the benefit overpayment, if any, by calculating the difference between how much the participant should have been paid and how much was paid.

When an overpayment is determined, claims are established against the responsible persons for repayment. The Benefit Recovery sub-system tracks the recovery of overpayment claims. It calculates the monthly repayment amount and automatically recovers outstanding claim balances through grant reductions. The sub-system also allows cash repayments to be posted if the participant elects this repayment option in lieu of grant reductions.

When an underpayment is discovered, the Benefit Recovery sub-system checks to see if there are any outstanding or current overpayments to offset against the

underpayment. If there are none, a transaction is sent to BI to issue a supplemental benefit to the participant. If the overpayment is less than the underpayment, the overpayment balance is reduced to zero and the difference is sent to the participant as a supplemental benefit.

COMMENTS AND RECOMMENDATIONS

Preventing and Identifying Overpayments

Terminating GR Benefits on SSI Cases

Once a GR participant begins receiving Supplemental Security Income (SSI), they are no longer entitled to receive GR benefits. The period from the participant's SSI eligibility date through the approval date is referred to as the Interim Assistance Period. The County is entitled to recoup the amount of GR benefits paid to participants during the Interim Assistance Period.

The Social Security Administration (SSA) provides DPSS' Special Operations Section (SOS) with periodic listings (usually two to four per month) of individuals approved for SSI. The SSA also sends the participants' SSI checks to the Treasurer and Tax Collector (TTC). TTC then forwards copies of the checks to SOS (via DPSS' Fiscal Operations Section) to determine the amount of GR issued to the clients during the Interim Assistance Period. This amount is deducted from the participant's SSI check and a warrant for the difference is mailed to the client. SOS staff send monthly listings of cases processed to the districts so that they can terminate the participant's GR benefits.

We sampled 70 SSI cases processed by SOS between July 1, 2001 and June 30, 2003 and identified \$21,229 in overpayments to recipients because district staff did not terminate GR benefits timely. Based on the volume of SSI cases processed by SOS, we estimate that participants were overpaid \$368,840 during this two year period. DPSS management stated that due to timing differences, some overpayments are unavoidable. However, even if the overpayment is unavoidable, DPSS should be able to identify these overpayments so collection efforts can begin. For our sample cases, none of the overpayments were identified by DPSS.

DPSS management needs to ensure participants are not paid GR after the Interim Assistance Period by terminating GR benefits timely upon notification from SSA. Since our testwork indicates that districts do not terminate cases timely, DPSS management should evaluate centralizing this function in order to achieve better control over termination of GR benefits on SSI cases.

Recommendations

DPSS management:

- 1. Ensure participants are not paid GR after the Interim Assistance Period by terminating GR benefits timely upon notification from SSA.**
- 2. Evaluate centralizing the process of terminating GR benefits for SSI approved cases.**

Districts sometimes receive the notification of SSI approvals directly from SSA. In these instances, SSA sends the checks directly to the participants. We sampled 14 cases in which districts received direct notification from SSA to determine if the cases were terminated timely. All 14 cases were terminated timely. However, due to oversights, four (29%), totaling \$7,325, were not referred to the SOS to recoup GR benefits paid during the Interim Assistance Period.

DPSS management should ensure that district offices refer cases to SOS to initiate collection efforts whenever they receive SSI approval letters directly from SSA. This will help ensure the Department recoups all GR benefits paid during the Interim Assistance Period.

Recommendation

- 3. DPSS management ensure that district offices refer cases to the Special Operations Section to initiate collection efforts whenever they receive SSI approval letters directly from SSA.**

Interim Assistance Overrecoupments

In addition to overpaying participants due to not terminating GR benefits timely, we also identified several cases where DPSS underpaid participants. Specifically, we sampled 69 cases and found 11 instances where DPSS recouped (i.e., deducted) one additional month from the participant's SSI check. This resulted in total underpayments of \$3,672.

In each of the 11 cases, SOS processed the case after the monthly GR benefit cut-off date. DPSS establishes these cut-off dates to allow LEADER to perform benefit calculations, authorize payment to clients, and forward the authorization record to the Food Stamp Automated Issuance and Reporting System (FAIR). Once the cut-off date (usually around the 22nd of each month) passes, it is too late to stop a payment authorization record from being sent to FAIR. However, participants are not able to pick-up their monthly benefits until between the 1st and 10th of the following month. Consequently, DPSS has several days available to cancel the payment authorization if it is determined that the participant was not entitled to the payment.

DPSS' existing procedures require SOS staff to assume that the GR benefits for the following month will be issued to the participant if the case is processed after the cut-off date. Therefore, staff recouped these payments. However, the participants never picked-up the benefits, possibly because they were told that they would no longer receive GR benefits once they began receiving SSI.

In order to minimize overrecoupments, DPSS management should instruct SOS staff to only recoup actual payments made to the participants during the Interim Assistance Period. In addition, DPSS management should establish procedures to ensure that any benefits not picked-up are cancelled on FAIR before sending a warrant (for the difference between the SSI check and the amount of recouped GR benefits) to the participant.

Recommendations

DPSS management:

- 4. Instruct SOS staff to only recoup actual GR payments made during the Interim Assistance Period.**
- 5. Establish procedures to ensure that any benefits not picked-up by SSI approved participant are cancelled on FAIR before sending a warrant to the participant.**

Additional Information

DPSS is scheduled to fully implement the Electronic Benefit Transfer (EBT) program in March 2004. Once DPSS implements EBT, FAIR will no longer exist. DPSS management should evaluate the impact of EBT on implementation of these recommendations and modify procedures accordingly to ensure that it only recoups actual GR payments made during the Interim Assistance Period.

Time Limit Control

According to GR Regulation, Section 40-198, GR benefits for employable participants shall be limited to a maximum of 277 days in any 365 day period. LEADER is programmed to use the application date to track the time limit. However, use of this date is often incorrect because many cases are terminated several times during a 365 day period for various reasons. In most terminated cases, a new application is required to reopen the case. When cases are reopened, LEADER uses the new application date to restart the time limit tracking. This leads to some participants receiving aid more than the 277 days within the 365 day period, resulting in overpayments. In addition, in some instances, underpayments can also occur.

We reviewed 30 cases from the three visited districts (Glendale, Metro Special, and San Gabriel Valley) to determine if any overpayments and underpayments occurred as a result of LEADER using the wrong application date. We identified four participants who were overpaid a total of \$649 and one participant who was underpaid \$121. The underpayment and three of the four overpayments had not been identified by district staff. For the remaining case, the Benefit Recovery sub-system reflected a \$103 overpayment. However, the participant was only overpaid \$19.

To ensure accurate payments to participants, DPSS management should modify LEADER to correctly track the GR time limit.

Recommendation

- 6. DPSS management modify LEADER to correctly track the time limit.**

CW7 Process

According to GR Regulation, Section 40-112.2, GR participants must report any information which may affect their eligibility (changes in income, household composition, acquired property, etc.) on a monthly CW7 form (Monthly Eligibility Form). Upon receipt, eligibility staff enter the reported changes into LEADER to determine eligibility for the following month. If changes affect prior months, LEADER automatically determines if any overpayments occurred as a result of the change. When reported changes are not updated timely and accurately, overpayments can occur.

In order to ensure that CW7 changes are processed timely and accurately, DPSS implemented a Change Center Unit to centralize the CW7 process in each district. From the three visited districts, we reviewed a total of 35 CW7 forms with reported changes to determine whether district staff entered the changes into LEADER timely and accurately. All 35 were entered timely, but in three (9%) instances, district staff did not enter income changes accurately. Although the three errors did not result in any overpayments, DPSS management should re-emphasize to district staff the importance of entering CW7 changes accurately in LEADER and monitor to ensure compliance.

Recommendation

- 7. DPSS management re-emphasize to district staff the importance of entering CW7 changes accurately in LEADER and monitor to ensure compliance.**

Non-Compliance Sanctions

GR Regulation, Section 40-115 requires sanctions to be imposed on employable GR participants' benefits when they fail to comply with work requirements established by the General Relief Opportunity for Work (GROW) program. When a non-compliance issue

is not resolved, a 0-day penalty is imposed for the first occurrence, a 30-day penalty for the second occurrence, and a 60-day penalty for the third occurrence within a 12-month period. During the sanction period the GR participant is not allowed to receive GR benefits.

DPSS uses the GROW system to track work requirement activities. Currently, no sanction information is sent from GROW to LEADER. Therefore, district staff at Glendale and Metro Special generate non-compliance listings from GROW and forward them to the Eligibility Workers (EWs) to initiate sanctions in LEADER.

We reviewed a total of 20 cases at the Glendale and Metro Special districts from the non-compliance lists to determine whether sanctions are initiated timely. We identified one case at Glendale and five cases at Metro Special where the non-compliance issues were never resolved. District staff did not impose sanctions on these cases. While these cases were first occurrences and would not result in an overpayment, staff should enter sanction information so that LEADER can track how often a participant has not complied.

In order to minimize potential overpayments, DPSS management should monitor to ensure that staff initiate sanctions timely in LEADER when participants do not comply with GROW work requirements. DPSS management should also require districts to review non-compliance lists to identify prior cases where participants may have been overpaid and establish overpayment claims in LEADER. Finally, DPSS management should automate the non-compliance sanction process through an interface between GROW and LEADER.

Recommendations

DPSS management:

- 8. Monitor to ensure that staff initiate sanctions timely in LEADER when participants do not comply with GROW requirements.**
- 9. Require districts to review non-compliance lists to identify prior cases where overpayments occurred and establish overpayment claims in LEADER.**
- 10. Automate the non-compliance sanction process through an interface between GROW and LEADER.**

At San Gabriel Valley, while GROW staff generate listings on a periodic basis, they do not forward the listings to the EWs. Instead, GROW staff initiate the non-compliance sanctions. However, based on interviews with EWs, GROW staff often create invalid overpayments (i.e., overpayments established in error) during this process.

EWs stated that they usually become aware of these invalid overpayments through participants' complaints. The EWs provided us with examples of these cases. By reviewing various LEADER screens, we confirmed that GROW staff created invalid overpayments. For example, in one instance, GROW staff imposed a "first occurrence" sanction on a participant. However, the wrong sanction period dates were entered in LEADER, creating a \$2,552 overpayment. The overpayment is invalid because the sanction should have resulted in a "0-day" penalty since it was a first occurrence.

To minimize invalid overpayments and to ensure that sanctions are imposed correctly, DPSS management should provide training on the sanction process to San Gabriel Valley GROW staff. In addition, DPSS management should evaluate the different sanction processes used by the districts and adopt the best practice for all GR districts.

Recommendations

DPSS management:

- 11. Provide training on the sanction process to San Gabriel Valley GROW staff.**
- 12. Evaluate the sanction processes used by the districts and adopt the best practice for all GR districts.**

Recording and Recovering Overpayments

Sanction- Period of Ineligibility

GR Regulation Section 44-333.142 states that when an overpayment occurs as a result of the participant's fraud or intentional program violation (IPV), the participant should be sanctioned until the overpayment has been recovered. The sanction period, referred to as the period of ineligibility (POI), is determined by dividing the total overpayment by the monthly basic grant amount, which is currently \$221 for a single person household. For example, if a participant's overpayment is \$442, the POI would be two months. The participant would be eligible again for aid after two months.

Based on transactions performed on LEADER's test system, we found that LEADER does not always calculate the POI correctly. Specifically, when a client applies for aid in the middle of the month, LEADER determines a prorated grant amount for that month. If the client has an outstanding fraud or IPV overpayment, LEADER calculates the POI using the prorated amount instead of the basic monthly grant. This results in the client being ineligible for aid for a longer period than necessary.

We also noted that LEADER does not automatically reduce the participant's overpayment balance during the sanction period. Ideally, in the above example, the participant's overpayment balance should be reduced to zero after the two month

sanction period. Currently, LEADER would continue to show an overpayment balance of \$442, requiring district staff to enter an adjustment transaction in Benefit Recovery sub-system to reduce the balance to zero. Because of the incorrect POI logic, it is likely that the overpayment balance in LEADER is overstated.

DPSS management should modify the POI logic in LEADER to ensure it calculates the sanction period correctly and automatically reduces the participant's overpayment balance accordingly.

Recommendation

- 13. DPSS management modify the POI logic in LEADER to ensure it calculates the sanction period correctly and automatically reduces the participant's overpayment balance accordingly.**

Notices of Action

DPSS' policies require that GR participants be given nine days notice before any change in their benefits or program eligibility can occur. Since LEADER does not automatically generate a notice of action (NOA) when a GR overpayment occurs, existing procedures require district staff to manually mail a NOA when a new overpayment is established. The NOA informs the participant that their monthly benefit will be reduced due to an overpayment.

While district staff mail the NOAs for manually established overpayments, they do not always mail NOAs for system discovered overpayments. District staff indicated that this is because they do not always know about overpayments established by LEADER, even though we observed that LEADER provides an alert to send out a NOA when an overpayment is created. The staff also indicated that if a participant does not receive notice of the overpayments, they will restore any recovered benefits upon the participant bringing the matter to their attention.

DPSS management should modify LEADER to automatically generate NOAs to inform participants of the overpayment and their repayment options. Until this change is made, management should re-instruct district staff to manually mail NOAs when alerted by LEADER. This will help maximize overpayment recoveries.

Recommendation

- 14. DPSS management modify LEADER to automatically generate NOAs to inform participants of overpayments and repayment options. Until this change is made, management re-instruct district staff to manually mail NOAs when alerted by LEADER.**

Validity of Overpayment Claims

GR Regulation, Section 44-333 requires overpayment documentation to be maintained in the case record. We reviewed overpayment claims from Glendale, Metro Special, and San Gabriel Valley districts to determine why GR overpayments were reflected in LEADER. As part of this review, we determined if there was documentation on file to support their validity (i.e., that an actual overpayment occurred).

Of the 30 claims reviewed, we noted that 15 (50%), totaling \$7,963, did not have any support in either the case file or in LEADER to indicate why the overpayment occurred. In addition, district staff could not explain the reasons for these overpayments.

DPSS management should require EWs to properly document the reasons for overpayments either in the case file or in LEADER. This will help ensure that all overpayments reflected in LEADER are valid. It will also enhance the Department's ability to show that the claim is valid, if contested by the participant.

Recommendation

- 15. DPSS management require EWs to properly document the support for overpayments either in the case file or in LEADER.**

Erroneous Claims

If an overpayment is determined to be invalid, DPSS can change the status of the overpayment to "erroneous". We reviewed 15 claims with an erroneous status to determine if justification for the change was documented in LEADER. We noted the reason for changing eight of the 15 to an erroneous status was "administrative decision", four were changed because they were "established in error", one had "no reason" and the other two were coded "clerical correction". Only one claim was supported by a case comment to justify the change made in LEADER.

Since LEADER suspends recovery of an overpayment once its status is changed to erroneous, DPSS management should require that appropriate documentation be in LEADER to adequately explain the reason for the change. Additionally, since LEADER does not generate any reports to alert management on the claims that were changed, DPSS management should consider restricting "claim status" changes to Deputy District Director (DDD) level or higher. If this is not feasible, DPSS should require someone independent of eligibility and overpayment functions to review samples of claims where the status was changed to erroneous to verify the validity of the change.

Recommendations

DPSS management:

16. **Require that appropriate documentation be in LEADER to explain the reason for “erroneous” claim statuses.**
17. **Consider restricting “claim status” changes to Deputy District Director (DDD) level or higher. If this is not feasible, require someone independent of eligibility and overpayment functions to review samples of claims where the status was changed to erroneous to verify the validity of the change.**

Drug Felons

According to State policy, convicted drug felons do not qualify for CalWORKs benefits. However, these individuals are generally eligible for GR. Currently, LEADER is programmed to deny GR benefits for applicants who were part of a CalWORKs household, but became ineligible because they became a convicted drug felon.

In accordance with DPSS policy, EWs issue auxiliary benefits to these participants denied by LEADER. This results in LEADER creating an invalid overpayment for these cases which must be resolved. DPSS management should modify LEADER to approve GR benefits for convicted drug felons who otherwise meet the eligibility criteria. This would help reduce the number of invalid overpayments created as a result of the auxiliary issuances.

Recommendation

18. **DPSS management modify LEADER to approve GR benefits for convicted drug felon who otherwise meet the eligibility criteria.**

Manual Overpayments

The Income and Eligibility Verification System (IEVS)/ Integrated Fraud Detection System (IFDS) is a State system required by federal law. Once a quarter, DPSS sends a computer file of active cases to the California Department of Social Services (CDSS). CDSS matches the file against various databases and produces a computer tape to send to DPSS. DPSS uses the computer tapes to produce listings to identify potential overpayments. For example, one list shows earnings for participants that have not been reported to DPSS. After verifying that the participant did receive the earnings, the IEVS workers at the districts establish a manual overpayment claim on LEADER.

In calculating the amount of the overpayment, IEVS workers should apply Earned Income Disregard (EID) rules. The EID rule allows single household GR recipients to

earn up to \$200 without any reduction in their monthly grant amount. It further allows participants to earn between \$201 and \$611 with only a partial reduction to their grant. Participants earning more than \$611 are not eligible to receive GR.

Based on our interviews and observations, we found that IEVS workers at Metro Special do not incorporate EID in their manual GR overpayment calculation. This results in overpayment claims being overstated. The staff attributed the errors to lack of training on how to properly establish manual overpayments.

DPSS management should require Metro Special IEVS staff to include EID rules in their manual overpayment calculation. In addition, DPSS should require the Metro Special district to review prior outstanding manual claims established in LEADER by IEVS workers to assess the impact of any errors and make necessary adjustments.

Recommendations

DPSS management:

- 19. Require Metro Special IEVS workers to include EID rules in their manual overpayment calculation.**
- 20. Require the Metro Special district to review prior outstanding manual claims established in LEADER by IEVS workers to assess the impact of any errors and make necessary adjustments.**

GR Overpayment Reports

LEADER does not generate any GR overpayment activity reports that would assist DPSS management in monitoring GR overpayments and collections. DPSS management should develop reports showing GR overpayment activity. Reports showing overpayment activity will help management monitor and identify trends/problem areas requiring management's attention. Without monitoring reports, DPSS management does not know the volume of overpayments nor the amount of overpayments recovered.

The following are examples of reports DPSS needs in order to better monitor GR overpayment activity:

- New overpayments established on LEADER, broken down by reason and by district office
- Summary of overpayments collected and recovered
- Cases where the claim status has been changed to "erroneous"
- Cases where balances have been manually adjusted
- Cases with negative balances

- Cases with no recoveries for long periods of time (e.g., over two years)
- Overpayments with collections suspended

Reports showing overpayment activity will help management identify trends and problem areas requiring their attention.

Recommendation

- 21. DPSS management develop reports showing GR overpayment activity.**

Other Issues

TTC Referrals

According to GR Regulation, Section 44-336.1, all GR aid is repayable (i.e., recoverable). DPSS' procedures require districts to make a referral to the Special Operations Section (SOS) using a "request for collection" form (ABP 495) whenever the amount of GR owed exceeds more than \$50 and one of the following applies:

- Found employment
- Acquired sudden wealth
- Personal property exceeds GR standards
- Signed a lien on Real property
- Sponsored aliens

The procedures also require the SOS to forward the referrals to the Treasurer and Tax Collector (TTC) to initiate collection activities. Some district staff we interviewed stated that they do not make the required referrals to SOS because they believed that LEADER has automated this process. However, OIT staff indicated that the interface with TTC currently does not include GR cases. Due to the potential for increased collections, DPSS management should ensure that district staff follow established procedures for making referrals to the SOS.

Recommendation

- 22. DPSS management ensure that district staff follow established procedures for making referrals to the Special Operations Section.**

Negative Claim Balances

Since GR is repayable, LEADER establishes a "recoverable" claim when a recipient first receives GR benefits. The participant's recoverable claim balance is increased for subsequent benefits issued. Consequently, a participant's recoverable claim balance reflects the total GR benefits paid to the participant. LEADER tracks the recoverable

amounts so that when a GR case is terminated for any of the reasons indicated above (under the TTC referral section), recoverable amounts greater than \$50 can be referred to TTC for collection. It should be noted that recoverable claims do not represent overpayments to participants.

We noted that LEADER contains 108 recoverable claims, totaling approximately \$900,000, with negative balances. We selected a sample of ten cases to determine why a negative balance occurred. In each case, there was not enough information in the case comment section in LEADER or any other documentation to identify the reasons for these negative balances. DPSS staff indicated that these negative balances probably occurred when data was converted from the Department's older computer systems to LEADER in 2001. The staff also indicated that staff errors in entering data on LEADER may have caused erroneous negative balances.

In order to ensure the accuracy of the GR 'recoverable' amounts, DPSS management should review the 108 recoverable claims to identify the reasons for the negative balances and take corrective action to prevent negative balances from occurring.

Recommendation

- 23. DPSS management review the 108 claims with negative balances and take corrective action to prevent negative balances from occurring.**

GR Screening

We observed eight GR Intake EWs during participant interviews. We noted that in order to approve cases for participants who did not provide any identification or a social security number, EWs at Glendale and San Gabriel Valley districts often select an option in LEADER's Verification Screen that indicates that these documents have been verified. EWs stated that if they choose the "participant's statement" or "MC 194" options that should have been selected, LEADER will usually deny the case.

OIT staff explained that the "participant's statement" or "MC 194" options are designed to hold the case in pending status until the participant provides the required documents. DPSS management should review the "participant's statement" or "MC 194" options on LEADER's Verification Screen to ensure they function as intended.

We also noted that four EWs did not inform applicants that GR benefits are repayable. They also did not inform them of their responsibility to report any changes that may affect their eligibility. DPSS management should re-emphasize to EWs to provide complete program information and requirements to participants during the application screening process. This will help enhance participants' knowledge and compliance with program requirements.

Recommendations

DPSS management:

- 24. Review the “participant’s statement” or “MC 194” options on LEADER’s Verification Screen to ensure they function as intended.**
- 25. Re-emphasize to EWs to provide complete program information and requirements to participants during the application screening process.**

Profile Changes

LEADER supports the use of user profiles. A user profile (e.g. Eligibility Worker) defines the functions/transactions a user can perform. Local Security Officers (LSO) at each district office are responsible for adding, deleting and modifying user profiles. All changes require authorization from the Deputy District Director (DDD). While the LEADER security manual recommends that profile changes be requested on a MP-5 form (LEADER employee information sheet), existing policies do not require district offices to maintain documentation to show that the DDD authorized the change.

The Glendale and Metro Special districts use the MP-5 form and the LSOs maintain copies indicating proper authorization. However, at the San Gabriel Valley district, documentation is not maintained.

To ensure that only appropriate and authorized changes to user profiles are made, DPSS should require LSOs to maintain documentation to show the DDD authorized the change. The documentation should be maintained at least two years.

Recommendation

- 26. DPSS require LSOs to maintain documentation to show that a Deputy District Director authorized each user profile change.**

County of Los Angeles
DEPARTMENT OF PUBLIC SOCIAL SERVICES

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BRYCE YOKOMIZO
Director



Board of Supervisors

GLORIA MOLINA
First District

YVONNE BRATHWAITE BURKE
Second District

ZEV YAROSLAVSKY
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

February 19, 2004

J. Tyler McCauley, Auditor-Controller
Department of Auditor-Controller
Kenneth Hahn Hall of Administration
500 West Temple Street, Room 525
Los Angeles, California 90012-2766

Dear Mr. McCauley:

**DEPARTMENT OF PUBLIC SOCIAL SERVICES - LOS ANGELES
ELIGIBILITY AUTOMATED DETERMINATION, EVALUATION AND
REPORTING SYSTEM BENEFIT RECOVERY SUB-SYSTEM REVIEW**

Enclosed is my Department's response to the 26 recommendations contained in the above mentioned review conducted by the Auditor-Controller's office. We agree with all recommendations.

The Department has already implemented four of the 26 recommendations. Corrective action for 20 recommendations are targeted for implementation by September 30, 2004. Because of funding constraints and LEADER enhancement priorities, two recommendations will require more time for implementation with a target date of July 31, 2005.

Should you require additional information, please have your staff contact Javier Mercado at (562) 908-5740.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Bryce Yokomizo'.

Bryce Yokomizo
Director

BY:aj

Enclosure

"To Enrich Lives Through Effective And Caring Service"

ENCLOSURE

**LOS ANGELES COUNTY GENERAL RELIEF (GR) LEADER BENEFIT RECOVERY
REVIEW RECOMMENDATIONS/CORRECTIVE ACTIONS**

RECOMMENDATION #1

DPSS management ensure participants are not paid GR after the Interim Assistance Period by terminating GR benefits timely upon notification from SSA.

RESPONSE

DPSS agrees with the recommendation. The Special Operations Section (SOS) adopted procedures for notifying the district offices to terminate GR benefits. A weekly SSI approval listing is transmitted via an electronic file in an Excel format to all GR district directors. BWS will collaborate with GR program to issue an Administrative Memorandum clarifying the procedures to follow to ensure participants are not paid GR after the Interim Assistance period.

STATUS

Implementation target date: March 31, 2004

RECOMMENDATION #2

DPSS management evaluate centralizing the process of terminating GR benefits for SSI approved cases.

RESPONSE

DPSS agrees with the recommendation. The Interim Assistance Recovery (IAR) Case Termination Pilot Project will centralize the termination of all GR/CAPI cases approved for SSI. Eligibility staff assigned to this project will have the ability to immediately terminate GR/CAPI cases after the NOA is issued.

STATUS

Implementation target date: April 30, 2004

RECOMMENDATION #3

DPSS management ensure that district offices refer cases to the Special Operations Section to initiate collection efforts whenever they receive SSI approval letters directly from SSA.

RESPONSE

DPSS agrees with the recommendation. An Administrative Memorandum will be issued to reinforce the procedure on Special Operations Section/TTC referrals.

STATUS

Implementation target date: March 30, 2004

RECOMMENDATION #4

DPSS management instruct SOS staff to only recoup actual GR payments made during the Interim Assistance Period.

RESPONSE

DPSS agrees with the recommendation. Written instructions were issued to staff outlining the process to ensure that future unpaid issuances of GR/CAPI are not deducted from the initial lump sum SSI check.

STATUS

Implemented: January 6, 2004

RECOMMENDATION #5

DPSS management establish procedures to ensure that any benefits not picked up by SSI approved participants are cancelled on FAIR before sending a warrant to the participant.

RESPONSE

DPSS agrees with the recommendation. Concurrent with EBT implementation, the Interim Assistance Recovery (IAR) Case Termination Pilot Project will allow the project manager to cancel future GR/CAPI payments on LEADER. The Eligibility Systems Division will modify a LEADER reference table to permit certain General Services Division profiles the ability to cancel benefits on LA FAIR and EBT.

STATUS

Implementation target date: April 30, 2004

RECOMMENDATION #6

DPSS management modify LEADER to correctly track the time limit.

RESPONSE

DPSS agrees with the recommendation. DPSS' Eligibility Systems Division will prepare a modification and enhancement request to correctly track the GR time periods to a "277 day" time limit within a 365-day period, including reapplications.

STATUS

Implementation target date: September 30, 2004

RECOMMENDATION #7

DPSS management re-emphasize to district staff the importance of entering CW7 changes accurately in LEADER and increase supervisory monitoring to ensure compliance.

RESPONSE

DPSS agrees with the recommendation. DPSS management will issue an Administrative Memorandum to district staff to re-emphasize the importance of entering CW7 changes accurately in LEADER and will monitor to ensure compliance.

STATUS

Implementation target date: April 30, 2004

RECOMMENDATION #8

DPSS management monitor to ensure that staff initiate sanctions timely in LEADER when participants do not comply with GROW requirements.

RESPONSE

DPSS agrees with the recommendation. DPSS management will issue instructions to ensure that staff initiate sanctions timely in LEADER when participants do not comply with GROW requirements.

STATUS

Implementation target date: September 30, 2004

RECOMMENDATION #9

DPSS management require districts to review non-compliance lists to identify prior cases where overpayments occurred and establish overpayment claims in LEADER.

RESPONSE

DPSS agrees with the recommendation. DPSS management will issue instructions to ensure that district staff review the non-compliance listings to identify prior cases where overpayments occurred and establish overpayment claims in LEADER.

STATUS

Implementation target date: September 30, 2004

RECOMMENDATION #10

DPSS management automate the non-compliance sanction process through an interface between GROW and LEADER.

RESPONSE

DPSS agrees with the recommendation. While LEADER currently interfaces with the GROW system, DPSS Eligibility Systems Division will prepare a modification and enhancement request to develop and implement a more fulsome interface. It should be noted that an attempt was made to include this activity in LEADER Contract Amendment VI through FSET enhancements. Funding, however, was denied by the State. This modification and enhancement request is on LEADER's priority listing but due to funding constraints and other priorities, it should be completed by July 2005.

STATUS

Implementation target date: July 31, 2005

RECOMMENDATION #11

DPSS management provide training on the sanction process to San Gabriel Valley GROW staff.

RESPONSE

DPSS agrees with the recommendation. DPSS management at the San Gabriel Valley District office provided training on the sanction process to the district's GROW staff.

STATUS

Implemented: May 15, 2003

RECOMMENDATION #12

DPSS management evaluate the sanction processes used by the districts and adopt the best practice for all GR districts.

RESPONSE

DPSS agrees with the recommendation. BWS will survey the GR districts to evaluate the sanction processes used by GR districts to adopt the best practices for all GR districts. BWS will collaborate with Cash and Nutrition Program staff on the administrative release, once the best practices are established.

STATUS

Implementation target date: June 30, 2004

RECOMMENDATION #13

DPSS management modify the POI logic in LEADER to ensure it calculates the sanction period correctly and automatically reduces the participant's overpayment balance accordingly.

RESPONSE

DPSS agrees with the recommendation. DPSS Eligibility Systems Division will write a modification and enhancement request to modify the Period of Ineligibility (POI) logic so that LEADER correctly computes the POI and acknowledges the end of the POI to not allow reapplication by the participant until that time. Another modification and enhancement request will be written to ensure that POI recoupments are posted each month following case terminations from POI sanctions.

STATUS

Implementation target date: July 31, 2005

RECOMMENDATION #14

DPSS management modify LEADER to automatically generate NOAs to inform participants of overpayments and repayment options. Until this change is made, management re-instruct district staff to manually mail NOAs when alerted by LEADER.

RESPONSE

DPSS agrees with the recommendation. Automation of GR overpayment NOAs in LEADER is currently in development and testing.

STATUS

Implementation target date: May 31, 2004

RECOMMENDATION #15

DPSS management require EWS to properly document the support for overpayments either in the case file or in LEADER.

RESPONSE

DPSS agrees with the recommendation. GR program is issuing a reminder to all staff in the February 2004 Divisional Newsletter. A further reminder will be issued to line staff by March 31, 2004.

STATUS

Implementation target date: March 31, 2004

RECOMMENDATION #16

DPSS management require that appropriate documentation be in LEADER to explain the reason for "erroneous" claim statuses.

RESPONSE

DPSS agrees with the recommendation. GR program is issuing a reminder to all staff in the February 2004 Divisional Newsletter. A further reminder will be issued to line staff by March 31, 2004.

STATUS

Implementation target date: March 31, 2004

RECOMMENDATION #17

DPSS management consider restricting "claim status" changes to Deputy District Director (DDD) level or higher. If this is not feasible, require someone independent of eligibility and overpayment functions to review samples of claims where the status was changed to erroneous to verify the validity of the change.

RESPONSE

DPSS agrees with the intent of this recommendation. However, It is not feasible for BWS to restrict all claim status changes to the Deputy District Director level or the Director level. This function will be added to the existing monthly Program Integrity Compliance Officer (PICO) reviews.

STATUS

Implementation target date: September 30, 2004

RECOMMENDATION #18

DPSS management instruct modify LEADER to approve GR benefits for convicted drug felons who otherwise meet the eligibility criteria.

RESPONSE

DPSS agrees with the recommendation. DPSS' Eligibility Systems Division has developed an M&E (#502) to modify LEADER to determine persons identified as drug felons but not residing in a CalWORKs assistance unit as eligible to GR.

STATUS

Implementation target date: September 30, 2004

RECOMMENDATION #19

DPSS management require Metro Special IEVS workers to include EID rules in their manual overpayment calculation.

RESPONSE

DPSS agrees with the recommendation. Metro Special IEVS workers were issued a memo instructing them to include the Earned Income Disregard (EID) in their manual overpayment calculation.

STATUS

Implemented: May 5, 2003

RECOMMENDATION #20

DPSS management require the Metro Special district to review prior outstanding manual claims established in LEADER by IEVS workers to assess the impact of any errors and make necessary adjustments.

RESPONSE

DPSS agrees with the recommendation. The IEVS Taskforce for Metro Special reviewed prior outstanding manual claims established in LEADER by IEVS workers and an assessment of the impact of the errors and adjustments have been completed. DPSS' final report will be completed to validate this recommendation and a copy will be provided.

STATUS

Implementation target date: February 29, 2004

RECOMMENDATION #21

DPSS management develop reports showing GR overpayment activity.

RESPONSE

DPSS agrees with the recommendation. As part of the Benefit Recovery Fiscal Compliance Workgroup, Eligibility Systems Division is already working to develop Benefit Recovery activity reports to monitor payment processing. ESD will work with Line Operations to develop additional reports for GR overpayment activity.

STATUS

Implementation target date: August 31, 2004

RECOMMENDATION #22

DPSS management ensure that district staff follow established procedures for making referrals to the Special Operations Section.

RESPONSE

DPSS agrees with the recommendation. Clarification of policy will be released in the GR Handbook on LEADER, targeted for April 2004. An explanation of the Special Operations Section/TTC referral process will be added to those sections of policy where such referrals are required, i.e., the Income, Property and Sponsored Aliens sections.

STATUS

Implementation target date: April 30, 2004

RECOMMENDATION #23

DPSS management review the 108 claims with negative balances and take corrective action to prevent negative balances from occurring.

RESPONSE

DPSS agrees with the recommendation. DPSS Eligibility Systems Division has developed two modification and enhancement requests (#486 and #491) to correct the amounts assigned to these GR Recoverable Amount claims and prevent negative balances from occurring in the future.

STATUS

Implementation target date: September 30, 2004

RECOMMENDATION #24

DPSS management review the "participant's statement" or "MC 194" options on LEADER'S Verification Screen to ensure they function as intended.

RESPONSE

DPSS disagrees with the recommendation. DPSS' Eligibility Systems Division has fully researched and tested this issue and determined that LEADER works as intended. The "Participant Statement" and "MC 194" verifications currently "PEND" GR eligibility, as expected, and then establish a control on the system for user follow-up.

STATUS

No action required.

RECOMMENDATION #25

DPSS management re-emphasize to EWs to provide complete program information and requirements to participants during the application screening process.

RESPONSE

DPSS agrees with the recommendation. DPSS' BWS will issue instructions to re-emphasize to eligibility staff to provide complete program information and requirements to participants during the application process.

STATUS

Implementation target date: June 30, 2004

RECOMMENDATION #26

DPSS management require LSOs to maintain documentation to show that a Deputy District Director authorized each user profile change.

RESPONSE

DPSS agrees with the recommendation. DPSS' BWS will issue instructions to LSOs that they maintain documentation to show that the DDD has authorized a user profile change. LSOs will be instructed to maintain a copy of the documentation authorizing profile changes for a two-year retention period.

STATUS

Implementation target date: July 31, 2004