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# ERRORS RESULTING IN OVERPAYMENT IN THE AFDC PROGRAM



OFFICE OF INSPECTOR GENERAL

*OFFICE OF ANALYSIS AND INSPECTIONS*

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ERRORS RESULTING IN OVERPAYMENT  
IN THE AID TO FAMILIES WITH  
DEPENDENT CHILDREN (AFDC) PROGRAM

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TABLE OF CONTENTS

I. EXECUTIVE SUMMARY .....i

II. INTRODUCTION.....1

    A. Purpose of Inspection.....1

    B. Methodology.....1

    C. Background.....2

III. FINDINGS .....8

    A. Factors that Affect State Efforts to Manage  
        Payment Errors .....8

    B. Factors that Make Error Reduction Difficult .....10

    C. Efforts that Can Further Reduce Errors.....13

    D. Conclusion.....18

IV. RECOMMENDATIONS.....20

V. APPENDICES

    A. Effective Techniques and Practices.....A-1

    B. Ranked Order of Payment Error Elements by States..B-1

    C. State by State AFDC Payment Error Rates.....C-1

    D. Family Support Administration's Comments.....D-1

## I. EXECUTIVE SUMMARY

The purpose of this inspection is to identify the reasons some States are more successful than others in reducing Aid to Families with Dependent Children (AFDC) payment errors and to attempt to determine those factors which prevent most States from meeting their AFDC error rate reduction goals.

### BACKGROUND

- ° AFDC payment errors are costly. The national 6 percent quality control error rate cost State and Federal governments approximately \$863.3 million for FY 1984 in payments to ineligibles and overpayments to eligibles.
- ° Each percentage point drop in the AFDC national payment error rate represents an estimated annual saving of \$144 million, based on FY 1984 data.
- ° Only five of 54 jurisdictions administering the AFDC program had reached the legally required 3 percent error rate in FY 1984.
- ° An estimated \$582.2 million is proposed in Federal fiscal disallowance against those States which have failed to meet the required error rate tolerances.

### FINDINGS

- ° The threat of fiscal disallowances compels States to emphasize AFDC error rate reduction.
- ° States which are successful in error reduction have fostered the attitude that every person in the AFDC network statewide is important and accountable for assuring the accuracy of benefit payments. Those States have the following practices built into their system:
  - AFDC program staff and quality control staff work together on the interpretation and implementation of policy.
  - Local corrective action plans which detail specific actions to be taken, based on error data.
  - State monitoring and supervision of local corrective action measures.
  - A statewide information network to transmit policy changes to front-line workers quickly.

- ° Successful antifraud practices assist in reducing the error rate. Front-end verification, early fraud intervention, and client education are successful measures to prevent AFDC client caused errors.
- ° One or more of the following factors make further error reduction difficult in most States:
  - Urban areas are more prone to errors than rural areas.
  - Interpretation of complex AFDC policies can vary from worker to worker and State to State, often causing errors.
  - Technical errors not affecting payments to clients continue to be significant in the States overall error rate.
  - The State is not holding local offices accountable for errors.

#### RECOMMENDATIONS

- ° Most States are satisfied with the support which has been provided by the Office of Family Assistance (OFA) but they express the need for further assistance to continue to reduce errors. The following are recommendations to the Office of Family Assistance to further assist States to reduce the AFDC error rate. To facilitate this, it is recommended that the Administrator of the Family Support Administration establish an advisory committee to include State officials to work with the Office of Family Assistance for the purpose of addressing the following recommendations:

develop technical assistance and training modules which States can adopt for their own operations;

provide additional opportunities for State technology transfers;

establish a uniform procedure to annually recognize State AFDC directors who achieve notable success in reducing errors;

AFDC regulations and policies should be written clearly to lessen the likelihood of different interpretations;

insure that the interpretations of the AFDC regulations and policies are distributed in a uniform manner by the OFA central office and regions to the States so that all State agencies receive the same information at the same time;

reward successful States with error rates below the 3 percent tolerance; and

provide a forum for increased OFA regional office assistance to State agencies, focusing on local office attention to payment accuracy.

## II. INTRODUCTION

### A. PURPOSE OF INSPECTION

Error rates of the AFDC program vary from State to State. Despite legislative requirements for error rate reductions and the imposition of Federal disallowances for failure to meet targeted error reduction goals, many States are having difficulties in reducing payment errors. The purpose of this inspection is to identify the reasons some States are more successful than others in reducing payment errors and to attempt to determine those factors which prevent most States from meeting their AFDC error rate reduction goals. The best practices which are used in States which have successfully reduced AFDC error rates are highlighted as practices which may be adopted elsewhere.

This program inspection is not designed as a statistically valid research study, compliance review, audit, or program monitoring activity. Rather, this program inspection gathered qualitative information from the people most directly involved in AFDC error rate activities. The study focused mainly on people's experiences, opinions, and suggestions. Quantitative data is used as appropriate.

### B. METHODOLOGY

The data collection and analysis plan included on site personal discussions and the review of applicable Federal and State statutes, regulations, and policies. Discussions were held with 265 respondents in six HHS regional offices, 14 State agencies and 19 local welfare offices. Respondents were in four categories:

<u>Number of Respondents</u>	<u>Category</u>
45	Federal Regional OFA Program and Quality Control Managers and Staff
76	State Agency Administrators and AFDC Program Policy Staff
63	State AFDC Quality Control Managers and Staff
81	Local Office AFDC Managers and Staff

## C. BACKGROUND

### AFDC PROGRAM

The Aid to Families with Dependent Children (AFDC) program is a mandatory program under Title IV-A of the Social Security Act. The AFDC program provides financial assistance to families with children who are deprived of support due to the absence or disability of at least one parent. Assistance can also be provided to children deprived of support due to the unemployment of the principal earner. Eligibility for AFDC grants is based on family income and resources.

In FY 1984, the combined Federal and State budgets for the AFDC program were \$14.4 billion. Funding is shared by State and Federal Governments through the Office of Family Assistance (OFA) in the Family Support Administration, Department of Health and Human Services (HHS). The Federal Government pays 50 percent of the administrative cost and between 50 and 76 percent of the costs of benefit payments. The State pays the rest. In some States, counties pay part of the benefit payments. States determine how they administer the program.

Administrative procedures vary from State to State. Generally, applicants are asked to complete an application and are required to document age, family composition and relationship, citizenship, residence, Social Security numbers for each family member, school attendance, resources and expenses. The applicant may also be required to register for a work training program such as the Work Incentive Program (WIN), to cooperate, if necessary, in efforts to establish paternity and collect child support payments, and to assign those support payments to the State. Once the local welfare agency has verified application information and determined eligibility the family will receive periodic cash payments. States are required to review each case at least once every 6 months to determine whether the recipient is still eligible and receiving the correct payments.

### AFDC QUALITY CONTROL SYSTEM

HHS has been concerned since the early 1970's with the costliness of a high incidence of erroneous payments to AFDC recipients. The Department responded to the concern by requiring States to implement a quality control program.

Using federal guidelines, a Quality Control (QC) system in each State draws a statistically reliable sample of cases from the State's AFDC caseload and conducts monthly QC sampling during 12 month sampling periods. In smaller States (under 10,000 AFDC cases) the sample is 300 cases for the sample period. All States with sample sizes in excess of 300 per year may elect to reduce their sample size. For example, larger States (over 60,000 AFDC cases) may elect a sample size ranging from 1,200 to 2,400 cases for the annual sample period. If a State elects to reduce their sample, they must agree to accept the lesser precision.

State QC reviewers examine the selected case files to determine the accuracy of the grant amount as well as the recipient's eligibility. Factors such as family income, resources, and other grant requirements are verified through contacts with persons such as recipients, landlords, employers, and other sources such as banks, State employment agencies and motor vehicle departments. From the results of the errors in the sample, the State calculates the State payment error rate.

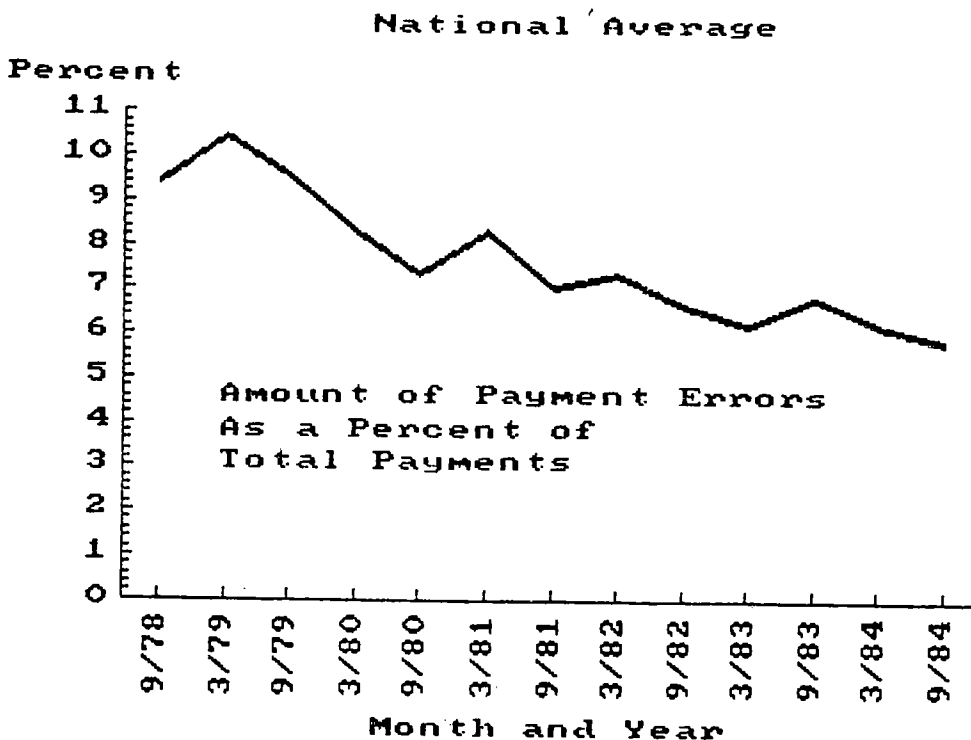
The accuracy of the State QC findings is assessed by a sub-sample or re-review conducted by the Federal OFA regional QC staff. This sub-sample is extracted from the sample examined by the State QC staff. Differences between the State and Federal findings are then reconciled to produce an official State error rate.

Error rate data generated by the QC system is used by the State agency to design and implement corrective actions to assist in reducing the State error rate.

#### NATIONAL PAYMENT ERROR RATE

In the last half of FY 1978 the national average payment error rate among all States was 9.4 percent. However, in the last 6-month period of FY 1984 (the latest available data) the rate had dropped to 5.8 percent. The following table illustrates the downward trend.

#### AFDC PAYMENT ERROR RATE TREND



(Appendix C contains the AFDC payment error rates by State from 1978 through 1984, as well as error rate comparison graphs for all States in the inspection sample.)

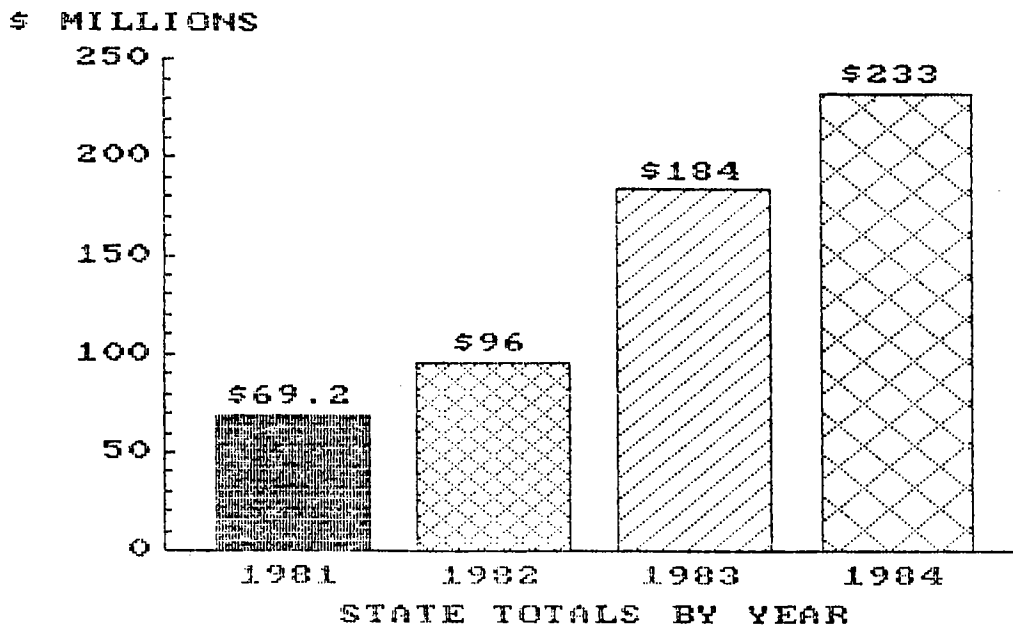
PAYMENT ERROR RATE DISALLOWANCES

The "Michel Amendment" (Section 201 of the Labor-HEW Appropriation Bill for FY 1980) regulations required all States to set a series of payment error rate goals starting in FY 1981. The amendment established an error rate standard for each State of no more than 4 percent, which was to be met by September 30, 1982. The 4 percent error rate was to be the national standard for all fiscal years thereafter. But in 1982, The Congress, in Section 156 of the Tax Equity and Fiscal Responsibility Act (TEFRA) again amended Title IV-A of the Social Security Act by reducing the 4 percent rate to a standard of 3 percent for FY 1984 and thereafter.

According to the law, those States which fail to meet the established standard each year are subject to the loss of a portion of the Federal share of AFDC funding. The amount is determined to be the difference between the official State payment error rate and the applicable tolerance rate for each fiscal year. Thus on April 25, 1985, the Secretary of Health and Human Services informed 28 States that they had not met their tolerance levels for FY 1981 and were subject to a combined total of \$73.5 million in disallowances. Based on "good faith" efforts, 6 of the 28 States requesting waivers have been granted waivers excepting them from the disallowances. The remaining 22 States are currently appealing the decision.

On July 1, 1985, HHS informed States of their payment error rates for FY 1982 and 1983. The FY 1984 payment error rates were issued on November 20, 1985. Now the total disallowances amount to an estimated \$582.2 million for the 4 year period beginning with FY 1981. The following table illustrates the upward trend of State fiscal disallowances.

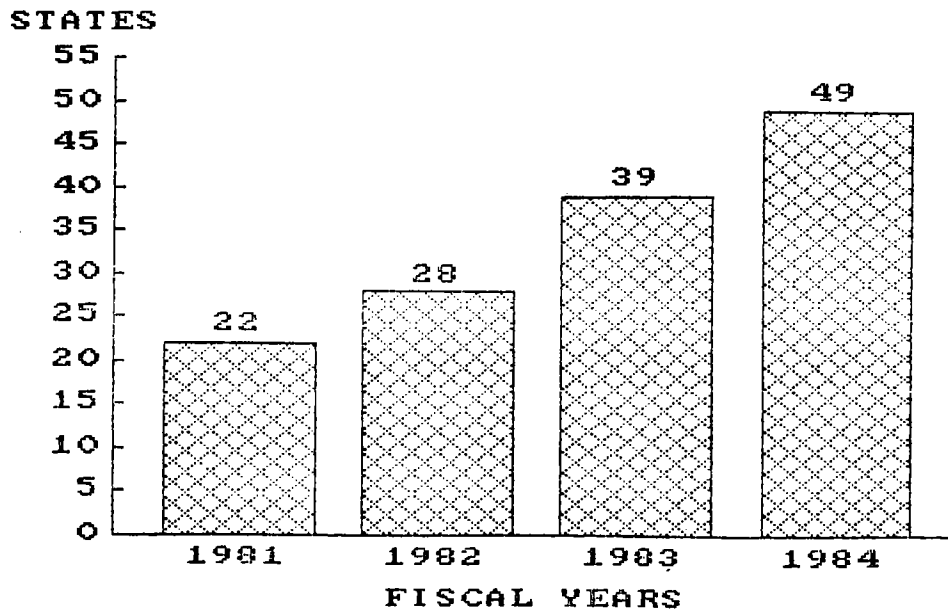
**AFDC ESTIMATED DISALLOWANCE AMOUNTS NATIONALLY  
BASED ON FEDERAL ERROR RATE DATA  
FY 1981, 1982, 1983 AND 1984**



**FOUR YEAR TOTAL: \$582.2 MILLION**

The following table illustrates the number of States each year beginning in FY 1981 which are affected by fiscal disallowances for failure to meet error reduction goals. It should be noted that the 22 States for FY 1981 is after waivers. The number of States for FY 1982, FY 1983 and FY 1984 is before waivers.

**NATIONAL AFDC DISALLOWANCES  
NUMBER OF STATES BY FISCAL YEAR**



FY 1982, 1983 AND 1984  
ARE ESTIMATES

TWO YEAR MORATORIUM ON QC DISALLOWANCES

Congress approved and the President signed the Consolidated Omnibus Budget Reconciliation Act (H.R. 3128) on April 7, 1986. The bill contains a 2 year moratorium on the collection of AFDC Quality Control disallowances while HHS and the National Academy of Sciences conduct a 1 year study of the AFDC QC system. The Secretary of HHS would be required to publish regulations, within 18 months from the date the Department contracted with the National Academy of Sciences to restructure the QC system as the Secretary determines appropriate, based on the results of the studies. During the 2 year period, HHS will continue to calculate error rates.

### SIGNIFICANCE OF AFDC PAYMENT ERRORS

Payment errors in the AFDC Program amounted to approximately \$863.3 million for FY 1984. The national error rate was 6 percent during that same period. A payment error in the AFDC program is defined as the difference between the payment actually made and the correct payment.

Approximately one-half of the AFDC payment errors reported are agency caused errors. The remaining half are client-caused errors. Agency errors by the local welfare office are caused by the following:

- failure to resolve conflicting case information;
- failure to act on information;
- incorrect policy application; and
- incorrect computations.

Client related errors are caused by the following:

- information not reported; and
- information reported incorrectly.

It should be noted that the QC system is not intended to measure the extent of client fraud. However, it is clear that keeping ineligible off AFDC roles will decrease the amount of client error open to QC discovery. It is also clear that many of the measures used in the antifraud program are directly transferable to error reduction efforts. For example, this program inspection found that early fraud intervention focused on error prone cases, front-end verification computer file matches, client education and improved eligibility worker interviewing techniques are successful measures to detect and prevent AFDC client fraud. Successful antifraud practices assist in reducing the QC error rate. (See Inspector General's report on State Investigation of AFDC Fraud, OAI-04-86-00066).

The five highest AFDC national payment error elements are as follows:

Earned income (wages and salaries) inaccurately reflected in the grant. This type of error represents approximately one quarter of AFDC national payment errors. Earned income cause agency errors because of the complicated budgeting procedures and cause client errors because of the client's failure to report wages and salaries.

Mandated WIN candidates not registered. Work Incentive (WIN) and WIN demonstration programs require registration for all individuals who apply for, or receive, AFDC payments unless they are legally exempt. A mandatory client not registered does not meet the eligibility requirement. The client is therefore ineligible and the payment is counted as an error.

Unemployed Parent. At the option of each State, assistance can also be provided to children deprived of support due to the unemployment of the principal earner. It is one more potential wage earner in the grant which can mean a larger percent of cases with wage earners. In addition, as more options are added to the program the more complex the application. Eligibility workers are required to understand these additional policies which can add additional proneness to errors.

Erroneously reported continued absence of a financially responsible parent. To be eligible for AFDC, a child must be deprived of parental support or care because of the continued absence of a parent from the home, death of a parent, physical or mental incapacity of a parent, or in some States the unemployment of a parent. If any of these circumstances does not exist as reported the case is counted as an error.

Living arrangement and household composition. To be eligible for AFDC each child in the grant must be living with a relative of the proper degree of relationship as defined by AFDC State policy.

These error elements comprise 57 percent of the national erroneous payments, based on the latest OFA published data, April 1984 - September 1984. (Appendix B lists in ranked order, 33 AFDC payment error elements reported by all States during this period.)

### III. FINDINGS

#### A. FACTORS THAT AFFECT STATE EFFORTS TO MANAGE AFDC PAYMENT ERRORS

##### THREAT OF DISALLOWANCES

The threat of fiscal disallowances compels States to focus on AFDC error rate reduction. The error rate issue is now kept before top management in the State agencies through the use of periodic reports, policy reviews, and an elaborate set of controls and accountability so that the concern filters down to where the errors are made - in the local offices.

The threat of disallowances has created pressures on the State agency. Management officials and governor's office staff in several States believe that an imposed financial penalty is bad politics. If HHS imposes the disallowance they feel negative publicity for their State will result. In one State that has 11 million dollars in pending AFDC disallowances since FY 1981, the Governor's office has a response ready and waiting to offset the expected negative publicity.

The level of commitment by States to reduce AFDC errors is high. As a result of the Michel Amendment regulations, respondents report a discernible difference in the attitude of top management in many of the States. While most State agency respondents did not like the idea of imposed federal disallowances, many felt that the threat was a force to help them bring down error rates. Until recently, top officials in many States did not make AFDC payment accuracy a priority. Most respondents clearly expressed the belief that it is necessary that top level managers in the State agency be committed to error reduction before the line people react. Without firm determination by top management to reduce AFDC errors, respondents felt that it is impossible for any statewide error reduction efforts to be effective.

##### ACHIEVABILITY OF ERROR GOALS

There is near universal agreement among respondents that a 3 percent tolerance level is almost impossible to reach. Only 5 of the 54 State agencies have an error rate at or below 3 percent for FY 1984. Respondents see it as an arbitrary and unrealistic goal which most States cannot attain. It is felt that States with a small, rural caseload can more easily achieve a 3 percent tolerance, while States serving large urban metro areas can more realistically maintain a 4 percent or 5 percent rate.

As a State moves closer to the 3 percent error rate tolerance level the more difficult it is to reduce the error rate.

Significant gains were made over an 11 year period in reducing the national average payment error rate from 16.5 percent in FY 1973 to 6 percent in FY 1984. The "easier," systemic errors have largely been corrected by States. These were the errors which were corrected by system changes. Now the road ahead is a more difficult one for many States as they attempt to reduce the error rate to the mandated 3 percent and try to maintain it at or below that level.

#### CHANGING CONDITIONS

Once a State is at or below the 3 percent error rate, maintaining that level is a constant challenge. The pressures on a State agency can be great. Errors may fluctuate from one QC sample period to another for a number of reasons. The following are those most commonly cited which can cause an error rate to increase temporarily:

- ° frequent AFDC legislative and regulatory changes. The interpretation of such changes and retraining of staff leaves room for errors;
- ° the installation of a new computer system;
- ° high staff turnover and hiring and training new eligibility workers;
- ° an economic decline which results in more people applying for benefits; and
- ° changes in top management which results in a decreased emphasis on error reduction.

#### CLIENT-CAUSED ERRORS

Some State and local agency respondents view client caused errors as beyond worker and management control. Some have even suggested that client errors be excluded from the State's error rate. Yet, in fact, States which have had success in reducing client errors through corrective action admit that it is a difficult but achievable task. Many believe that at least one-half of these errors can be detected and prevented through improved eligibility worker interviewing techniques, front-end verification computer file matches, client education, and early fraud prevention programs. These error reduction techniques for determining eligibility accurately are most effective when coupled with timely and effective fraud prevention and detection activities.

While it would help States with disallowances by removing client errors from the error rate, many respondents felt it would also reduce the incentive to actively pursue client caused errors.

## B. FACTORS THAT MAKE ERROR REDUCTION DIFFICULT

### LACK OF STATEWIDE ACCOUNTABILITY

In States having difficulty reducing errors, one or more of the following factors exist:

- ° The eligibility workers are not working accurately.
- ° The supervisors are not checking their work.
- ° The State office is not holding the local office accountable for errors.

Lack of a statewide accountability system translates into inadequate technical assistance and inadequate verification systems, as well as the lack of other tools and resources local offices need to do their work more accurately and in a timely manner. In one State with no State system of accountability, a local welfare office located in a suburban metropolitan area with 112 employees which include 28 eligibility workers took it upon themselves to reduce their own errors. The staff created their own error reduction system and have not had a QC error in three years. Everyone in this local office has great pride in their achievement - both workers and managers. By contrast, in nearby county offices with no such system in place, morale is poor and payment errors are high.

### URBAN AREAS MORE ERROR PRONE

Urban areas are more prone to errors than are rural areas. There is a near unanimous agreement among respondents that States with predominantly large metro urban areas labor under an extra burden in their error reduction efforts. For example, in a State which has 159 counties, 7 of the most urban counties (4 percent) account for 45 percent of the cases and 70 percent of all errors. The most common reasons given for urban areas being more prone to errors are: Clients are more transient, so less is known about them in the community; clients are more sophisticated or "streetwise" about what to say and not to say in order to be deemed eligible; there are more job opportunities and therefore more chances for unreported income; there is less of a personal relationship between the client and welfare office workers; there

is more staff turnover, which causes a greater flow of less experienced staff; and in large welfare offices there are more layers of supervision, creating more chances for miscommunication between top management and the eligibility worker.

#### TECHNICAL ERRORS CURRENTLY COUNT

Technical errors should not be counted or, if counted, should be given less weight when determining disallowances if they do not change the AFDC payment level according to most respondents. Technical errors are defined as errors due to the failure of clients or agencies to comply with certain basic legislative eligibility requirements. The Medicaid and Food Stamp programs do not include technical errors in considering disallowances. The QC system identifies the following types of technical errors attributable to AFDC eligibility requirements:

- SSN - Social Security numbers not obtained for all family members;
- Child Support - Child support rights not officially assigned to the welfare agency; and the parent has not formally agreed with efforts to collect child support;
- WIN - An employable recipient has not registered with the Work Incentive Program (WIN); and
- Monthly Reports - The client has not filed required monthly reports with the welfare office.

Technical errors account for approximately 15 percent of all errors. This represents from 1 to 1.5 percent of the national average payment error rate. Respondents recognize that technical errors are factors of eligibility and must be complied with but the general feeling among States is that technical errors should not be counted as a payment error for disallowance purposes if the payment does not change after correcting the error. Payment errors, it is reasoned by most State respondents, should be based on the amount of overissuance. For example, if the only child in the assistance grant does not have a Social Security number in the sample QC review month, the case is technically ineligible. When the SSN is obtained it becomes a correct payment and the State will make no payment change. There are no savings because the payment continues. Yet such a case is counted as an ineligible case in computing the payment error rate.

INTERPRETATION OF POLICY VARIES

Interpretation of AFDC policies can vary from worker to worker, office to office, and State to State, influencing the error rate. AFDC is an extremely complex and constantly evolving program. State level respondents know that keeping abreast of changes is a never-ending task. New State policies must be issued, manuals revised, and local staff retrained so that all are using the same policy interpretations. Similar pressures are felt by State and Federal QC staff. For example, in one State there is evidence that the eligibility workers and QC reviewers disagree on the definition of WIN registration. The policy is unclear and results in 30 percent of that State's errors.

One State program administrator said:

"The Counties complain that State QC uses different interpretations when they review a case. Then the Federal QC people come in with another interpretation. It can get confusing. We have to constantly work at it to make sure everyone is interpreting the written policy the same."

The principal complaint regarding the interpretation of policy concerned the "standard filing unit" required by the Deficit Reduction Act of 1984 (DEFRA). The regulations require States to include parents and minor siblings living with the dependent child in the AFDC filing unit. Failure to include a required individual would make the entire assistance unit ineligible. However, there apparently are conflicting interpretations regarding the intent of the regulations. The one year implementation period ended September 30, 1985 for the DEFRA policies. Beginning October 1, 1985 QC began reviewing cases based on the new policy. Yet the revised policy on the standard filing unit was sent to States in February 1986. This means policy manuals must be revised and workers notified of the changes. But according to OFA, States not conforming with this new policy retroactive to October 1, 1985 will be cited for QC errors. States were allowed to adjust their original QC findings to reflect the revised interpretation.

### C. EFFORTS THAT CAN FURTHER REDUCE ERRORS

#### REASONS SOME STATES ARE MORE SUCCESSFUL THAN OTHERS

States which have been successful in error reduction have created the attitude that every person in the AFDC network statewide is responsible for assuring accurate benefit payments. States attempt to have competent, well trained workers dedicated to accuracy and who have pride in their work. To achieve this, the successful State agencies have developed a strong organizational linkage between State agency management and the local offices. Through top management commitment emphasizing accountability, State agencies work closely with local office managers to identify errors and implement policies and practices to prevent them. Respondents who have been successful in their statewide efforts to reduce errors said it is not only the techniques that cause a low error rate, it is also an attitude; i.e., those intangibles that make people want to do their jobs well. Corrective action activities designed to reduce errors have a better chance of success if staff involved in the payment process have a positive attitude.

States which have had success in reducing AFDC errors by stressing accountability as described above, generally have the following practices built into their system:

- ° AFDC program staff and quality control staff work together on the interpretation and implementation of policy. They cooperate and assist each other.
- ° Local corrective action plans which detail specific actions to be taken, based on error data.
- ° State monitoring and supervision of local corrective action measures with emphasis on quickly identifying error trends and initiating timely corrective action.
- ° A statewide information network to transmit policy changes to front-line workers quickly. This includes training on policy changes and interpretation of the policies.

The following is a brief summary of measures States have found effective in their efforts to reduce AFDC payment errors:

- Front-end verification - up-to-date on-line computer file matches performed prior to eligibility.
- Revised State policy manuals - easy to read and understand.
- Client education - instruction of clients on the importance of reporting accurately. For example, some States have produced a video tape centered around clients' rights and responsibilities.
- Home visits - built into the local office procedures.
- Eligibility worker training - training on interviewing skills, case management, and conducting home visits; preferably centralized so that each person hears the same information.
- Supervisory or second party review - review of error prone cases prior to eligibility and at redetermination.
- Early fraud intervention - referring suspected fraud cases for investigation prior to eligibility.
- Performance appraisal reviews - workers and supervisors have specific, quantifiable performance standards for payment errors.
- Eligibility worker and local office recognition - reward high performance.
- Simplified WIN registration procedures - in order to avoid a technical error.
- Supplemental quality control review - by local or central office staff to detect and prevent errors in all local offices prior to State and Federal official QC reviews.
- State units to detect error trends quickly - includes visits to local offices to monitor and provide assistance in correcting deficiencies.
- Targeting of urban areas - strong focus on corrective action measures in major urban areas.
- Corrective action plans - development of a mechanism to mesh activities of State and local corrective action plans.
- Timely redeterminations - to avoid backlogs that may prolong erroneous payments.

(Appendix A lists specific practices and techniques several States in the inspection sample are using to successfully reduce errors.)

## EFFECTIVELY TRANSLATING QC FINDINGS INTO CORRECTIVE ACTIONS

State AFDC quality control findings are used to identify errors and trends to assist States in developing strategies and plans to prevent those errors. However, due to the small sample size, it is sometimes difficult to identify error trends in rural areas with small caseloads. For example, a State with 100,000 AFDC cases, and with 600 random cases reviewed in a 6 month period may have few if any cases selected for any given small office. These smaller offices may, in fact, be committing errors which are very unlikely to be identified through State QC error trends. Some States deal with the problem through supplemental QC reviews, used as a management tool and performed locally or by the State office.

Corrective action activities are effective for error rate reduction. Respondents acknowledge that while corrective action plans are formal procedures to satisfy Federal requirements, they do help the State agency staff to outline specific strategies to reduce errors. States which have had success with error reduction use the corrective action process as their focal point for formulating strategies and implementing targeted remedies. Some States, in the past, have clearly not taken the Federal requirements seriously and developed plans merely to satisfy these requirements. Some of these same States are now learning to use the corrective action process as the means to reduce high error rates. Through serious commitment and accountability corrective action activities in several States have recently been successful in reducing high error rates.

Effective State monitoring of corrective action plans is a key ingredient in controlling errors. Having a plan alone is not going to insure success. States which are successful in reducing errors have effective monitoring of local office activities directed toward identifying the causes of errors and taking corrective actions. However, a problem some States are having in their monitoring efforts is a lack of commitment from some local office managers. States with locally administered programs have a more difficult challenge. "Artful persuasion" appears to be an effective technique that some State administrators use to induce county managers to be responsive to corrective action activities.

An effective working relationship at the State level between quality control and program staff is essential in reducing errors. In States where errors are low or currently decreasing steadily, State administrators have made efforts to foster communication between the groups. In several of these States the QC staff is represented when State program policy is developed. This helps facilitate uniform policy interpretation and the avoidance of potential errors. By contrast, in States where such communication is poor, error rates are generally high. In one State QC and program staff do not share, nor coordinate on, policy interpretations from OFA. The lack of communication contributes to an increase in errors.

### MORE DIRECT PARTICIPATION BY OFA

Most States are satisfied with the support provided by their OFA regional office but desire further assistance in error reduction. Most State agency respondents said that the regional offices have been helpful to them by emphasizing payment accuracy. Federal offices do this by providing policy guidance, attending corrective action meetings, distributing pertinent program literature and arranging technology transfer visits. However, the quality and quantity of this assistance seems to vary from region to region. Many regional office staff stated that each region makes its own management decisions on how to best assist its States. There is little or no contact with the staffs from other regional offices.

In two States of a region, State and local agency staff said that regional office representatives have been of tremendous assistance by coming to the States "rolling up their sleeves" and helping develop corrective action plans to focus on error prone counties. This type of assistance began in the 1970's even prior to the Michel Amendment. As a result, both of these States have been successful in their error reduction efforts.

Regional offices currently are limiting visits to State agencies. Many feel that their personal visits had developed a positive partnership but States now rarely receive visits from the regional staff. Many feel this lack of visibility can be detrimental to error reduction efforts. As a result of the travel reductions, some feel that OFA has been moving away from providing technical assistance. One State administrator complained, "They tell us where we went wrong after we went wrong. We need help from them on how to avoid going wrong". Some State staff are concerned that OFA is losing touch with States at a particularly crucial junction. "If this is a partnership, then the Federal partner has to deliver," said a State director.

Through a contract, Touche Ross and Company has produced beneficial reference material for States to use in error reduction activities. For example, a four volume report identified a list of effective error reducing practices and the relative cost of developing and operating each of them. There is also a self-assessment checklist, by major error elements, that State and local agencies can use for corrective actions. The Touche Ross study recommended the following to the States and OFA:

- ° Touche Ross recommendations to the States:
  - Consider implementation of the actions found to be effective by the study.
  - Strengthen procedures to monitor local office practices.
  - Train local office managers to recognize and implement the practices known to prevent errors.
  - Strengthen methods used to analyze individual case Quality Control error findings.
  
- ° Touche Ross recommendations to OFA:
  - Strengthen the capacity of OFA regional offices to monitor and assist States' error reduction practices.
  - Conduct further research and demonstration projects for practice areas where the study indicates opportunities for State improvements.
  - Continue corrective action planning requirements.

OFA is currently attempting to address these recommendations.

#### D. CONCLUSION

States are making very substantial efforts to identify and prevent AFDC payment errors. The level of commitment by States to reduce errors is high. However, as the error rate declines, the difficulty of making further reductions is increased. To illustrate, in FY 1973 the average national payment error rate was 16.5 percent. By FY 1980 that rate had dropped to 7.8 percent, a substantial decrease. In FY 1984 the rate had dropped to 6 percent. However, since completion of this study, the national payment error rate average increased from 6 percent in FY 1984 to 6.15 percent in FY 1985. Based on these error rates, AFDC erroneous payments to State and Federal governments rose from \$863 Million in FY 1984 to an estimated \$918 Million in FY 1985.

The overall downward trend since FY 1973 continues but at a slower rate. The "easier" systemic errors have largely been corrected by States. Now the road ahead is a more difficult one for many States as they attempt to reduce the error rate to the mandated 3 percent and try to maintain it at or below that level. Based on findings from this study, one or more of the following factors make further error reduction difficult in most States:

- ° Urban areas are more prone to errors than rural areas.
- ° Interpretation of complex AFDC policies can vary from worker to worker and State to State, often causing errors.
- ° Technical errors not affecting payments to clients continue to be significant in the States overall error rate.
- ° The State is not holding local offices accountable for errors.

There are concepts being explored which could reduce the incidence of technical errors. One of these concepts is to enumerate infants at birth. Enumeration at birth would significantly reduce technical errors because it would, in time, eliminate situations where it is alleged that an individual does not have a SSN. The Inspector General has contacted the Commissioner of the Social Security Administration and suggested that SSA take an active role in encouraging enumeration at birth. As a result of this contact SSA is piloting a project to study the feasibility of early enumeration.

The threat of disallowances has played an important role in reducing the error rate by keeping the issue before top management in the State agencies. However, it is now apparent

that the threat of Federal disallowances alone has proven to be insufficient in bringing States within the legislatively mandated standard. For example, 49 of the 54 jurisdictions administering the AFDC program had not reached the legally required 3 percent error rate in FY 1984. In recognition of this fact, the Consolidated Omnibus Reconciliation Act of 1986 (COBRA) contains a 2 year moratorium on the collection of AFDC Quality Control disallowances while HHS and the National Academy of Sciences conduct a 1 year study of the AFDC QC system.

Consequently the threat of disallowances, as a method of compelling States to reduce errors, needs to be supplemented by management initiatives and incentives in order to further reduce the error rate. For example, States which have had success in holding local offices accountable for errors have fostered the attitude that every person in the AFDC network, statewide, is important and accountable for assuring the accuracy of benefit payments. Local office workers and supervisors have specific quantifiable performance standards for payment accuracy. They are rewarded for high quality performance. The following practices built into their systems seem to hold promise for improved accuracy:

- ° AFDC program staff and QC staff work together on the interpretation and implementation of policy.
- ° Local corrective action plans which target error prone cases and detail specific actions to be taken, based on error data.
- ° State monitoring and supervision of local corrective action measures with emphasis on quickly identifying error trends and initiating timely corrective action.
- ° A statewide information network to transmit policy changes to front-line workers quickly. This includes training on the policy changes and interpretation of the policies.

While most respondents in this study believe that the 3 percent target rate is almost impossible to reach, our conclusion is that the continued threat of disallowances supplemented by the proper steps initiated by HHS, through the Office of Family Assistance (OFA), can further reduce the average national payment error rate. In addition to fostering the implementation of the practices mentioned above, OFA should encourage the coupling of QC error reduction efforts with fraud prevention activities. For example, front-end fraud intervention projects that focus on cases prone to client error will help prevent erroneous payments. This would be accomplished by emphasizing QC corrective action and anti fraud activities to the eligibility caseworkers in local offices - where the errors are made. The following section addresses specific recommendations to OFA for assisting States to reduce their payment error rates.

## IV. RECOMMENDATIONS

While the threat of disallowances has been the driving force in reducing the AFDC error rate, the following recommendations to the Office of Family Assistance are essential to further reductions in the AFDC error rate. To facilitate these activities, it is recommended that the Administrator of the Family Support Administration establish an advisory committee to include State officials to work with the Office of Family Assistance for the purpose of addressing the following recommendations.

- ° Provide a forum to increase OFA regional office activities aimed at helping the States to focus local office attention on payment accuracy. Some suggestions for focusing local office attention on payment accuracy are:
  - provisions for rewards and incentives for AFDC payment accuracy;
  - policy requiring each local office to have corrective action plans which are monitored to ensure implementation;
  - standards to require accountability of all local offices;
  - mechanism to translate QC findings into management tools to identify trends requiring corrective action. This will facilitate targeting error prone cases for special attention during the intake process;
  - procedures for supplemental QC reviews which better identifies error element trends in all local offices; and
  - procedures for targeting error prone urban areas where the potential for reducing payment errors is greater than in rural areas. One purpose would be to concentrate efforts and resources towards high volume caseloads indigeneous to urban areas.
- ° Develop technical assistance and training modules which States can adapt for their own operations. Some examples are local office monitoring instruments, eligibility worker training modules and video tapes emphasizing the importance of preventing payment errors.
- ° Provide a forum to ensure additional opportunities for State technology transfers. Develop an annual State technology transfer strategy to ensure equal opportunity and access among all States for error reduction. States relate well to each other on those activities which are effective and those which are not. OFA should convene annually scheduled multi-regional as well as national forums on AFDC error reduction.

- Establish a uniform awards procedure to annually recognize State AFDC directors who achieve notable success in reducing errors. Their accomplishments should be made known to both peers and officials in their own States.
- AFDC regulations and policies should be written clearly to lessen the likelihood of different interpretations. For example, the standard filing unit provision under DEFRA has produced conflicting interpretations since its inception. The confusion influences the error rate.
- Insure that the interpretations of the AFDC regulations and policies are distributed in a uniform manner by the OFA central office and regions to the States so that all State agencies receive the same information at the same time.
- Reward successful States with error rates below the 3 percent tolerance. One way to achieve this is to seek legislation allowing credits for States which have error rates below 3 percent in each QC sample period. A State that has been below 3 percent and rises above that rate could use accumulated credits to offset the difference and avoid disallowances.

## APPENDIX A

### EFFECTIVE TECHNIQUES AND PRACTICES

This section highlights some practices and programs which States consider to be effective and/or innovative. The practices may not be exclusive to the agency identified.

#### OKLAHOMA

The Oklahoma AFDC corrective action unit prepares a weekly QC error report which is distributed to local staff. Local management is encouraged to inform their staffs of the report, which indicates statewide QC findings. Management is also advised to use the reports as the basis for staff training.

The report format includes name, case number, county, review month, case element in error, agency or client error, the pertinent manual section, and a brief explanation of what caused the error. The report also attributes the error to the agency or the client.

Oklahoma has addressed the issue of worker accountability. The State Agency has a long standing tradition of expecting great accuracy from AFDC workers. The state's August 9, 1985 Corrective Action Plan Progress Report shows that the standards are enforced under the provisions of the Department's Corrective Discipline Plan. The Corrective Discipline Plan calls for a series of escalating steps in dealing with substandard worker performance. Personnel actions begin with an informal conference with an employee and may end with a suspension, demotion, or termination. Between January and July 24, 1985 the agency reported the terminations of three probationary employees and one permanent employee. The agency also suspended, without pay, eight employees and demoted one social worker (with a reduction in pay of \$185 per month). Oklahoma plans to enhance worker accountability by continuing to redefine job standards.

#### CALIFORNIA

The California Department of Social Services has produced a handbook to show counties how to complete corrective action plans. The document covers such key areas as problem analysis, development and selection of corrective actions, implementation, planning, monitoring and evaluation.

The handbook provides simple formats, illustrations and checklists for categorizing and thoroughly dissecting QC error data. Minimally, the plan should specify what is distinctive about the error cases and where the errors occur in the agency's case processing. The final topic presented in the handbook has to do with evaluation which includes determining whether to continue, change, or discontinue the corrective actions.

## TENNESSEE

While there are numerous factors which influence a State's error rate, one key factor is the management of program policy. Program policy, which may change frequently, must be interpreted, communicated, and implemented quickly and consistently.

One of the actions which Tennessee has taken is the establishment of a group of State Program Consultants who work with local staffs on policy questions, and are physically located in designated regions of the State. At the local level the consultants explain policy. They also assist local agencies in planning the implementation of new policy. While organizationally, the consultants report directly to the State's top level management, they are able to serve as advocates for both the State office and the local staffs. They have quick access to the field offices and the State office.

## VIRGINIA

Virginia is maintaining a low error rate. A thorough verification of eligibility factors is performed. The entire caseload is monitored very closely to ensure that new and redetermination cases are processed quickly. A supervisory review is performed on nearly every case.

Virginia's employees seem dedicated to accuracy and have pride in accomplishment. Their organizational structure combines policy and training staffs within the same component, with few management layers. This arrangement permits quick and accurate distribution of new policy, and the development of appropriate training.

Some techniques that are in use or under development include:

- Computer generated alerts for predictable events, such as children attaining pertinent ages and clients' patterns of returning to work on a seasonal basis.
- A video which is required viewing by new clients, explaining their rights and responsibilities.
- Development of computer capability for front-end verification.
- Development of error prone client profiles.
- Close monitoring to ensure there are no overdue cases for redetermination.
- Special corrective action plans for counties with high error rates.

- A 100 percent case monitoring by supervisors.
- Special training modules for each assistance program.

### PENNSYLVANIA

In Pennsylvania there is evidence of a concentrated, dedicated effort on the part of the State to lower the AFDC error rate using the following:

- A Corrective Action Committee was formed, guided by the State office and made up of eight area managers. Error trends are identified quickly and brought to the attention of county managers. A Standard Review System (STAR) was implemented requiring county supervisors to review a sample of all types of cases.
- A PSU (program support unit) performs a mini-QC review in each county.
- A Validation Unit was formed, comprised of 50 people whose function it is to visit county offices where errors are unacceptably high, analyze the problems, and suggest corrective actions.
- Performance objectives related to errors have been established for Executive Directors and line staff.
- State and county corrective action plans are required from each office and the plans are carefully monitored.
- An educational video for clients has been developed by the Lancaster County office. The video explains clients' rights and responsibilities. Clients are required to view it immediately after applying for benefits, and sign a form signifying that they understand their reporting responsibilities.
- A peer review of all new and redetermined cases is performed in the Lancaster office.

### NORTH CAROLINA

North Carolina provides an excellent example of accountability and commitment from upper management at the State level to improve AFDC payment accuracy. The local welfare offices are county administered and the staffs are county employees. Yet, the State AFDC agency has worked with them in a very cooperative manner to reduce errors.

In addition to the federally required State corrective action plan, the State Agency itself requires regional and county plans. The State has identified 25 error prone counties based on the QC reviews. The State AFDC director and other managers meet with representatives of these counties semiannually to discuss and share ideas on AFDC error rate reduction. In addition the Division of Social Services identifies corrective action activities each quarter to the four regional offices in the State. The regional offices then submit a progress report, on each item cited by the State office. There is a clearly structured format for monitoring county office procedures and practices. Further, letters are quickly sent to all counties on program changes. Counties incorporate the policy letters into policy manuals, in an effort to be in compliance at all times and to prevent errors.

### TEXAS

Worker accountability is an important factor in controlling AFDC case errors. The State has initiated a "uniform performance plan," designed to communicate agency priorities and define minimum performance expectations. It establishes tolerances for process errors (80-90 percent accuracy), payment errors (97 percent accuracy) and notices of disposition (94-97 percent accuracy). The system does not remove supervisory judgement from the evaluation process. Instead, it provides supervisors with a tool for staff development and corrective action.

As a facet of its Quality Improvement Project, Texas has implemented what are called Verification/Documentation Standards. The standards were developed as a result of an analysis of QC error cases. Essentially it is a tool which prompts caseworkers to focus on those case elements which are most error prone. Documentation procedures, verification sources, additional "case clues" (related to special situations), and a brief guide for supervisors are included. The document addresses eighteen topics, including household determination, resources, monthly reporting, income, deprivation, and management.

The section on deprivation, for example, states the basic criteria, evidentiary requirements, and guidelines for establishing continued absence such as no legal paternity, recipient or absent parent married to or living with another, or Child Support Enforcement provides a separate address for the absent parent. Thirty-six potential sources for verification are listed and there is a reminder to consider other possible benefits in death cases.

## ARIZONA

The following is a brief description of some of the activities the Arizona Department of Economic Security is currently undertaking to reduce payment errors.

- PIRT - Performance Improvement Review Team. This activity was transferred from another State. The State Agency pulls a sample of error prone cases and reviews the local office's determinations. This started in August of 1984. The PIRT team visits local offices for a review of these cases.
- Quality Assurance - A two-tiered process. The first tier, local office supervisors, reviews 10 percent of the case actions completed by eligibility workers. The second tier is a district office review of the 10 percent sample cases plus an additional random sample. This activity takes place prior to the QC review.
- Early Intervention Project - Based on the Orange County, California project. Eligibility workers refer suspected fraud cases to investigators prior to a determination. This procedure is considered successful in the counties where it is operational. Approximately 50 percent of all suspected fraud referrals are found to be ineligible for benefits.
- Expenses Exceed Income Computer Printout - This is an indicator of possible wages and other income not reported. The cases are targeted for special review. Each quarter a printout is generated and distributed to local offices.
- Revised Policy Manual - This was completed in December 1985. It is easier to read and understand. Local eligibility workers are enthusiastic. The previous policy manual contained incorrect interpretations of AFDC policy which resulted in errors.
- Client Education - This effort is an attempt to make clients aware of reporting changes. Public service announcements are periodically broadcast on television and radio. Posters and tapes are in the waiting rooms of AFDC offices. Check stuffers are used with messages about reporting obligations. Agency staff also meet with various community agencies advising them to remind clients of the importance of reporting changes.

- ° Eligibility Worker Training - This has improved since it has been centralized. There is less chance for errors because there is only one interpretation of policies, practices and procedures. The training not only includes procedures for eligibility determination but also contains intense practice on interviewing techniques for high error prone elements. The training also demonstrates methods of conducting home visits, and of interviewing absent parents.

## MISSISSIPPI

The State of Mississippi has had recently one of the lowest AFDC payment error rates in the nation. Its rate has steadily declined from 10.4 percent in FY 1979 to 2.0 percent in FY 1984.

The Mississippi Department of Public Welfare has identified 33 specific corrective action activities which have proven successful. Some examples are client education, wage matches, focusing on error prone counties, employment of high quality eligibility workers, initial and on-going eligibility worker training program, a revised, easy-to-read policy manual, and 100 percent supervisory review.

Mississippi's State Department of Public Welfare's success can be attributed to a genuine commitment by top level management to reduce the AFDC error rate below three percent and maintain it at that level. The State Department of Public Welfare has a cooperative network linking the State and local offices to a common goal of low error rates. This firmly communicated commitment, along with a system of accountability from the local eligibility worker through the top levels of State management, has contributed to high payment accuracy in the AFDC program.

## MASSACHUSETTS

Massachusetts' Local Office Quality Control (LOQC) was developed in the corrective action plan as submitted for the October, 1983 - September, 1984 report. The purpose of LOQC is similar to State QC-to identify errors and to recommend that corrective steps be taken. The only difference is LOQC is used strictly as a management tool rather than for establishing State error rates. State money went into establishing LOQC with the hopes of identifying and correcting mistakes before State or Federal QC identifies and counts them as errors.

LOQC is credited with correcting approximately 200 cases per office each month. There is a strong consensus from the intake worker level to the Commissioner level that LOQC has made a significant difference. For example, the LOQC process has established local office training needs (where local offices make repeated errors, LOQC will identify problems and recommend appropriate training). Also, LOQC identifies systemic weaknesses and recommend corrective actions including policy or procedural changes, where appropriate.

## APPENDIX B

The following table illustrates AFDC error elements in ranked order by states.

Ranked Order of Payment Error Elements  
April 1984-September 1984

Elements	Frequency of Occurrence*					
	Total	Ranking of Payment Error Elements				
		1st	2rd	3rd	4th	5th
Wages and Salaries.....	49	37	5	4	1	2
Work/WIN Registration.....	39	3	12	6	9	9
Continued Absence.....	26	3	6	6	8	3
Vehicles.....	19	2	4	8	3	2
Contributions/Income-In-Kind.....	18	1	9	7	-	1
Living Arrangement and Household Composition.....	18	1	2	4	3	8
Other Unearned Income.....	9	-	2	2	2	3
Deemed Income.....	9	-	1	4	4	-
RSDI Benefits.....	8	-	-	1	3	4
Bank Accounts or Cash on Hand.....	8	-	3	-	1	4
Social Security Number.....	7	-	-	3	2	1
Life Insurance.....	6	1	3	-	1	1
Unemployed Parent.....	6	1	1	2	1	4
Shelter Only.....	6	1	-	4	-	1
Real Property.....	5	-	1	-	2	2
Unemployment Compensation.....	5	-	-	-	3	2
Residency.....	4	1	1	1	-	1
Workmen's Compensation.....	3	-	1	-	2	-
Relationship.....	3	-	1	-	1	1
Earned Income Tax Credit.....	2	-	1	-	1	-
Educational Loans/ Grants and Scholarships.....	2	-	1	-	-	1
Veterans Benefits.....	2	-	1	-	-	1
Proper Person in Budget.....	2	-	-	-	1	1
Self Employment.....	2	-	-	-	1	1
Age and School Attendance.....	2	-	-	-	-	2
Other Non Liquid Resources.....	1	1	-	-	-	-
Support Payments made to Child Support Agency.....	1	1	-	-	-	-
All Basic Budgetary Allowance.....	1	-	-	1	-	-
Arithmetic Computation.....	1	-	-	-	1	-
Other Government Benefits.....	1	-	-	-	1	-
Food Stamps/Housing Subsidy.....	1	-	-	-	1	-
Assignment of Support.....	1	-	-	-	1	-
Incapacity.....	1	-	-	-	-	1
 Total: 33 elements						

\* Number of States reporting element.

Source: Office of Family Assistance, Division of Quality Control, Detailed Statistical Tables

## APPENDIX C

On the following table is a State-by-State AFDC payment error rates (for each six month QC period) from April 1978 to September 1984.

The two pages of charts following the table show the AFDC payment error rates, by year, for States in the inspection sample.

AFDC PAYMENT ERROR RATE  
 AMOUNT OF PAYMENT ERRORS AS A PERCENT OF TOTAL PAYMENTS

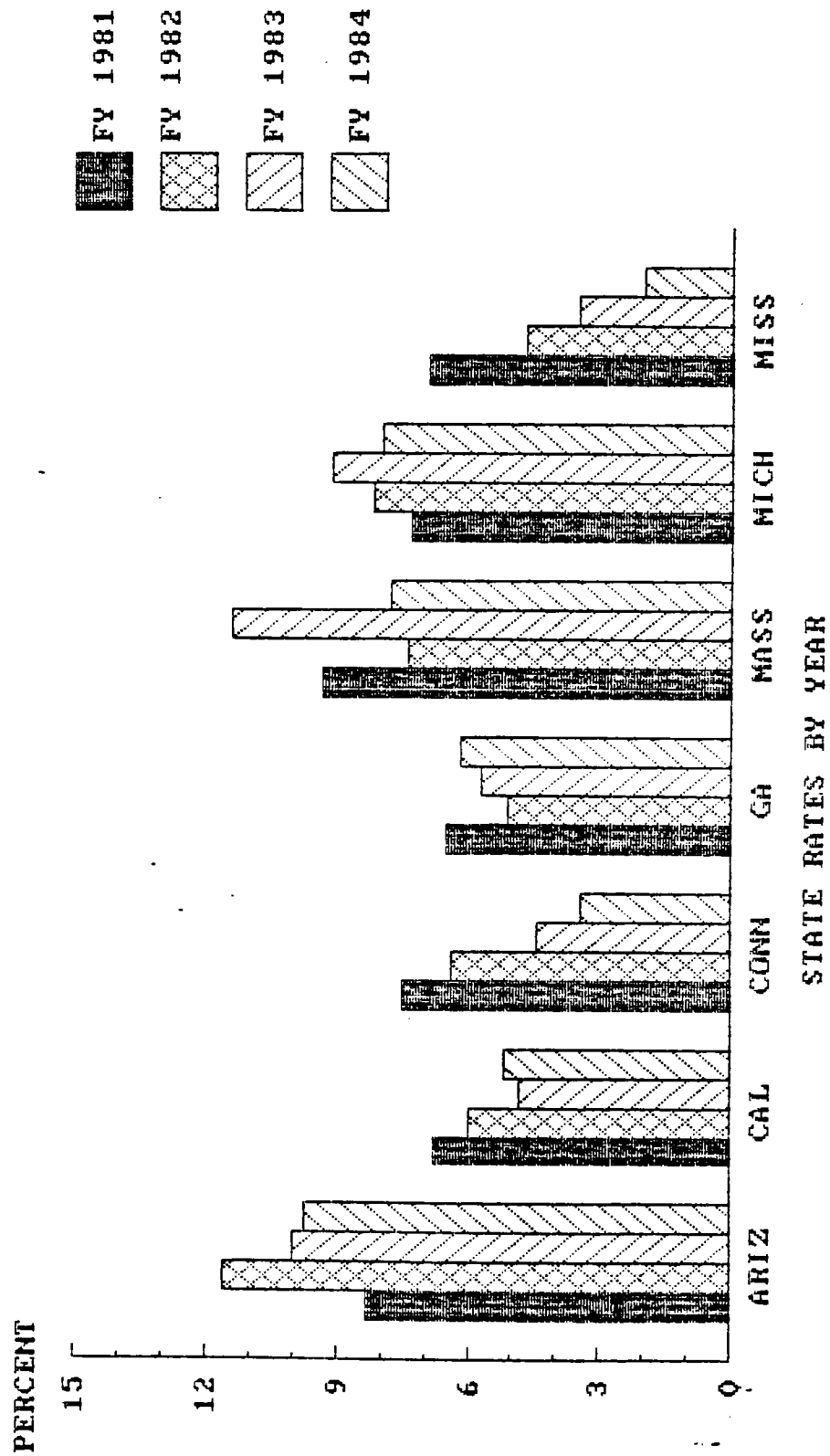
	4/78- 9/78	10/78- 3/79	4/79- 9/79	10/79- 3/80	4/80- 9/80	10/80- 3/81	4/81- 9/81	10/81- 3/82	4/82- 9/82	10/82- 3/83	4/83- 9/83	10/83- 3/84	4/84- 9/84
U.S. TOTAL, a/	9.4	10.4	9.5	8.3	7.3	8.3	7.0	7.3	6.6	6.2	6.8	6.2	5.8
Alabama	.5	7.4	6.8	6.6	7.6	8.3	7.1	5.5	5.1	3.9	2.5	3.6	5.1
Alaska	31.2	28.8	16.5	13.4	14.4	13.8	22.1	12.9	11.3	20.6	10.8	6.5	7.1
Arizona	8.0	6.4	6.9	7.7	9.5	8.7	7.8	11.6	11.7	10.4	9.7	8.4	10.9
Arkansas	9.1	8.8	10.6	9.3	6.1	6.6	7.0	8.8	5.2	4.1	5.6	4.3	3.4
California	3.7	7.2	7.8	6.3	5.1	8.6	5.0	7.4	4.6	4.8	4.8	5.5	4.8
Colorado	4.3	6.5	6.2	9.8	13.3	10.0	6.5	5.2	8.0	6.3	6.1	4.3	4.9
Connecticut	8.6	9.7	6.3	6.3	6.2	8.0	7.1	5.3	7.4	4.4	4.4	3.4	3.4
Delaware	16.1	9.8	12.5	8.1	7.9	12.8	10.3	10.4	13.5	7.9	10.9	7.0	8.6
Dist. of Col	22.4	23.8	19.2	14.3	10.5	15.1	12.0	17.6	16.7	13.5	12.8	10.7	11.8
Florida	5.6	6.2	4.1	6.5	5.8	7.5	8.4	6.3	5.8	5.2	3.9	6.2	4.5
Georgia	7.8	6.5	6.6	8.3	7.8	7.3	5.8	4.8	5.5	5.6	5.8	6.5	5.8
Guam	b	b	b	b	b	b	b	b	b	b	b	18.4	25.3
Hawaii	9.2	8.6	8.0	8.9	9.2	10.1	10.1	8.7	7.7	5.1	8.8	7.5	5.7
Idaho	4.4	7.5	7.5	6.0	11.8	12.7	5.1	4.7	6.1	0.9	5.1	11.4	8.0
Illinois	17.1	13.8	11.9	9.4	6.9	8.6	7.9	7.7	8.8	7.9	5.7	6.3	6.7
Indiana	3.7	4.6	4.2	4.5	4.6	5.1	3.2	3.5	4.3	5.4	4.3	3.7	4.2
Iowa	7.8	10.1	6.4	4.5	3.8	4.4	4.1	4.1	4.9	2.3	4.5	4.1	3.2
Kansas	4.1	8.0	3.9	4.0	7.4	7.5	8.7	5.6	0.1	3.3	6.9	5.1	5.9
Kentucky	10.2	6.6	6.9	6.1	4.7	5.5	4.4	3.4	3.8	3.2	3.6	4.7	3.6
Louisiana	11.1	8.5	7.2	6.5	7.2	5.8	7.6	6.4	5.9	6.6	4.8	5.8	5.8
Maine	9.2	13.6	10.2	5.9	7.3	8.6	7.2	5.3	2.9	4.4	4.7	3.7	4.6
Maryland	13.6	14.7	13.6	12.7	12.7	11.8	11.3	9.1	7.3	5.4	5.1	6.2	5.1
Massachusetts	15.9	24.8	22.4	16.7	8.2	11.1	7.4	9.4	9.4	11.2	11.6	8.5	7.1
Michigan	9.2	10.3	9.6	8.2	7.3	6.9	7.7	8.8	7.6	9.2	9.1	9.3	6.4
Minnesota	3.4	2.4	3.7	4.5	2.3	3.8	5.0	3.1	3.0	2.4	2.7	1.9	2.1
Mississippi	11.6	11.4	9.4	7.9	6.9	7.3	6.5	5.0	4.5	4.4	2.7	1.4	2.7

	4/78- 9/78	10/78- 3/79	4/79- 9/79	10/79- 3/80	4/80- 9/80	10/80- 3/81	4/81- 9/81	10/81- 3/82	4/82- 9/82	10/82- 3/83	4/83- 9/83	10/83- 3/84	4/84- 9/84
Missouri	10.1	11.2	8.9	8.7	5.9	6.5	7.7	6.1	3.4	3.1	3.8	3.4	4.0
Montana	9.7	10.7	14.8	9.0	11.2	6.9	3.1	1.1	3.8	1.6	3.2	3.2	10.6
Nebraska	4.6	2.9	2.4	5.6	4.3	4.1	6.8	5.9	13.2	2.0	7.2	8.0	5.8
Nevada	0.6	0.8	2.3	b	2.3	2.5	2.0	1.5	1.0	1.0	4.8	2.3	1.9
New Hampshire	11.0	12.2	17.2	11.0	11.1	5.5	7.7	5.8	5.9	4.3	4.3	5.8	9.3
New Jersey	9.3	10.0	11.8	11.6	9.3	8.4	7.7	9.4	5.2	5.7	7.0	5.8	4.4
New Mexico	4.8	5.3	7.4	6.3	8.2	12.4	12.4	11.9	9.2	8.1	4.5	6.1	5.8
New York	8.8	10.3	8.8	7.0	9.7	9.1	6.9	6.8	9.1	7.1	11.7	6.5	7.7
North Carolina	7.9	7.1	6.3	6.5	4.8	6.2	4.7	3.7	2.8	2.1	3.3	4.4	2.6
North Dakota	1.6	5.4	6.1	7.3	4.7	3.3	2.9	1.3	2.5	1.8	2.4	3.1	5.8
Ohio	9.5	11.9	9.1	8.7	8.7	8.4	9.3	7.7	7.5	5.7	5.6	6.2	6.6
Oklahoma	3.2	4.1	5.5	4.0	4.8	4.9	8.3	4.7	2.9	5.4	2.8	3.0	3.1
Oregon	12.7	11.9	9.4	5.0	4.0	6.7	6.8	7.3	6.8	4.5	7.4	4.8	4.4
Pennsylvania	16.3	11.9	9.7	11.6	8.0	9.8	8.3	9.4	7.6	8.7	9.5	9.4	8.8
Puerto Rico	7.8	9.0	7.1	6.8	10.3	10.0	7.8	9.7	8.1	7.0	10.2	9.8	5.6
Rhode Island	12.7	9.9	7.6	8.1	9.7	6.8	5.7	5.8	5.5	5.6	6.9	4.2	3.1
South Carolina	7.1	7.7	5.5	7.7	6.9	7.4	8.3	9.4	8.4	7.6	6.6	8.1	7.5
South Dakota	4.8	2.4	3.5	3.6	6.8	7.2	2.1	3.8	3.6	1.3	2.9	3.9	2.0
Tennessee	7.0	6.3	6.4	7.0	7.8	10.2	7.7	5.6	4.3	5.0	4.0	4.1	4.4
Texas	6.9	7.4	7.0	7.4	7.8	7.1	7.9	8.8	7.9	8.3	6.4	6.6	4.8
Utah	2.8	4.6	6.5	9.1	5.5	6.0	3.7	5.4	4.6	4.2	7.2	5.4	6.1
Vermont	4.5	12.5	15.2	11.3	11.4	3.8	6.5	5.7	3.3	8.1	7.7	6.0	5.6
Virgin Islands	11.2	b	9.9	10.5	5.4	b	b	2.7	6.5	9.2	7.9	1.9	3.0
Virginia	11.7	10.2	7.3	5.4	4.7	3.7	3.5	3.3	4.8	3.7	3.8	4.1	2.8
Washington	6.7	9.6	6.5	8.8	9.1	9.8	8.7	7.3	5.6	4.8	4.8	3.7	4.5
West Virginia	11.3	10.4	6.3	5.3	6.9	7.1	7.6	8.1	8.4	3.2	2.8	4.1	5.5
Wisconsin	11.1	11.7	13.3	8.3	7.6	9.4	7.1	8.0	4.9	4.9	5.2	6.0	7.2
Wyoming	4.0	6.0	12.4	11.1	16.4	18.9	8.4	3.8	5.6	5.3	9.9	7.1	4.2

a/ Weighted Average  
b/ Data Not Available or Data Incomplete

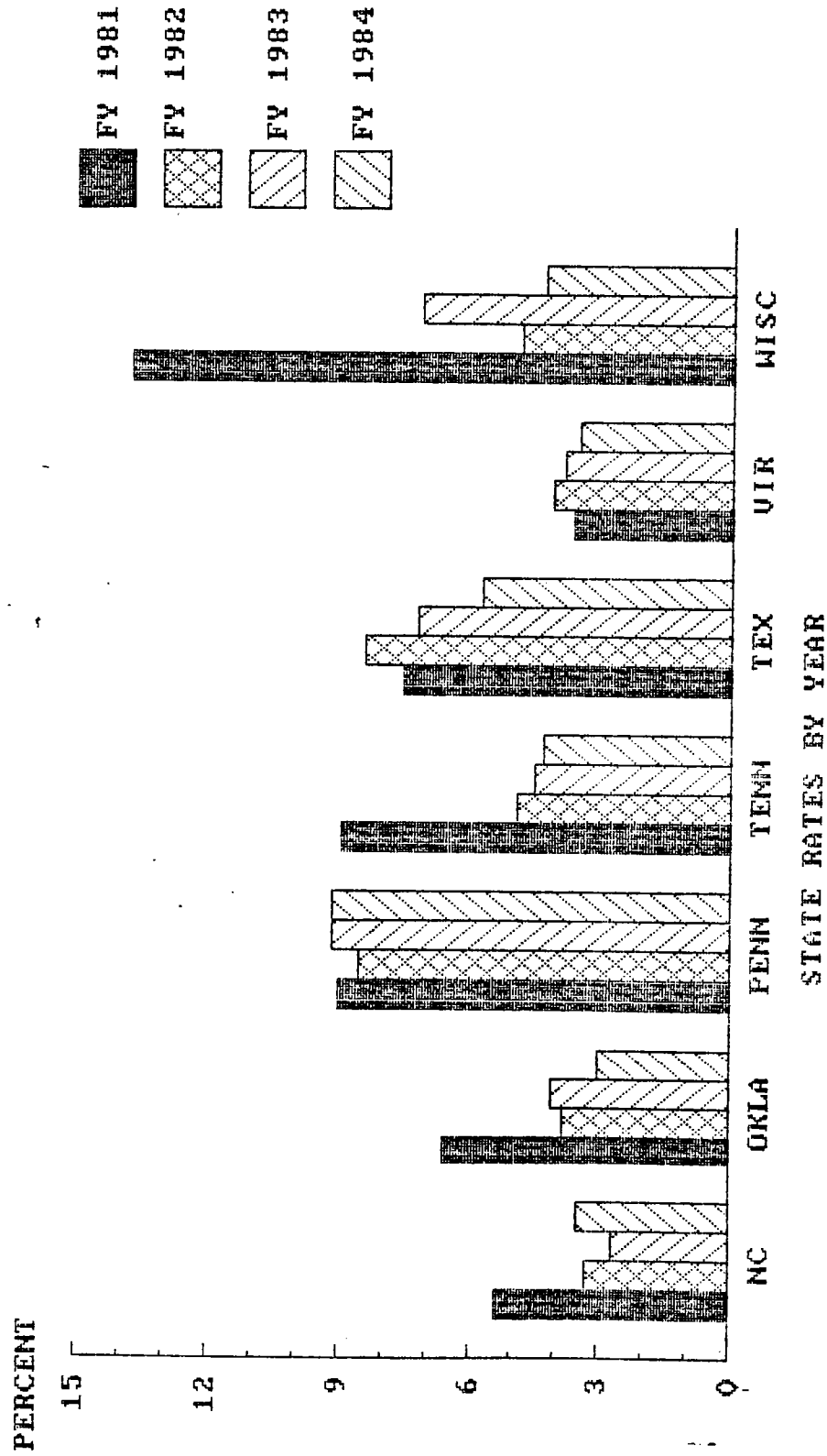
Source of Information: SSA/DPA

**AFDC PAYMENT ERROR RATES  
FROM QUALITY CONTROL ERROR RATE DATA  
FY 1981, 1982, 1983 AND 1984**



STATES IN INSPECTION

**AFDC PAYMENT ERROR RATES  
FROM QUALITY CONTROL ERROR RATE DATA  
FY 1981, 1982, 1983 AND 1984**



STATES IN INSPECTION

## APPENDIX D

The following are comments on the draft report from the Family Support Administration.



# Memorandum

Date: **APR 10 1987**

From: Administrator  
Family Support Administration

Subject: OIG Draft Report "Errors Resulting in Overpayments in the  
AFDC Program," P-04-86-00024--COMMENTS

To: Richard P. Kusserow  
Inspector General

We appreciate the opportunity to review and comment on this draft report. As you know, reducing erroneous payments has long been a priority of this agency. Between 1973 and 1984 (the last period for which error rates have been released), the payment error rate in AFDC declined from 16.5 percent to 6.0 percent.

A contributing factor to this error reduction has been work by the Department (more specifically, by the Office of Family Assistance (OFA)) on many of the report's recommended activities. For example:

- The report recommends that bi-regional conferences be held on error reduction. OFA has held national, as well as regional and bi-regional, conferences on error reduction.
- The report recommends that national recognition be given to State directors of well-managed programs. We have provided such recognition, jointly with the Department of Agriculture, at a ceremony held in Washington in 1985. We also have provided recognition through the American Public Welfare Association and in other ways.
- The report recommends expanding technology transfer activities. We also have done this. In fiscal year 1986 alone, we processed 147 technology transfers; through this program Federal funds enabled experts in one State to share their expertise with staff from another State.

- The report recommends the development of training modules. In 1986, we developed training modules which focused on policy and procedural causes for the three highest error elements in QC. These training modules were made available to the States, and Regional Manpower and Training Specialists assisted the States in implementing them.
- The report recommends the use of local office performance indicators. Although we do not support regulations in this area, we have advocated the use of such indicators and have promoted local monitoring systems currently being used by States.

With respect to the recommendations to ensure that policy is clearly written and distributed in a uniform manner, we are in total agreement. In response to this concern:

1. We have written a final DEFRA regulation on the standard filing unit provision (the example used in the report) which addresses the areas of confusion surrounding that provision and establishes clearer policy. We also issued an Action Transmittal to provide clarification of this provision pending clearance of our final rules.
2. Policy directives that have national implications, including all regulations, are uniformly issued as Action Transmittals or Information Memoranda to all State agencies administering the AFDC program and to all Regional Offices. OFA Central Office sends policy interpretations relating to specific State practices or particular case situations to the Regional Office requesting the interpretation and issues copies to all other Regional Offices. The individual Regional Administrators are then responsible for deciding whether the policy interpretations pertain to issues in their States; if so, the interpretations are shared with the appropriate States.

Because we agree that uniform distribution of policy is important, we plan on continuing these procedures. However, as part of the ongoing reorganization of the Family Support Administration, we will consider chances to improve the current policy distribution system.

3. OFA has undertaken a major effort to revise the Quality Control Manual. This effort has focused on ensuring

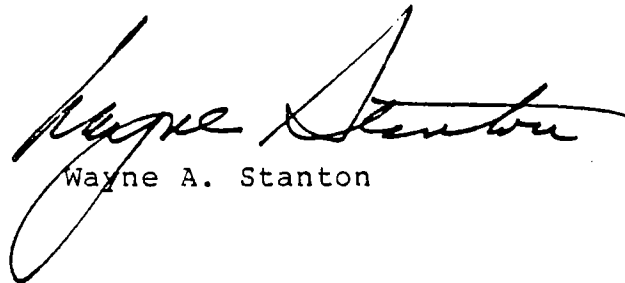
consistency between program and QC policies and ensuring that all policies are presented in a clear and unambiguous manner.

These activities demonstrate that we have implemented many of the report's recommendations. Attachment A provides more detailed information on our technical assistance efforts in the area of error reduction.

At this time, we do not believe we can commit ourselves to further expansion of our efforts in reducing errors. First, in this time of fiscal constraint, we do not have the resources to devote to such an expansion. Also, the timing is not right. Both the Department and the National Academy of Science are undertaking Congressionally-mandated studies of the Quality Control system. These studies will be looking at the role of corrective action activities in reducing QC errors. Under these circumstances, we believe we should defer major changes to our error reduction efforts at this time.

We would also like to note that on page 4, the report indicates that no notice of disallowance has been sent to States for fiscal years beyond FY 1981. All of the FY 1981 disallowances currently are under appeal. We have sent notices of intent to disallow for FY 1982 on December 5, 1986, and expect to send out similar notices for subsequent years in the coming months. We have adopted this schedule because a notice of intent to disallow triggers the waiver process, and States have a limited time in which to apply for waivers. For this reason, we thought it only fair to space the notices of intent to disallow so that States are not overburdened by simultaneous waiver requests for several years.

Thank you for the opportunity to discuss your draft findings and to review the report before it is published.



Wayne A. Stanton

Attachment

Technical Assistance  
Supporting State Corrective Action

Technology Transfers

Through OFA's technology transfer program, experts in various aspects of AFDC program management provide assistance to other State managers in solving a wide variety of operational problems.

Since 1981, OFA has arranged for approximately 650 technology transfers, including 147 in FY 1986. Approximately half have been related to improving State corrective action process.

Conferences and Workshops

Conferences and workshops are cost-effective ways to share a large amount of information among several States. On the national level, OFA has held a number of conferences and workshops to help States implement new legislation or develop more effective corrective actions. Additionally, Regions frequently conduct their own conferences adapted to local needs. Among the conferences and workshops sponsored by OFA during the past five years are:

- o Eight Regional conferences (some combined two Regions) in 1983 and 1984, at which Federal officials shared information with the States and State managers discussed concerns and shared corrective actions.
- o Two conferences in 1981 and 1982 covering the implementation of the AFDC provisions of the Omnibus Budget Reconciliation Act, which made major changes in AFDC policies and operations.

Training Modules

Central Office staff have worked closely with the Regional Manpower Management Specialist to develop and deliver training. Training activities have included the development of a training package on the three highest error elements.

### Information Packages

OFA has developed and/or distributed many publications relating to the improved management of the AFDC program. These were sent to AFDC managers nationwide and were also mailed upon request. These include:

- o Compendium of Error Reduction Techniques (IM-84-1)
- o Technical Assistance Digest on Enumeration Problems/Solutions (IM-83-6)
- o SSN Problems in the AFDC Program (IM-82-6)
- o Welfare Enumeration under DODI (IM-83-4)
- o Alternative Payment Delivery Systems (sent to ROs 2/84)
- o Error Prone Profiles Videotape (sent to ROs 2/84)
- o Welfare Recipient/Bank Match Information Package (IM-83-1)
- o Monthly Reporting Problem Solving Survey (summary of State problems and solutions sent to ROs 10/1/82)
- o AFDC Interviewing Skills Training Abstracts of Exemplary Practices (IM-83-7)
- o Training Package on Error Reduction (expected date: 6/87)
- o Supervisory Reviews (9/85)
- o Digest of Fraud Control Practices (9/85)
- o Guide for Designers and Managers of Verification Systems (expected date: 9/87)

### Examples of On-Site Technical Assistance Provided by Regional Office Staff

- o Negotiated with New York City staff the establishment of a NYC Corrective action committee to explore methods of error reduction.
- o Assisted New York State in organizing a separate corrective action unit under the State's Associate Commissioner's immediate direction and in naming a coordinator to oversee error reduction efforts statewide.

- o Developed an error trend analysis for RO III States and assessed dollar amount and percentage of error group concentrations. Recommended strategies for error reduction in light of data analyses.
- o Assisted States in identifying front-end screening techniques used in other States.
- o Presented a case review process to identify and correct errors geographically. The concept was incorporated in the existing State supervisory review system.
- o Assisted States in planning, developing and implementing a special review unit to identify and correct potential OC errors.

