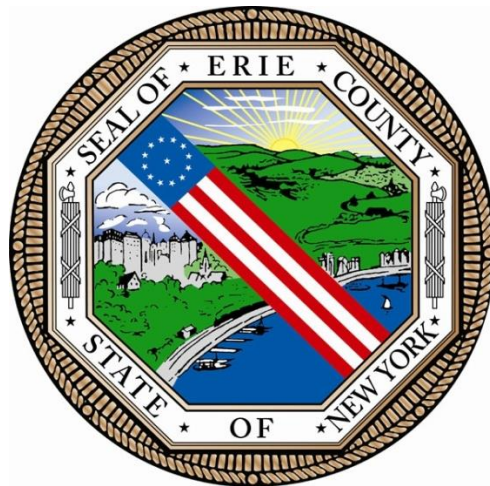**September 2018**

FOLLOW UP AUDIT OF THE
SPECIAL INVESTIGATIONS DIVISION
JANUARY 1, 2017 – JUNE 30, 2017

STEFAN I. MYCHAJLIW
ERIE COUNTY COMPTROLLER

HON. STEFAN I. MYCHAJLIW
ERIE COUNTY COMPTROLLER'S OFFICE
DIVISION OF AUDIT & CONTROL
95 FRANKLIN STREET
BUFFALO, NEW YORK 14202

December 29, 2017

Erie County Legislature
92 Franklin Street 4th Floor
Buffalo, New York 14202

Dear Honorable Members:

The Erie County Comptroller's Office has completed an audit of the Special Investigations Division (SID) for the period January 1, 2017 – June 30, 2017.

We conducted our audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions. Our objectives were to

- Assess the extent that our prior audit recommendations have been implemented by management of the Erie County Department of Social Services (DSS).
- Examine the current recovery estimates made by management.
- Determine whether the client case notes have been entered into a secure data base in lieu of hand written cards.

We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

In our opinion, based on our risk assessment procedures, we believe that SID has adequate controls to achieve its operations and compliance objectives, but current controls do not allow SID to meet its reporting objectives. Risk assessment, information & communication need improvement. As a result, we were not able to receive an Accounts Receivable Aging Report of all outstanding claims and amount due at June 30, 2017. Currently, the use of a highly distributed and inefficient information system makes the process slow and as a result SID is unable to maximize the efforts of collectors.

SID has made changes since our 2011 audit in the way it tracks an investigation from inception to final disposition. All referrals for investigation are tracked on either OnBase or an internal database in Access during all phases of the process. SID has created an internal database (Summons & Complaint Tracking Database) to track information on cases such as who has the case and its status. Cases are also imaged in OnBase, but the notes on the cards cannot be written on OnBase since it's an imaging system. Despite these improvements, a centralized tracking and reporting system does not exist.

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BACKGROUND

DSS is comprised of four (4) divisions: Family Wellness; Family Independence; Administrative Support; and the Division of Youth Services. SID is contained within the Administrative Support division.

SID performs integrated functions to support the social services benefit programs. These functions include investigating public benefits, recovering over payments to recipients, assisting with burials, and Social Security interim assistance reimbursement. Primarily SID is responsible for investigating welfare fraud complaints and preparing fraud packages for the District Attorney and the State welfare fraud prosecutor. In addition, SID collects recoupments from over grants, and attempts to maximize collections on all accounts established as a result of fraud, over grant or assistance repayment requirements.

SID investigates welfare fraud and works aggressively to recover funds wherever possible to reduce the cost of assistance programs for Erie County taxpayers. Reports of suspected fraud for Temporary Assistance Needy Families (TANF) (cash), Supplemental Nutritional Assistance Program (SNAP) (food), Medicaid, Home Emergency Assistance Program (HEAP), and Daycare are also provided to SID.

AUDIT FINDINGS

I. Absence of an Accounts Receivable Aging Report

The lack of an accounts receivable aging report does not allow management to know the monetary value of the collections that are outstanding at any point in time, adequately estimate revenues, or write-off uncollectible accounts. The County's Division of Budget and Management (Budget) makes projections of expected collections from the recovery efforts of the SID. Without accurate numbers of the amounts outstanding and what can be collected, the budgeted numbers may not be accurate. Collections would be more efficient with the assistance of an aging report to help prioritize their efforts. Management would be able to make better financial, staffing, and planning decisions. Furthermore, management is unable to predict cash flows, make more accurate projections for the annual budget, and know when to write-off old uncollectible accounts. In our last audit, we recommended that a database be created that could generate summary reports to show all outstanding cases and their status at any point in time and a receivable aging report. SID could not produce an aged receivable report as of 6/30/2017 to focus its recovery efforts. The previously generated aging report listed cases in claim number order but it was discontinued in 2013 and never replaced.

We suggested that SID reach out to The Office of Temporary and Disability Assistance (OTDA) for assistance. OTDA then instructed SID how to generate the aging reports. These aging reports must be generated from the State's cash collection and accounting system known as Cash Management Sub-System (CAMS) as of the current date unless the report is set-up in advance to run automatically, because local social service districts like SID cannot produce the report afterwards. Therefore they were

only able to provide an aging report for October 31, 2017 and not our audit period at June 30, 2017. SID provided an aging report titled "Active & Closed Case Aging Report Delinquency" for the following time intervals: 1-30 Days, 31-60 days, 61-90 days, 91-180 days, 181 days-3 years, 3-10 years, and 10 years. As of October 31, 2017 an estimated 41,909 cases are outstanding with a balance of $47,363,078. Of that amount $36,441,603.91 pertains to closed cases (32,351), and $10,921,474 to active cases (9,958). However, not all the cases and balances are in collection. Cases that are outstanding ten or more years are no longer actively pursued; nevertheless the social services department can recover the amount from a former benefit recipient if they ever apply for new benefits.

WE RECOMMEND that DSS management develops a centralized information tracking system that can generate summary reports, including a receivable aging report that is accessible by all SID staff to increase efficiency and help prioritize their collection efforts.

II. Manual Client Cards not Backed Up

- Narrative notes of client contact and their conversations are not saved on any of the various electronic systems or databases in use. Currently these notes are only recorded on client cards. Client cards are 8 ½"x 11" card stock noting client activity, legal documents and interactions with clients. These cards are relied on for collection efforts. Although legal documents are imaged, narrative notes of client contact and their conversations on client collection cards are not backed up on any of the various electronic systems in use. Our testing of 103 client cards revealed 97 had the following issues:
- 74 instances where the notes and comments were not backed up electronically.
- 8 instances of various documents sent to clients that were not imaged.
- 15 letters of repayment requirements or collection procedures were not imaged.

Our prior recommendation stated that 'SID was to continue with development of a computer database for collection & storage of all information related to SID clients, which database should be open and reviewable to all SID personnel. Such a new system would render the card case files obsolete'. As of the completion of field work, the database is still in development. If client cards were lost, destroyed or damaged due to an unforeseen reason it would be difficult to recreate all information pertaining to a particular case in an efficient manner.

WE RECOMMEND that steps be taken by management of SID to ensure that all information pertaining to the collection function and client cases be backed up electronically, preferably all in one system or database for easy access by all SID employees. Such a system would safeguard client case notes and eventually render the client card files obsolete.

III. Backlog of Intake Cases

As of October 2017, the backlog of cases for the SID Intake Unit was 339 cases. The oldest case dates back 32 months to February 2015. The majority of the backlog is from 2017 (288) with the remainder split between 2015 and 2016. (See Appendix A for a more detailed breakdown). The breakdown of the backlog by case type is as follows:

- 153 SNAP cases (Supplemental Nutrition Assistance Program)
- 100 TA (Temporary Assistance)
- 74 Daycare/Services cases
- 12 MA (Medical Assistance) cases.
- 1 case that could not be identified as there was no associated case number

This backlog continues despite the fact that staffing levels have remained consistent over the past eight years fluctuating between 63 and 66 employees. Most of the staff in the various investigative roles are relatively new and need more experience before demonstrating increased proficiency and improving case turnover. Management of SID stated that this was mostly the result of staff changes due to promotion, retirement, and turnover.

The backlog could result in an inability to successfully collect on claims due to major changes in the lives of former recipients such as of employment, relocation, illness, and financial hardship. By the time cases have been substantiated and calculated for over-grant, the success rate of collectability decreases. Furthermore, the volume of the backlog creates inefficiencies in the successive functions dependent on completed investigations to perform their duties.

WE RECOMMEND SID perform a Business Process Analysis (BPA) to determine how it can gain increased efficiency in the various functions. A BPA reviews organizational structure, task timing, and document flow among other things which would reveal bottlenecks in certain positions. Then when certain employees have free time, provide opportunities for cross-training so that employees may render assistance during peak times or employee absences, reduce average case investigation time length, and increase performance.

WE FURTHER RECOMMEND that:
- SID considers performing a cost benefit analysis to advocate for additional funding from the County showing the revenue gains of adding additional investigative staff; and
- A consolidated electronic system be utilized, which would allow staff to know the status of any case at any point in time to have the knowledge of work to be accomplished and establish a sense of urgency in respective areas. This combined with cross training may alleviate back logs.

PRIOR AUDIT RECOMMENDATIONS

The following is a summary and assessment of corrective action taken on our previous recommendations made in our audit report March 22, 2011.

FINDING I: Collections Unit of SID does not have controls in place to ensure proper accountability over all transactions.

1. **Recommendation:** SID continue to develop computer database for collection & storage of all information related to SID clients.

    Corrective Action: Database development commenced in September 2015, but has not been completed.

    Assessment: **Partially Implemented.** Per the Assistant Director of Investigations, a comprehensive list of outstanding claims cannot be generated. SID has various tracking systems in place for the different units such as the 'Summons & Complaint Tracking' for collections but no centralized system that would render client card files obsolete.

2. **Recommendation:** The number and dollar amount of outstanding cases be available for auditing purposes.

    Corrective Action: Make the new database accessible to Comptroller's Office during our audits.

    Assessment: **Not Implemented.** SID could not provide an Accounts Receivable Aging Report as of June 30, 2017, however through our contact with NYS OTDA, SID was provided with aging reports as of October 31, 2017 ranging from 30 days and up to ten years. SID does not have a system in place to prepare periodic aging reports to help management decisions.

3. **Recommendation:** Retain write-off details and record write-off amounts in the newly created database.

    Corrective Action: Enhancements to OnBase Document Imaging System created in 2011 allow SID to track all written-off cases during any specified time frame. Additionally, NYS Office of Temporary and Disability Assistance (OTDA) has run three mass terminations with SID since 2012, and most recently January 2017.

    Assessment: **Partially Implemented.** We reviewed the most recent write-off report from NYS OTDA dated January 2017. All NYS OTDA transactions are recorded in CAMS. Cases no longer pursued locally are coded differently in CAMS. These cases have no activity for 3+ years and are under $500.

FINDING II: The disconnect between the NYS Cash Management System (CAMS) and the client cards provides no assurance that all cases are being reviewed.

1. **Recommendation:**   Collections Unit continues recording all new cases in the new database and additional database summary reports should be created to show all outstanding cases and an aging of the receivables at any point in time.

   Corrective Action: SID management informed us that a work order was submitted to Erie County Department of Information and Support Services (DISS) to begin working on the database to implement our prior recommendations. However, DISS is still working to working on the recommendations. The best estimate is for the project to be completed by the end of year 2018.

   Assessment: **Partially Implemented.** Client cards are still in use only for events, phone conversations, and interviews with clients. Client cards are not backed-up electronically. Risk for loss of information is high although per testing, legal documents are imaged in OnBase.

FINDING III: Adequacy of SID's efforts to recover overpayments could not be substantiated.

1. **Recommendation:**   SID take appropriate steps necessary to account for all the activity associated with their client cases so that budgeted estimates for recoveries/payments would be identifiable, more realistic and attainable.

   Corrective Action: SID has partially addressed this by tracking recoveries via Income Executions conducted through Erie County Sheriff's Office.

   Assessment: **Fully Implemented.** Monthly collection reports prepared by Social Services Accounting Department tracks and reports repayments by program type.

FINDING IV: No log is kept of cases referred to the District Attorney (DA).

1. **Recommendation:**   Develop a system to allow SID staff to determine the current status of all cases submitted to the DA for review.

   Corrective Action: SID has created and used four separate in house Excel and Access databases for tracking all cases submitted to the DA.

   Assessment: **Fully Implemented.** We reviewed the database system and Excel files used to track cases that the Over-Grant Unit deems able to be pursued either through Administrative Disqualification Hearing (ADH) or through prosecution. The District Attorney's (DA) staff and SID staff communicate regularly to discuss new cases referred, case status, and completed prosecutions.

2. **Recommendation:**   Develop a set of protocols to be used by SID as a baseline measurement for whether a particular case should be forwarded to the DA for prosecution.

    Corrective Action: Protocol says only cases over $1,500 or a case with criminal intent can currently be prosecuted by the DA until the DA backlog is caught up.

    Assessment: **Fully Implemented.** SID staff states a protocol is in place that only cases over $1,500 or with Criminal intent will be forwarded to the DA for prosecution. We obtained and reviewed the current list of cases referred to the DA. It listed progress made on current cases, completed cases, and trial results.

AUDITOR'S COMMENTS

I. Report of Terminated Cases

The internal policies and procedures of SID state that claims with amounts less than $500 and with no payment activity for at least three years, should no longer be pursued for collections and be coded "Terminated". SID could not produce this report for our review.

WE RECOMMEND that SID generates a report of terminated cases periodically, at least quarterly, to assist with monitoring payment activity. Such a report would help focus on claims with greater possibility of repayments, develop strategic collections efforts through claims stratification, and resource reallocation.

II. Costs of Local Retention Shares

Administrative Costs

In providing social services to the public there is a shared responsibility between the federal, state, and local governments to provide funds for the administration of those programs. According to New York State OTDA, the expenditures of a local Social Service District (SSD) can be categorized as Assistance and Care, Purchased Social Services, and Administration. The sum of Assistance and Care, and Purchased Social Services is the total amount that a local SSD claims on a monthly basis. A local SSD's operation centers on the management, supervision, and operation of assistance and care programs and purchase of services. It is not easy to directly tie those specific functions to programs, therefore a cost allocation system is necessary to accurately distribute administrative costs to program and service areas. A cost plan allows a local SSD to claim state and federal reimbursement for its expenditures through the preparation and submission of claim forms.

New York State OTDA's recommended allocation system uses functional assignments as the cost centers for pooling administrative expenditures. OTDA recognizes 16 functions for a local SSD to use in identifying costs to functions. They include: Intake/Case Maintenance, General Services, Employment

Programs, Medical Assistance Eligibility/Payments, Medical Assistance Planning/Administration, Training, Supplemental Nutrition Assistance Program, Child Support Enforcement, Fraud and Abuse Detection, Home Energy Assistance Program, Welfare Management System, Other Reimbursable Programs, Temporary Assistance for Needy Families (TANF) funded services, SSD Administrative Overhead, Non-Administration/Local Programs and Overall Overhead.

All of the activities that local SSD employees perform should fall within those functions. As they are allocated, claims forms are prepared and submitted for reimbursement of administrative costs. The reimbursement rates for administering those programs vary as follows:

- Home Energy Assistance Program (HEAP) is fully reimbursable or 100%;
- Supplemental Nutrition Assistance Program (SNAP) is reimbursable at 50%;
- Emergency Aid to Families (EAF) is reimbursable at 50%;
- Medical Assistance Eligibility is 75% reimbursable; and
- Temporary Assistance to Needy Families (TANF)-Family Assistance is 50% reimbursable.

Assistance Costs
Assistance costs are the payments made out to or on behalf of benefits recipients through purchased services (i.e. healthcare, social work services, daycare etc.). As SID recovers payments from former benefit recipients, its local retention share of those incoming payments is based on rates established by NYS OTDA known as *Reimbursement Rates for Assistance Costs*.

Some notable programs with higher *Reimbursement Rates for Assistance Costs*:
- Safety Net at 71%,
- Emergency Assistance to Adults at 50%,
- Medicaid at 50%,
- Emergency Aid to Families at 25%,
- Foster Care (Committee on Special Education-All other) at 81.576%,
- Adult Homes at 50%, and
- Adoption Title IV-E and Non- Title IV-E at 12.5% and 25 % respectively.

County Focus
As SID recovers and receives payments from former benefits recipients, the funds are in held in trust and later remitted to the federal or state source. For its efforts in recovering the payments, SID keeps a local retention share for the various programs based on the *Reimbursement Assistance Cost Rates*.
Since the retention rates are higher for certain programs, in an effort to maximize its retention share, SID tends to focus its collection efforts on those high retention programs such as Safety Net, Emergency Assistance to Adults, and Foster Care. Nonetheless Erie County investigates and recovers on all programs regardless of reimbursement rates with a little more emphasis on programs with higher reimbursement rates.

WE RECOMMEND that SID focus not only on those program areas that have higher local retention shares but those that have a higher reimbursement rate for wages and overhead. This should be reviewed annually based on State and Federal reimbursement and local share retention rates.

III. Current Recovery Estimates made by Management

During the course of this audit, we reviewed the budgeted estimate of recoveries made by management for the year 2017. At the end of the year when management of DSS prepares the departmental budget, they make revenue projections from collections of recoveries from various programs. Several factors are used to prepare a revenue number which include payment trends of the previous year, success rate of certain collection methods, as well as management's professional judgment.

For 2017, management projected that it would collect about $5.2 million dollars (from its collection efforts and intercepts from Federal and State governments), an increase of $325,002, or 6.6% from the previous year's collections of $4,874,998. We reviewed recovery revenues posted for the various programs, as well as obtained source documents of cash receipts transactions from the Erie County Social Services Accounting Department. As of June 30, 2017, SID had collected roughly $2.7 million dollars. We estimate that with current collection methods, SID is on track to achieve its budgeted collection recoveries.

The $2.7 million dollars collected are comprised of the following programs and amount:

Collection Recoveries as of June 30, 2017	
Program	**Amount Recovered**
Emergency Assistance Adults	$ 110,592
Daycare	$ 40,913
HEAP	$ 822,681
Medicaid (MA)	$ 107,629
Foster Care	$ 156,936
SNAP	$ 184,566
Recovery Interest - SID	$ 206,332
Safety Net	$ 180,173
Family Assistance (FA)	$ 224,926
Intercepts-Treasury Offset Program (TOP), Lottery	$ 652,073
Additional Income from Prior Month-Adjustment	$ 15,628
TOTAL	**$ 2,702,450**

RESULTS OF EXIT CONFERENCE

 An exit conference was held on June 12, 2018 with the Commissioner of Social Services, the Assistant Director of Investigations and the Deputy Director of Budget and Management. A draft of the audit report was reviewed and they were in general agreement with the findings and recommendations. The written response is included in Appendix B in summary.

The Erie County Comptroller's Office would like to thank the Department of Social Services for the courtesy and cooperation extended to us during the audit.

ERIE COUNTY COMPTROLLER'S OFFICE

cc: Hon. Mark C. Poloncarz, County Executive
        Marie Cannon, Commissioner of Department of Social Services
        Robert W. Keating, Director of Budget and Management
        Erie County Fiscal Stability Authority

APPENDIX A

Intake Case Backlog-By Program Category and Time Period

SID Intake Cases Backlog by Program as of June 30, 2017
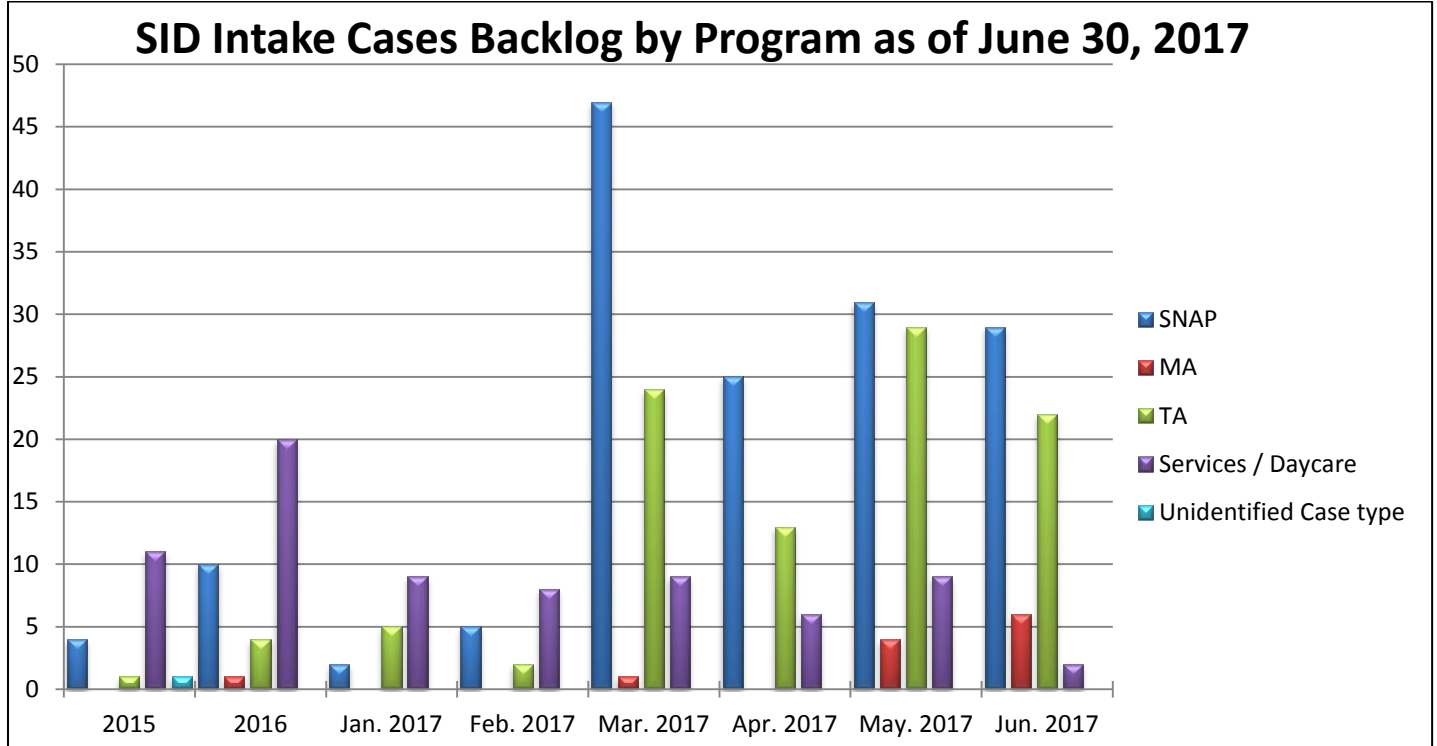
Case Type	2015	2016	Jan. 2017	Feb. 2017	Mar. 2017	Apr. 2017	May. 2017	Jun. 2017	Total
SNAP	4	10	2	5	47	25	31	29	153
MA	0	1	0	0	1	0	4	6	12
TA	1	4	5	2	24	13	29	22	100
Services / Daycare	11	20	9	8	9	6	9	2	74
Unidentified Case type	1	0	0	0	0	0	0	0	1
Total Cases Per Period	17	35	16	15	81	44	73	59	**340**

APPENDIX B.   SUMMARY OF AUDIT RESPONSE

The following is a summarization of the audit response provided by Marie Cannon, the Commissioner of Social Services dated June 12, 2018.

I.   Absence of an Accounts Receivable Aging Report

DSS acknowledges that the Accounts Receivable Aging Report could not be produced for the January 1, 2017 through June 30, 2017 time period. Since April 2018 SID is using a CAMS generated aging report that is accessible to each collector on a quarterly basis. The department agrees with the recommended database to generate reports and receivable aging report and has drafted a request for proposal (RFP) with a bidder's conference scheduled for Friday, July 6, 2018.

II.   Manual Client Cards not Backed Up

The audit finding indicates narrative notes of client contact and conversations are not saved electronically. Social Services noted that the client cards are used a support documentation only. NYS OTDA requires districts to use CAMS for collection and tracking overpayments. Erie County meets the requirement federal and state requirements by using CAMS. However, the recommendation of the above mentioned database, by way of the RFP, will be satisfied by allowing collector's to document client conversations electronically, rendering the client card system obsolete.

III.   Backlog of Intake Cases

The case backlog has dropped steadily over the past several years. We have instituted an informal process analysis that is done at bi-weekly SID supervisors meetings and SID will work with the new DSS fiscal manager to address this recommendation.

PRIOR AUDIT RECOMMENDATIONS:

Finding I – SID collections unit does not have accountability controls in place.

Recommendation I – The department agrees to develop a database for collection and storage of all information related to SID clients and has begun RFP process towards that end.

Recommendation II – The department acknowledges that the number and dollar of outstanding cases should be available for auditing purposes. We note that the CAMS system provides a list of outstanding claims but does not segregate those claims that are

active in SID collections only. We anticipate the new datebase, once created, will generate such a list. Additionally, SID now has in place a process utilizing the state generated Aging Reports to enhance overpayment recoveries.

Recommendation III – Regarding write-off details and recording write-off amounts in the new database, Sid will work with the new fiscal manager to assess the feasibility of this.

Finding II – The disconnect between CAMS and the client account cards provide no assurance that all cases are being reviewed.

Recommendation I – SID has made it a priority to allow the new database to show all outstanding claim cases and an aging of receivables at any point in time.

AUDITOR'S COMMENTS:

I.   Report of Terminated Cases

The Department disagrees with the determination that SID could not produce a report of terminated cases with amounts less than $500 with no activity for three years. SID advised that NYS OTDA could generate a terminated claims report.
[AUDITOR NOTE – In the exit conference, we stated that these were local claims that we no longer pursued to which SID agreed that they could not produce reports showing the claims corresponding to their internal policies and procedures.]

II.   Cost of Local Retention Shares

As noted in the Auditor's report, SID focuses its collection efforts on those program areas with higher local share retention rates in order to maximize dollars retained by the County. Those include Safety Net Assistance (71% local share retention) and Emergency Aid to Adults (50% local share retention). The department seeks clarification regarding the recommendation that SID also focus its collection efforts on program areas that have a higher reimbursement rate for wages and overhead, as there appears to be little connection between local share retention rates and reimbursement rates for wages and overhead (i.e. administrative costs).