Department of Human Services
Division of Family Development
Temporary Assistance to Needy Families
Intake Process

July 1, 2002 to October 31, 2004

Richard L. Fair
State Auditor
The Honorable Richard J. Codey  
Acting Governor of New Jersey

The Honorable Richard J. Codey  
President of the Senate

The Honorable Albio Sires  
Speaker of the General Assembly

Mr. Albert Porroni  
Executive Director  
Office of Legislative Services

Enclosed is our report on the audit of the Department of Human Services, Division of Family Development, Temporary Assistance to Needy Families Intake Process for the period July 1, 2002 to October 31, 2004. If you would like a personal briefing, please call me at (609) 292-3700.

Richard L. Fair  
State Auditor  
January 18, 2005
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Department of Human Services  
Division of Family Development  
Temporary Assistance to Needy Families Intake Process  

Scope  
We have completed an audit of the Department of Human Services, Division of Family Development, Temporary Assistance to Needy Families (TANF) Intake Process for the period July 1, 2002 to October 31, 2004. The scope of this audit was limited to eligibility determination, cash benefits issued, and rental and emergency assistance payments. Our audit included financial activities accounted for in the state's General Fund.

Annual benefits issued and assistance payments were $217 million. The prime responsibility of the Department of Human Services, Division of Family Development is to administer the Work First New Jersey program, and to provide leadership and support to public agencies responsible for administering programs for New Jersey's needy individuals and families.

Objectives  
The objectives of our audit were to determine whether financial transactions were related to the agency's programs, were reasonable, and were recorded properly in the accounting systems.

This audit was conducted pursuant to the State Auditor's responsibilities as set forth in Article VII, Section 1, Paragraph 6 of the State Constitution and Title 52 of the New Jersey Statutes.

Methodology  
Our audit was conducted in accordance with Government Auditing Standards, issued by the Comptroller General of the United States.

In preparation for our testing, we studied legislation, administrative code, circular letters promulgated by the State Comptroller, and policies of the agency. Provisions that we considered significant were documented and compliance with those requirements was verified by interview, observation, and through
our samples of financial transactions. We also read the budget message, reviewed financial trends, and interviewed agency personnel to obtain an understanding of the programs and the internal controls.

Our field testing included a review of seven county welfare agencies: Camden, Essex, Mercer, Middlesex, Monmouth, Somerset, and Union County. A nonstatistical sampling approach was used. Our samples of financial transactions were designed to provide conclusions about the validity of transactions as well as internal control and compliance attributes. Sample populations were sorted and transactions were judgmentally selected for testing.

**Conclusions**

We found that the financial transactions included in our testing were related to the agency's programs, were reasonable, and were recorded properly in the accounting systems. In making this determination, we noted certain internal control weaknesses and matters of compliance with laws and regulations meriting management’s attention.
Deceased Clients

Once TANF recipients are determined to be eligible, they receive their monthly cash benefits on an electronic benefits transfer (EBT) card. A personal identification number (PIN) restricts access to the benefits to only the client. Benefits are placed on the card each month until eligibility is denied at a redetermination interview, the card is inactive for two consecutive months, or the client voluntarily closes their case. Benefits are also terminated if a client is reported as deceased to the county welfare agency. Since it is possible for others to learn a client’s PIN number and gain access to their card, benefits could be misused if a death is not reported.

Our tests at one county noted $13,000 in benefits that were issued to 20 deceased clients. Benefits were improperly used by another individual from one to ten consecutive months after the client’s date of death. Since county welfare agencies do not monitor death data files, there is an increased risk of improper use of TANF benefits.

Recommendation

We recommend the division identify clients who have recently died so that their benefits are terminated promptly. One method could be a match with the Department of Health and Senior Services’ vital statistics records.

Processing Controls

A strong system of internal control includes documentation that certain prescribed procedures were performed by individuals approving benefits. State regulations require a record of all pertinent verifications to be part of the case files. Such items include social security numbers, birth certificates, and documentation of income verification for all members of the family unit. If these procedures are not performed by the county welfare agency, there is
an increased risk of ineligible individuals receiving benefits. Our review of TANF case files at seven county welfare agencies noted the absence of certain documentation to substantiate that procedures were followed.

We tested 182 cases for identification verification and noted 49 (27 percent) did not have a copy of a birth certificate or social security card for one or more members of the family unit. The exception rates varied from nine percent at Camden County to 55 percent at Union County.

In 179 of the tested cases requiring income verification, we noted 26 (15 percent) lacked documentation of wage verification with NJ Department of Labor records or payroll check stubs from the client. The exception rates ranged from zero percent at Middlesex and Somerset counties to 26 percent at Union County.

Our tests included 175 cases involving child support. We noted 14 cases (eight percent) lacked the required forms indicating that the client cooperated with the agency regarding child support information. The exception rates ranged from zero percent at Camden, Mercer, Middlesex, and Somerset counties to 26 percent at Union County.

In 77 test cases that had emergency assistance payments, six (eight percent) did not have the form required to process the payment. The exception rates ranged from zero percent in Camden, Mercer, Middlesex, and Monmouth counties to 27 percent in Union County.

Monitoring of payments is also necessary to prevent unauthorized or duplicate payments. We noted two duplicate emergency assistance payments in one county totaling $3,380 for motel expenses.
Recommendation

We recommend the division enforce the requirement that case files contain a record of birth certificates, social security numbers, documentation of income verification for all members of the family unit, and other documentation such as child support and emergency assistance information. We also recommend the division inform the county welfare agencies to monitor emergency assistance payments for duplications.
James B. Patterson, Assistant State Auditor
Office of the State Auditor
Office of Legislative Services
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Dear Mr. Patterson:

I am responding to your December 1, 2004 letter that transmitted the draft audit report titled Department of Human Services, Division of Family Development, Temporary Assistance for Needy Families Intake Process. As requested, our responses to each of the audit reports findings are listed below to be included in the final report.

DECEASED CLIENTS

Recommendation:

We recommend the Division identify clients who have recently died so that their benefits are terminated promptly. One method could be a match with the Department of Health and Senior Services' vital statistics records.

DHS Response:

The Division instituted an automated match on deceased individuals in January 2001. The Division matches active Food Stamp recipients against the Social Security Death Master File on a quarterly basis, with matches reported to County Welfare Agencies (CWAs). The CWAs act on the matches by promptly terminating their benefits. Since 80 percent of TANF clients receive food stamp benefits, the vast majority of these clients are also included in the automated match of deceased individuals. In order to strengthen the process used to identify deceased clients DFD will do the following:

- The division will investigate adding the TANF clients in the deceased file match with the Social Security Death Master File.
• DFD will reinforce to the CWAs that they are required to act promptly removing the deceased individual from active cases.

PROCESSING CONTROLS

Recommendation:

We recommend the Division enforce the requirement that case files contain a record of birth certificates, social security numbers, documentation of income verification for all members of the family unit, and other documentation such as child support and emergency assistance information. We also recommend the Division inform the CWAs to monitor emergency assistance payments for duplications.

DHS Response:

The DFD will collaboratively work with counties to address the case record deficiencies. Those counties with significant deficiencies, as indicated in the audit, will develop an annual Program Improvement Plan (PIP) to improve client case documentation. PIPs are formal monitoring tools developed by DFD, which establishes measurable service standards that are reportable by a CWA on a monthly and/or bimonthly basis over a one year period. This tool can be used to significantly improve the client eligibility documentation by monitoring the progress on the percentage number of CWA client cases that include having social security numbers, birth certificates, and income verification included as part of the client case file. Normally as part of this effort, we require that the CWAs specifically review the need for new procedures that will strengthen their overall internal control processes.

In addition, we will also target compliance with client eligibility documentation during the annual audit of the CWAs as required by federal regulations. We will further rely on formal quality control reviews conducted by DFD staff to validate the progress by the CWAs in meeting the client service performance standards contained within their annual PIP.

The Division is currently reviewing the two instances of duplicate payments totaling $3,380. If a duplicate payment occurred, the amount of overpayment will be recovered from the vendor. In addition, DFD will inform the county welfare agencies to review their internal control procedures regarding vendor payments to assure appropriate controls are in place to identify duplicate payments prior to issuing checks.