

REPORT OF THE
OFFICE OF THE AUDITOR GENERAL
TO THE
JOINT LEGISLATIVE AUDIT COMMITTEE

240.1

A MANAGEMENT REVIEW OF THE
SUPPLEMENTAL SECURITY INCOME -- STATE
SUPPLEMENTAL PAYMENT PROGRAM

FEBRUARY 1976



Joint Legislative Audit Committee

OFFICE OF THE AUDITOR GENERAL

California Legislature



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February 23, 1976

The Honorable Speaker of the Assembly
The Honorable President pro Tempore of
the Senate
The Honorable Members of the Senate and the
Assembly of the Legislature of California

Members of the Legislature:

Transmitted herewith is a report of the Office of the Auditor General describing its review of the Federal Supplemental Security Income (SSI)-State Supplemental Payment (SSP) Program.

In California, the SSI-SSP program is administered by the Social Security Administration under a contract between the U.S. Department of Health, Education and Welfare and the California Department of Benefit Payments.

During the period January 1, 1974 through June 30, 1974, a draft audit by HEW concludes an underpayment by California of approximately \$21 million. The California Department of Benefit Payments claims overpayment of \$40-\$50 million for the same period.

Your legislative auditors are refused access to California eligibility records maintained by the Social Security Administration. It is believed that there is a high incident of overpayment to recipients for which the state is being charged.

Your Joint Committee recommends that the California Legislature urge the Governor and the California Congressional Delegation to take appropriate action to insure that

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of California
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federal records upon which a money charge against California is based be open to independent legislative audit. Good business sense requires no less.

The auditors are Gerald A. Hawes, Robert Christophel, Mildred Kiesel, and Bill Myers.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mike Cullen". The signature is written in a cursive, flowing style with a large initial "M".

MIKE CULLEN

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SUMMARY

This is the second report issued by the Auditor General's Office that has identified serious problems resulting from the implementation of AB 134 (Ch. 1216, 1973). AB 134 was the State's enabling legislation for the federal Supplemental Security Income-State Supplemental Payment (SSI-SSP) program, created by the Social Security Amendments of 1972 (HR-1). Specific requirements, such as the emergency loan procedures and chore services, are mandated by AB 134 and are peculiar to California programs.

The first report dealt with Sections 12300 through 12306 of AB 134 and addressed funding and administrative problems related to California's Homemaker-Chore Services program. This report concerns the following problems caused by the federal administration of the SSI-SSP program in California and the implementation of AB 134, specifically as it relates to the emergency loan program which is unique to California.

1. Inadequate communications between the Social Security Administration, the Departments of Health and Benefit Payments, and the counties require approximately 30,000 temporary Medi-Cal cards to be manually issued each month by the counties to SSI-SSP recipients. This manual operation results in an estimated cost of \$800,000 annually.

As legislative auditors, we were not able to determine the number of checks nor the precise

magnitude of the problem because the Social Security Administration authorizes only one audit annually. We are therefore recommending that the Department of Benefit Payments assure that the California State Legislature be permitted access to SSI-SSP records when the state-federal contract is renewed.

We also recommend that the Departments of Health and Benefit Payments, the Social Security Administration and the county welfare departments develop more effective communication procedures to improve the Medi-Cal card delivery system.

2. The counties do not have sufficient authority to assure collection of emergency loans and the federal government is inconsistent in its county reimbursement policy. As of June 30, 1975, there were outstanding emergency loans amounting to \$7.1 million. The State reimburses the counties for this loss plus the costs incurred by the counties to administer the emergency loan program. Further, recipients are often required to wait from two to six hours each month at some Social Security Administration district offices when they do not receive their authorized SSI-SSP benefits.

We recommend that the Social Security Administration develop a system for prompt issuance of SSI-SSP

replacement benefit checks to eliminate the need for an emergency loan procedure.

3. Due to inadequate interagency agreements, and the lack of an automatic referral system, SSI-SSP applicants might not be referred by the Social Security Administration to the county welfare department for social services evaluation. Also, SSI-SSP recipients who need representative payee services do not always receive them because of inadequate federal controls and insufficient county funds.

We recommend that the Department of Benefit Payments and the Social Security Administration negotiate an amendment to the federal-state contract which would:

- Incorporate provisions requiring the Social Security Administration to refer SSI-SSP recipients to county welfare departments where the need for social services is indicated
- Require all applicants for SSI-SSP to complete a statement of social service needs form in addition to their application for aid. The Social Security Administration should immediately forward this statement of need to the appropriate county welfare department.

INTRODUCTION

In response to a legislative request, we have reviewed the State's role in the federal Supplemental Security Income-State Supplemental Payment (SSI-SSP) program. The SSI-SSP program was created by the Social Security Amendments of 1972 (HR-1). Effective January 1, 1974, this program replaced the state-administered public assistance programs for the aged, blind and disabled. AB 134 (Chapter 1216, 1973) was the State's enabling legislation for the program.

Background

The Social Security Administration of the U.S. Department of Health, Education and Welfare, under contract with the Department of Benefit Payments, administers the program and makes the grant payments for both the federal Supplemental Security Income (SSI) program and the State Supplemental Payment (SSP) program. The SSP program was designed to raise the federal minimum payment level to a payment level comparable to grants paid under the state-administered public assistance programs.

Number of Recipients

As of June 30, 1975, the SSI-SSP program provided cash grant living allowances to approximately 628,000 eligible aged, blind and disabled persons in California. Compared to December 31, 1973, when

state administration of the adult public assistance programs ended, this caseload represents a 21.2 percent increase.

The following table shows the increase in the number of persons receiving aid since the program's inception:

Adult Public Assistance Caseload
by Category of Aid

<u>Category of Aid</u>	<u>Number of Persons</u>		<u>Percentage</u>
	<u>Adult Public Assistance December 31, 1973^{1/}</u>	<u>SSI-SSP June 30, 1975^{2/}</u>	<u>Increase or (Decrease)</u>
Aged	286,000	324,000	13.3%
Blind	14,000	13,000	(7.1)
Disabled	<u>218,000</u>	<u>291,000</u>	33.0
Totals	<u>518,000</u>	<u>628,000</u>	21.2%

^{1/}Source: The Department of Benefit Payments

^{2/}Source: The Social Security Administration

Program Cost

There has been a 40.8 percent increase in adult public assistance grants since the SSI-SSP program inception:

Adult Aid Grants
by Funding Source
(In Millions)

<u>Funding Source</u>	<u>Calendar Year Ended December 31, 1973^{1/}</u>	<u>Fiscal Year Ended June 30, 1975^{2/}</u>	<u>Percentage Increase or (Decrease)</u>
Federal	\$395.2	\$510.6	29.2%
State	306.2	487.8	59.3
County ^{3/}	<u>95.5</u>	<u>118.0</u>	23.6
Totals	<u>\$792.9</u>	<u>\$1,116.4</u>	40.8%

^{1/}Source: "Summary of Administration and Assistance Expenses of State and County Welfare Departments" June 30, 1973 and December 31, 1973.

^{2/}Source: Governors Budget 1976-77 Fiscal Year.

^{3/}County Participation represents both administration and grant costs.

The approximate 30 percent increase in federal costs resulted from:

- Grant increases on January 1, 1974 (Grants were again increased on July 1, 1975)
- A 21.2 percent increase in caseload primarily brought about by a liberalization of eligibility determinations, especially for the disabled category of aid, by the Social Security Administration
- The failure of the Social Security Administration to redetermine the eligibility of recipients in a timely manner and to discontinue grants to those recipients no longer eligible for the program. (Annual eligibility redeterminations for cases converted to SSI-SSP on January 1, 1974 were completed on December 31, 1975.

About 40 percent of the increase in state costs can be attributed to some of the factors listed above. However, the remaining 60 percent increase in state costs resulted, in general, from program changes mandated by AB 134. AB 134 provided that county costs would not exceed \$118 million in fiscal year 1974-75. The county costs in subsequent years "...shall be determined by multiplying the 1974-75 base year amount by the ratio of the county's modified assessed value in the subsequent year to the county's modified assessed value in the base year." (AB 134 - Section 12400, W&IC)

State's SSP Liability

The U.S. Department of Health, Education and Welfare's draft audit report* of the federal administration of payments to SSI-SSP recipients, dated August 14, 1975, concluded that the State's liability for the period January 1, 1974 through June 30, 1974 is \$297 million. The State has paid \$276 million; therefore, there may be a state underpayment of approximately \$21 million. Department of Benefit Payment auditors have estimated an overpayment of \$40 to \$50 million based upon an estimated liability of \$235 to \$245 million. The audit report's conclusion is a factor to be considered by the state and federal governments in their negotiations toward a final settlement of the State's SSP liability. These negotiations will not be concluded for several months. The procedures used in this audit were reviewed by an audit surveillance committee composed of auditors from seven states and the General Accounting Office. The Chief, Fiscal Management Audits, of the State Department of Finance was a member of this committee.

The federal-state contract provides that the State may conduct an annual audit of the Social Security Administration's operation of the SSI-SSP program. In lieu of this annual audit the State has elected to accept the U.S. Department of Health, Education and Welfare as the prime audit agency for the June 30, 1974 audit. However, because of the Department of Benefit Payments' concern about the HEW auditor's independence, future audits may be conducted by a state agency. Selection of an agency to conduct these audits is yet to be made.

*"Report on Review of the Federal Administration of Supplemental Security Income Payments for the State of California by the Social Security Administration January 1, 1974 - June 30, 1974."

Funding of Grants

Grants to recipients consist of three parts: the SSI, the SSP "unprotected" and the SSP "protected".

The SSP portions of the grant supplement the federal grant to maintain the level of benefits (adjusted for cost of living) provided for in AB 134. The "protected" portion of the grant is that amount between the SSI payment and the adjusted payment level (APL). The "unprotected" portion of the SSP grant is 100 percent state funded and represents that portion of the grant in excess of the APL.

The APL is the grant amount (plus the bonus value of food stamps) for the month of January 1972 paid to those adult aid recipients who had no other income except a public assistance grant. A provisional APL was determined by the Department of Benefit Payments for each aid category. (See Appendix A, page 42.) These provisional APLs were computed after a review of a random sample of adult aid cases.

The U.S. Department of Health, Education and Welfare has challenged California's provisional APLs and has recommended substantially lower amounts. A State survey of the APL has been completed and the tentative results were \$224.96 for aged, \$243.17 for blind and \$217.53 for disabled. The U.S. Department of Health, Education and Welfare must now complete its review of the State's survey before negotiations can be started.

To illustrate the funding of benefits for SSI-SSP recipients, the table below shows benefit grants at various levels of outside income.

Funding of SSI-SSP Grants for the Aged
Various Levels of Outside Income

<u>Funding Source</u>	<u>Funded Amounts</u>			
Countable Recipient Income	\$ 0	\$150	\$200	\$250
SSI - Federal Only	158	8	-	-
SSP Protected* - Federal & State	58	58	16	-
SSP Unprotected - State Only	<u>43</u>	<u>43</u>	<u>43</u>	<u>9</u>
Grant Plus Income	<u>\$259</u>	<u>\$259</u>	<u>\$259</u>	<u>\$259</u>

*Assumes aged aid category, Adjusted Payment Level (APL) = \$216 (See Appendix A).

As the recipient's income increases, it is first applied against the SSI portion of the grant, then the protected portion and finally the unprotected portion. The SSI portion of the recipients' grant is 100 percent federally funded and provides for grants of up to \$158 per month beginning July 1, 1975.

To determine the State's liability for the protected portion of the grant, aggregate payments within the protected range are first determined for the entire year. The State then pays the baseline amount which is estimated by the State at \$380 million. A baseline amount of \$383 million has been estimated by the U.S. Department of Health, Education and Welfare. A final determination is being negotiated. Any aggregate protected payment in excess of the baseline amount is funded by the federal government and is known as "hold harmless". (See Appendix B, page 43)

We received excellent cooperation and support from all parties contacted during this study. However, we were refused access to eligibility records which are maintained by the Social Security Administration.

FINDINGS

COMMUNICATIONS BETWEEN THE SOCIAL SECURITY
ADMINISTRATION, THE DEPARTMENTS OF
HEALTH AND BENEFIT PAYMENTS, AND THE
COUNTIES ARE INADEQUATE.

Due in part to inadequate communications between the Social Security Administration, the Departments of Health and Benefit Payments, and the counties, approximately 30,000 temporary Medi-Cal cards, or 4.8 percent of the total SSI-SSP caseload, are manually issued each month by the counties to SSI-SSP recipients. This manual operation results in an estimated cost of \$800,000 annually. In addition, an undetermined number of recipients continue to receive SSI-SSP benefits when they are on the Medically Needy Only program.

Recipients of SSI-SSP grants are automatically eligible for medical services through the Medi-Cal program. Medi-Cal identification cards are mailed to known recipients at the first of each month by the Department of Health. When the adult public assistance program was converted to SSI-SSP in January 1974, the Department of Health elected to use the Social Security Administration's data on the monthly State Data Exchange (SDX) tapes to administer Medi-Cal for SSI-SSP recipients. The SDX tapes include limited recipient history and payment information. The basic purpose of the SDX tapes is to determine the recipient's current eligibility status.

Nonreceipt of Medi-Cal Cards

If an SSI-SSP recipient does not receive a Medi-Cal card from the monthly Department of Health mailing, the counties are required to manually issue cards. Of the approximate 628,000* eligible SSI-SSP recipients in California, an estimated 30,000 recipients do not receive a Medi-Cal card each month. We have estimated that the State's share of the annual county administrative cost to manually issue Medi-Cal cards is approximately \$800,000. This represents the State's 50 percent share of the total cost.

The 30,000 nondelivered Medi-Cal cards and the resulting costs can be attributed in part to:

- Elapsed time between the approval of an application and the time the applicant's name appears on the SDX tape
- Frequent changes in SSI-SSP recipient status, such as address changes and movement to and from medical care facilities.

Responsibility for the nonreceipt of Medi-Cal cards has not been isolated. For example, it has not been determined how many recipients failed to receive their Medi-Cal cards because of the Social Security Administration's processing delays or because of the State's inadequate computer time to process SDX update information supplied by

*This information is supplied by the Social Security Administration and has not been verified since we were refused access to recipient eligibility records which are maintained by the Social Security Administration.

the Social Security Administration. Presently, a joint federal-state study is being conducted to determine to what degree each agency is responsible for the nondelivery of Medi-Cal cards.

The Social Security Administration is providing the Department of Health with notifications of recipients receiving checks whose names do not appear on existing SDX records. It is estimated that the use of these notifications could reduce the number of manually prepared Medi-Cal cards by 3,000 to 5,000 cards per month.

Since July 1, 1975, the counties have been furnished a modified and expanded version of the SDX tapes and print-outs which list the names of all recipients for whom Medi-Cal cards were prepared for the current month. Although it is too soon to judge, the Department of Health anticipates that this modification will enable the counties to quickly verify SSI-SSP eligibility for recipients who did not receive a Medi-Cal card, and that it will ultimately reduce the number of recipients who must obtain proof of eligibility from Social Security district offices in order to receive Medi-Cal cards.

Recipient Hardships Created by the
Nonreceipt of Medi-Cal Cards

The nonreceipt of Medi-Cal cards has created undue hardships for some SSI-SSP recipients and additional work for the staffs of the county welfare departments and the Social Security Administration. For

example, a recipient who does not receive a Medi-Cal card would first visit the county welfare department or the Social Security Administration's district office for eligibility verification. The county welfare departments attempt to verify eligibility by use of the SDX tapes. If the recipient's name does not appear on the SDX records, the recipient is sent to the local Social Security Administration's district office to obtain proof of eligibility. After eligibility is established, the recipient is sent back to the county welfare department, which then issues him a temporary Medi-Cal card.

Many recipients must repeat this process, which can involve three or more trips to different offices, every month. Other hardships on the recipient include the transportation expenses in traveling to and from these offices. Often recipients are required to wait from two to six hours at some Social Security Administration district offices. This problem is particularly significant because of the physical infirmities of many SSI-SSP recipients.

An Undetermined Number of Persons
Eligible for the Medically Needy
Only Program Continue to Receive
SSI-SSP Payments

The Medically Needy Only (MNO) program is for persons who qualify for public assistance but have sufficient resources to meet their basic daily needs, excluding necessary medical care.

While an SSI-SSP recipient is in a medical care facility at Medi-Cal expense, his monthly income is reduced to a \$25 monthly personal allowance. This reduction in benefits may be delayed for two or three months due to judicial decisions, such as Goldberg vs. Kelly and administrative procedures used by the Social Security Administration. The Goldberg vs. Kelly decision requires that the Social Security Administration notify the recipient of the right to a fair hearing prior to adverse action.

The Social Security Administration regulations require that the notification of rights be given 15 days before discontinuance or reduction of the grant. There is disagreement between the Social Security Administration and the Department of Health as to whether entry into a medical care facility constitutes an adverse action. The Department of Health maintains that a transfer to a medical care facility could be in the individual's best interest, while Social Security regulations treat any reduction in cash benefits as an adverse action. If it were determined that a transfer was beneficial to the recipient, then advance notification would not be required to reduce his grant.

Additional delays may occur because a representative from the Social Security Administration's district office must verify from the recipient that the recipient has, in fact, entered a medical care facility.

Some recipients return to the Social Security Administration the overpayments they receive during this delay; however, an

undetermined number of checks are not returned. We were unable to determine the number of checks that were not returned or the magnitude of the problem because we were not granted access to SSI-SSP case records.

An Undetermined Increase In Medi-Cal Cost Is Created Due to the Issuance of Zero Liability Medi-Cal Cards

As long as the Social Security Administration shows the recipient as eligible for SSI-SSP payments, a "zero liability" Medi-Cal card is issued to the recipient. With a "zero liability" Medi-Cal card, a recipient is not required to contribute toward the cost of his care even though he may have other income.

When an SSI-SSP recipient enters a medical care facility, Medi-Cal requires that the recipient pledge his other income to the cost of his care. The counties are not able to determine if a recipient has income subject to Medi-Cal liability at the time the recipient enters a medical care facility. Adjustment of the recipient's Medi-Cal liability by the county may be delayed by as much as three months as mentioned above. This delay costs an undetermined amount in Medi-Cal claims against other income. Again, we were unable to determine the increased amount of this Medi-Cal cost or the magnitude of the problem because we were not granted access to SSI-SSP case records.

CONCLUSION

The failure of the Departments of Health and Benefit Payments, the Social Security Administration and the counties to maintain adequate communications is costing the State approximately \$800,000 annually for the counties to manually issue Medi-Cal cards.

It is also costing the State an undetermined amount in overpayments to SSI-SSP recipients. Further, it is costing an undetermined amount in Medi-Cal claims against other income because the counties cannot determine the recipient's Medi-Cal liability.

RECOMMENDATIONS

We recommend that the Departments of Health and Benefit Payments, the Social Security Administration and the county welfare departments develop more effective communication procedures to improve the Medi-Cal card delivery system.

We recommend that the Social Security Administration accept a statement from a county welfare representative, a nursing home representative or a Department of Health representative as evidence of the SSI-SSP recipient's change in living arrangement which would require a reduction in the recipient's grant.

We recommend that the Department of Health develop regulations which would require the counties to initiate Medically Needy Only applications and to determine if recipients have any income subject to Medi-Cal liability as soon as they enter a medical care facility.

We recommend that the Department of Benefit Payments assure that the State Legislature be permitted access to SSI-SSP eligibility records when the state-federal contract is renewed, either as a part of the joint effort with independent reporting authority to the Legislature, or independent access as we conduct departmental audits.

PROVISIONS IN STATE AND FEDERAL LAWS AND
IN THE STATE-FEDERAL SSI-SSP CONTRACT
RELATED TO THE EMERGENCY LOAN PROGRAM
ARE INCONSISTENT.

Section 12525 of the Welfare and Institutions Code mandates the counties to provide loans to SSI-SSP recipients when they fail to receive their regular monthly check and the federal government cannot replace the check within four days. The counties are required to make a loan to the recipient upon certification by the Social Security Administration that the recipient is eligible for SSI-SSP benefits and upon the recipient's claim that he has not received his monthly check. The amount of the loan specified in the Welfare and Institutions Code is the amount of the recipient's last SSI-SSP payment, up to a maximum of \$200 per month.

There Were Outstanding Emergency
Loans Amounting to \$7.1 Million
as of June 30, 1975.

California is the only state with an emergency loan program. Since this program is currently limited to one state, the Social Security Administration has established no provision for reimbursing the counties for emergency loan advances and claims it has no legal authority to do so. Therefore, the counties must rely on the recipients to repay these loans when their SSI-SSP checks begin. Since the counties have no way of knowing when borrowers receive their SSI-SSP checks, collection efforts may not be timely.

Many of the counties reviewed were reluctant to press collection efforts against the blind, disabled and aged due to the poor public relations evident in such action. Even when a court-ordered judgment is secured, the criteria for eligibility for the program almost assures the impossibility of collection from the recipient. When the borrower agrees to repay, but has already spent his SSI-SSP past-due check, extensive billing and accounting procedures are required to recoup the loans and often result in repayments of only \$5 or \$10 a month.

In addition, the Welfare and Institutions Code requires a loan to be made even though the recipient may have enough cash on hand to support himself until past-due benefits are received. Also, the county is required to make subsequent loans to recipients even though they may have defaulted on previous emergency loans.

From the inception of the program on January 1, 1974 through June 30, 1975, the counties have loaned approximately \$18.8 million to SSI-SSP recipients. About 62 percent of the loans have been collected leaving a projected balance of outstanding loans of \$7.1 million, of which about \$5.9 million are over one month past due.

Inconsistent Federal Law Related
to County Loan Reimbursement

The Department of Benefit Payments has interpreted Section 12525 of the Welfare and Institutions Code to mean that the loan applicant must have been issued at least one SSI-SSP check before the

counties are required to make emergency loans. This interpretation prevents those applicants who have been determined eligible, but have not been issued an initial SSI-SSP payment, from receiving emergency loans. These applicants, however, can obtain county general assistance funds until their first SSI-SSP check is received. At the request of a participating county, the federal government will forward the recipient's initial SSI-SSP check directly to the county to reimburse the general assistance fund, under the terms of the state-federal interim assistance contract. As of June 30, 1975, 32 counties were participating in the interim assistance program.

As previously stated, the Social Security Administration has maintained that it has no legal authority to make direct reimbursements to the counties for emergency loan advances.

Recipient Hardships Created by the
Nonreceipt of Authorized SSI-SSP Benefits

SSI-SSP applicants in 9 of the 14 counties reviewed did not receive SSI-SSP benefit payments for periods ranging from one to eight months, subsequent to being determined eligible for such payments. Our review disclosed that when recipients move from one location to another, benefit payments were delayed up to three months.

These delays in the receipt of SSI-SSP benefit payments cause hardships for the recipient such as:

- Two to six hour waits at Social Security Administration district offices each month
- Expenses involved in traveling to and from Social Security Administration district offices and county welfare departments
- Inability to pay basic living expenses.

County welfare department administrators have indicated that the number of persons who must be issued emergency loans has been declining in recent months. This reduction in the issuance of emergency loans is attributed primarily to implementation of the Social Security Administration's "forced payment" system. This means that the computer system may be updated twice monthly by manual input reflecting changes in the status of recipients.

CONCLUSION

The counties do not have sufficient authority to assure collection of emergency loans and the federal government is inconsistent in its county reimbursement policy. As of June 30, 1975, there were outstanding emergency loans amounting to \$7.1 million. The State reimburses the counties for this loss plus the costs incurred by the counties to administer the emergency loan program. Further,

recipients are often required to wait from two to six hours each month at some Social Security Administration district offices when they do not receive their authorized SSI-SSP benefits.

RECOMMENDATIONS

We recommend that the Social Security Administration:

- Develop a system for prompt issuance of SSI-SSP replacement benefit checks to eliminate the need for an emergency loan procedure, or in lieu of this;
- Forward lump-sum benefit payments directly to the county welfare departments similar to what is now being done in the existing interim assistance program. These benefits can then be applied to any outstanding emergency loans.

We recommend that the State Legislature amend the Welfare and Institutions Code to require the county welfare departments to demand from the recipient a self-declaratory statement which states that he does not have sufficient cash to meet his immediate needs. If the recipient has sufficient cash he then would not be eligible for a loan.

LACK OF ADEQUATE INTERAGENCY AGREEMENTS
RELATIVE TO PROVIDING SOCIAL SERVICES
TO SSI-SSP RECIPIENTS.

Aged, blind and disabled recipients are entitled to receive certain social services, such as homemaker-chore services and protective services in addition to their SSI-SSP grant. Because of the lack of adequate interagency agreements relative to the provision of social services to SSI-SSP recipients, a significant number of recipients are not receiving social services for which they are eligible.

Specific problems related to the delivery of social services include:

- Responsibilities for referral by the Social Security Administration of SSI-SSP recipients to county welfare departments for social services evaluation are not specified in any agreement with the Social Security Administration
- Need for automatic referrals of SSI-SSP applicants for social services or special circumstances
- SSI-SSP recipients who require representative payee services do not always receive them.

Responsibilities for Referral of Social
Services Are Not Specified in Any Agreement
with the Social Security Administration.

Social services are provided by county welfare departments under the supervision of the Department of Health. However,

the entry point for SSI-SSP applicants is at the various Social Security Administration district and branch offices rather than at county welfare departments. County welfare department administrators from 12 of the 14 counties we visited reported that requests for services evaluations had declined since federalization of the adult public assistance programs. Five counties indicated that the majority of the referrals they received from the Social Security Administration district offices were not appropriate because the Social Security Administration staff was not familiar with available social services. The actual number of Social Security Administration referrals for social services cannot be determined because counties do not maintain referral statistics. The State does not mandate the counties to do so even though the State is responsible to the federal government to assure the uniform delivery of social services statewide.

The agreements between the State and the Social Security Administration do not specify the Social Security Administration's responsibility for referring SSI-SSP recipients to the county welfare departments for social services evaluations. Because the Social Security Administration's prescribed method of referring SSI-SSP recipients to county welfare departments is not being used, these recipients are often referred for services which are not available. On the other hand, some are not referred for social services evaluation at all.

Because the Social Security Administration and the county welfare departments must work closely together to assure that SSI-SSP recipients obtain social services, it is essential that their respective responsibilities be specified in the state-federal SSI-SSP contract.

Need for Automatic Referrals of SSI-SSP
Applicants for Social Services or
Special Circumstances

When the adult programs were administered by the State and counties, all applications for aid contained key questions related to social services. Where appropriate, the responses to these questions triggered automatic referrals for social services. Presently, the Social Security Administration application form does not include key questions related to social services. Therefore SSI-SSP applicants are not routinely referred to county welfare departments for social services evaluation.

County welfare departments now use different methods of informing SSI-SSP applicants of the social services which are available. Some county welfare departments provide brochures to the Social Security Administration's district offices which describe available social services offered by the county. Fifteen of the 58 counties have placed (outstationed) welfare workers in the Social Security Administration's district or branch offices. Some counties have no method for providing social service information to Social Security Administration district offices. Therefore, the methods of informing SSI-SSP applicants of the social services that are available are both inconsistent and inadequate.

For example, in one northern rural county that we reviewed, an elderly SSI-SSP recipient who became eligible for the program in December 1974 complained that the winter months had been especially difficult for him because his roof was leaking and he did not have

sufficient cash to have the roof repaired. This recipient was not aware that monies for expenditures incurred by SSP recipients for special nonrecurring needs (special circumstances) are available. Monies for special circumstances are authorized by Section 12552 of the Welfare and Institutions Code.

An automatic referral system requiring all SSI-SSP applicants to complete a statement of social service need at the time of their application for aid would be one method to assure that all persons requiring social services receive them.

Another method some counties use to assure that SSI-SSP applicants receive referrals for social service evaluation is to outstation county welfare staff in Social Security Administration district offices.

County experience with welfare staff outstationed in the Social Security Administration's district offices varies widely. County welfare departments use the welfare worker to do some or all of the following:

- Inform SSI-SSP applicants of available social services offered by the county
- Assist applicants with completing their SSI-SSP application forms

- Handle direct emergency services such as food stamps or protective services
- Assist recipients with problems related to emergency loans or the issuance of temporary Medi-Cal cards.

In the counties using outstationed welfare staff, the number of referrals for social service is higher than from the counties that have not taken this action. In our judgment, communication and cooperation between county welfare departments and the Social Security Administration's district offices were most effective in those counties which had outstationed welfare staff in the district offices.

SSI-SSP Recipients Who Require
Representative Payee Services
Do Not Always Receive Them.

Federal Regulation 20 CFR 416.601 requires the Social Security Administration to provide a "representative payee service" for recipients who are unable to safely manage their SSI-SSP grant for reasons of mental disability or addiction to alcohol or drugs. Representative payees may have a close personal relationship to the recipient, such as a relative, or the payee may be a county agency, such as the welfare department or the public administrator. Some district offices seek evidence of a disability other than mental or addiction in order to reduce the authorization of representative payee services because it is difficult to find representative payees.

The counties have been reluctant to act as representative payee because there is no reimbursement for this service. County administrative funds involved in providing representative payee services are derived from the already exhausted county social services budget which is discussed in the Auditor General's "Management Review of the Homemaker-Chore Services Program", dated June 1975.

Because limited social services funds are available at the local level, some counties provide representative payee services only to clients who were in the program prior to January 1, 1974. In some counties, where the recipients are on the county representative payee program, the county is merely cashing the SSI-SSP check and handing over the cash without any real money management assistance.

We also found that when representative payees are authorized, the Social Security Administration has no apparent controls to assure that the intended recipient actually receives his benefits. While we found no direct misappropriation of checks by representative payees during our review, we did see instances where misappropriations exist. For example, in one of the counties that we reviewed, a relative was authorized to be the representative payee for a married couple living in a licensed board and care facility. When the county social worker visited the facility, the facility operator reported that neither the husband nor wife had received their SSI-SSP payments for two months. Investigation by the social worker showed that checks amounting to \$1,132 were reported by the Social Security Administration to have been mailed to the recipients

during this period. However, neither the recipients, the representative payee nor the facility claims knowledge of their receipt.

CONCLUSION

Due to inadequate interagency agreements, and the lack of an automatic referral system, SSI-SSP applicants might not be referred by the Social Security Administration to the county welfare department for social services evaluation. Also, SSI-SSP recipients who need representative payee services do not always receive them because of inadequate federal controls and insufficient county funds.

RECOMMENDATIONS

We recommend that the Department of Benefit Payments and the Social Security Administration negotiate an amendment to the federal-state contract which would:

- Incorporate provisions requiring the Social Security Administration to refer SSI-SSP recipients to county welfare departments where the need for social services is indicated

- Require all applicants for SSI-SSP to complete a statement of social service needs form (see Appendix C for a suggested form) in addition to their application for aid. The Social Security Administration should immediately forward this statement of need to the appropriate county welfare department.

We recommend that the Department of Health periodically place a notice, describing available social services, in its mailing of Medi-Cal cards to SSI-SSP recipients as a means of keeping all recipients apprised of these social services.

We recommend that the Department of Benefit Payments take an active role in obtaining an agreement from the U.S. Department of Health, Education and Welfare to amend federal regulations to permit the administrative cost for providing representative payee services to be a reimbursable cost.

LIMITED INVESTIGATIVE STAFF ARE
NOT ABLE TO ASSURE EFFECTIVE
DETECTION AND ACTION AGAINST
SSI-SSP FRAUD.

Because of the small fraud investigation staff in the San Francisco Regional Office, only a limited number of alleged fraud cases are investigated.

Fraud Investigations

Prior to the federal administration of the adult aid program on January 1, 1974, fraud investigations were handled by the counties which administered the grants. Now, allegations of fraud in the SSI-SSP program are sent by the counties to the Social Security Administration's program integrity unit, through the Department of Benefit Payments. There are six program integrity units throughout the United States. The San Francisco district office handles all referrals from California plus 13 other states. The San Francisco unit employs seven investigators and a supervisor. In contrast, there are approximately 200 family aid fraud investigators employed by the 58 California counties.

Due to the small investigative staff in the San Francisco district office, only a limited number of cases are pursued. The cases pursued generally are those that show high potential for collection of overpayments and conviction. Additionally, because of the diversity of personnel and offices involved in the investigations, meaningful statistics

have not been maintained on collections of overpayments, prosecutions and convictions or the costs of examining them.

CONCLUSION

Effective detection of fraud and subsequent corrective action is inadequate because of the small number of Social Security administration staff employed for this purpose.

RECOMMENDATION

We recommend that the Social Security Administration centralize and augment fraud investigation activities.

OTHER PERTINENT INFORMATION RELATED
TO THE SSI-SSP PROGRAM

Emergency Loan Control Weaknesses

There are weaknesses in the present system for issuing emergency loans which do not permit adequate program control. Some examples of these control weaknesses are:

- Recipients may go to any Social Security Administration district office and claim that they did not receive their SSI-SSP check. After determining that the individual is an eligible recipient, an automatic referral is made to the county for an emergency loan. Since some recipients are transient in nature, their mail is often delayed. A recipient's understanding of these procedures allows him to allege nonreceipt of his SSI-SSP checks, receive a loan and eventually receive the originally issued checks. The recipient may follow this practice in several counties, claiming a change of address each time, thereby receiving several loans per month. Because these individuals have no assets, when collection efforts are pursued they are effectively "judgment proof". Unless they have claimed a replacement SSI-SSP check from the U.S. Treasury Department after receiving the initial check, no fraudulent acts have been committed against the federal government. Consequently, there is no investigation for fraud by the Social Security Administration. Individual counties

prosecute these cases when known, but the county may not be aware that a fraudulent act has occurred.

- Some Social Security Administration district offices have been using photocopies of the previous month's loan referral form and inserting the current month's date. We found that some counties were accepting this photocopy as authorization to issue an emergency loan. There is nothing to preclude recipients from making a number of these photocopies and using them month after month at county welfare offices. We also observed that some counties accepted referral forms which had not been signed by Social Security Administration representatives.

- The Social Security Administration district offices do not appear to have any control over the number of emergency loan referrals issued during a month. At one county we noted two referrals for the same recipient from the same district office, dated the same day. These referrals were prepared by two different district office representatives.

Computer Systems Problems


Recipient and county personnel contacts with the Social Security Administration generally result in a query of the computer. We were informed by state department and county personnel that the

Social Security Administration's computer "down time" was the major restriction to processing recipient information on a timely basis. We could not determine in our review in California if the problem resulted from equipment failure or program deficiencies since that information would only be known at the Social Security Administration's computer center in Baltimore, Maryland.

Excess Value Homes

If an applicant for SSI-SSP owns a house with a value in excess of \$25,000, he cannot receive the SSI (federal) portion of the grant. These applicants are referred to the county welfare department where determination is made as to eligibility for the SSP (state) portion of the grant. As the values of real estate increase and, if there is not a corresponding increase in the federal excess value limitation, more and more SSI-SSP recipients will lose the federal part of their grant. Ultimately, this may mean that any SSI-SSP recipient who owns a home may lose the federal portion of his grant and the State will be paying 100 percent of these grants.

Respectfully submitted,


Wesley E. Voss
Audit Manager in Charge
February 13, 1976

Staff:

Gerald A. Hawes
Robert Christophel
Mildred A. Kiesel
Bill L. Myers

DEPARTMENT OF BENEFIT PAYMENTS

744 P Street, Sacramento, CA 95814
(916) 445-0813



February 11, 1976

Gerald A. Hawes
Office of the Auditor General
925 L Street, Suite 750
Sacramento, CA 95814

Dear Mr. Hawes:

We have reviewed the draft of your report, 'A Management Review of the Supplemental Security Income -- State Supplemental Program', and have the following comments and suggestions.

***1/

1/Comments deleted which do not pertain to information in the final report.

***1/

FINDINGS

Communications Between SSA, DOH and DBP and the Counties Are Inadequate

While we generally agree with the findings in this section, there are two problems mixed together which for purposes of clarity should be addressed separately. As we see it, major problem areas in this section are:

1. Communication problems related to the use of the SDX including the nonreceipt of Medi-Cal cards by significant number of SSI/SSP recipients; and
2. Delays in processing changes in benefit levels when a recipient enters a medical care facility.

Nonreceipt of Medi-Cal Cards

Since its inception, use of the SDX has been riddled with problems. Much of the difficulty can be attributed to the numerous organizations which use the SDX as a data base without having a thorough understanding of its inherent limitations. While SSA has made progress in the regularity with which it provides information to the state, indications are that it still has difficulty in processing update information in a timely manner. A joint state/federal study of reasons for nondelivery of Medi-Cal cards is in its final stages. Preliminary indications are that cards are not delivered because of inaccurate addresses. It is still unclear as to whether the majority of incorrect addresses are caused by recipient failure to notify SSA of an address change or by a delay in inputting the new address into the SDX system. We do know that a six to eight week delay between notification of an address change and appearance of the information on the SDX has been experienced.

1/Comments deleted which do not pertain to information in the final report.

In an effort to minimize problems concerned with the SDX, the state is currently centralizing the responsibility for the Title XVI Data Base Administration in the Department of Benefit Payments. A part of the responsibility for administration is to provide SDX information to users in a format that is both useful and understandable and to assure a common understanding of the limitations of the data base itself. It is anticipated that this proces will be completed by April 15, 1976.

An Undetermined Number of Persons Eligible for the Medically Needy (MNO) Program Continue to Receive SSI/SSP Payments .

***1/

We do not see this problem as being what the auditors have described as a communication problem between SSA and the Departments of Health and Benefit Payments. It is SSA's own administrative problem in that they cannot act promptly in discontinuing the cash grant for persons who enter medical facilities because:

- a. The Goldberg v. Kelly requirement of the 15-day notice before discontinuance and,
- b. SSA's regulatory provision that discontinuance action cannot be taken upon third party (usually the facility) notification of the change in living arrangement. SSA requires first party notification from persons usually too ill or disabled to handle such things.

The counties cannot institute MNO and compute liability until SSA has taken the discontinuance action.

The controversy over whether or not transfer from SSI/SSP to MNO constitutes adverse action has been further complicated by a Federal District Court decision dated August 26, 1975, requiring SSA to apply Goldberg v. Kelly procedures in all discontinuance actions and nullifies previous regulatory exceptions that were allowed.

1/Comments deleted which do not pertain to information in the final report.

***1/

In reference to the recommendation on page 15, paragraph two, we recognize the need for the state legislature to be permitted access to SSI/SSP eligibility records. We have attempted to negotiate this with SSA several times in the past (including contract negotiations) without success.

PROVISIONS IN STATE AND FEDERAL LAWS AND IN THE STATE/FEDERAL SSI/SSP CONTRACT RELATED TO THE EMERGENCY LOAN PROGRAM ARE INCONSISTENT.

Inconsistent Federal Law Related to County Loan Reimbursement

In general, the discussion of the Emergency Loan Program was well done. It is accurate and reflects some of our continuing concerns for prospective program changes. The recommendations are appropriate and would result in substantial cost savings to the state, as well as an easing of administrative problems associated with the program. We have only one clarifying comment for this section. On page 17, paragraph 4 (continues on page 18), it should be noted that the Interim Assistance Program is authorized by Public Law 93-368 which provided reimbursement for aid paid during the application period only and not for loans given because of lost, stolen, or delayed SSI/SSP checks. Funding terminates June 30, 1976, unless further legislation is enacted.

LACK OF ADEQUATE INTERAGENCY AGREEMENTS RELATIVE TO PROVIDING SOCIAL SERVICES TO SSI/SSP RECIPIENTS

Responsibility for Referral of Social Services are not Specified in Any Agreement with the Social Security Administration

It is true that there is no formalized interagency agreement that specifically defines the requirements for providing social services to SSI/SSP recipients (page 22). However, we do not believe that these responsibilities should be handled in the SSI/SSP contract. SSA recognizes their responsibilities and there is an established mechanism for making referrals. We recognize that referrals are often not being made or are being made inappropriately, but responsibility for proper referrals rests ultimately with SSA. In order for proper referrals to occur, SSA must give them more priority and invest time in training so that their staff will be familiar enough with eligibility criteria to determine when referrals are appropriate. An omnibus referral form will be the first step in this direction and would serve to refine the already-established mechanism.

1/Comments deleted which do not pertain to information in the final report.

Need for Automatic Referrals of SSI/SSP Applicants for Social Services Evaluation

We do not agree with the recommendation that SSA automatically refer all recipients for social services since all recipients will not need them.

On page 24, paragraph 2, as clarification, counties do not provide information to individual Social Security Administration District Offices. District Offices receive their direction from SSA Regional in San Francisco. We assisted SSA in preparing a good brochure that is made available to District Offices. In addition, the Department of Benefit Payments has prepared a desk manual for SSA that describes the programs available through SSP funds.

***1/

SSI/SSP Recipients Who Require Representative Payee Services Do Not Always Receive Them

We have in the past made attempts to obtain federal reimbursement for county costs for representative payees, but have met with federal resistance. We agree with this recommendation and realize that we need to renew our efforts in this direction. The Department of Benefit Payment plans a more vigorous effort to achieve this goal.

***1/

We appreciate this opportunity to review and comment on your report.

Sincerely,

Kyle S. McKinsey
 KYLE S. MCKINSEY
 Deputy Director *by S. Caran*

1/Comments deleted which do not pertain to information in the final report.

SUMMARY OF COMMENTS BY
DEPARTMENT OF HEALTH REPRESENTATIVES

Medi-Cal Policy and Planning Unit

The joint federal-state study concerning manually issued Medi-Cal cards will soon be completed. As a result, the Department of Health maintains that a new statewide procedure has been implemented by which the counties can more effectively use SDX data to help identify individual Medi-Cal card problems.

The study identified specific errors and processing problems at the state level which have been corrected. Some of these errors were due to the state's misinterpretation of federal SDX data.

A revised definition of the SDX data has been provided by the Social Security Administration (SSA) which has clarified the department's understanding.

A process has been installed by which SSI eligibles who cannot be reported on the SDX system are now manually reported to the state by SSA district offices.

As a result of new procedures implemented after completion of the joint federal-state study, the department feels the number of manually issued Medi-Cal cards is presently less than 30,000.

Adult Services Unit

There is a general consensus that the number of social service referrals from Social Security Administration (SSA) district offices to the county welfare departments is not taking place in a planned, uniform manner and, in some counties, not occurring at all.

The cause for this is centered around two basic problems. Discussions with regional SSA representatives reveal that there is no statutory or regulatory basis mandating the SSA to refer persons in need of services to county welfare departments. Also, the U.S. Department of Health, Education and Welfare Regional Commissioner does not have line authority over the SSA district offices. The SSA district offices report to a district supervisor who reports directly to the Baltimore central office. These two factors will inhibit implementation of any federal-state agreement delineating social services. So long as this situation exists, the SSA system does not have the capability to design and implement uniform, statewide procedures.

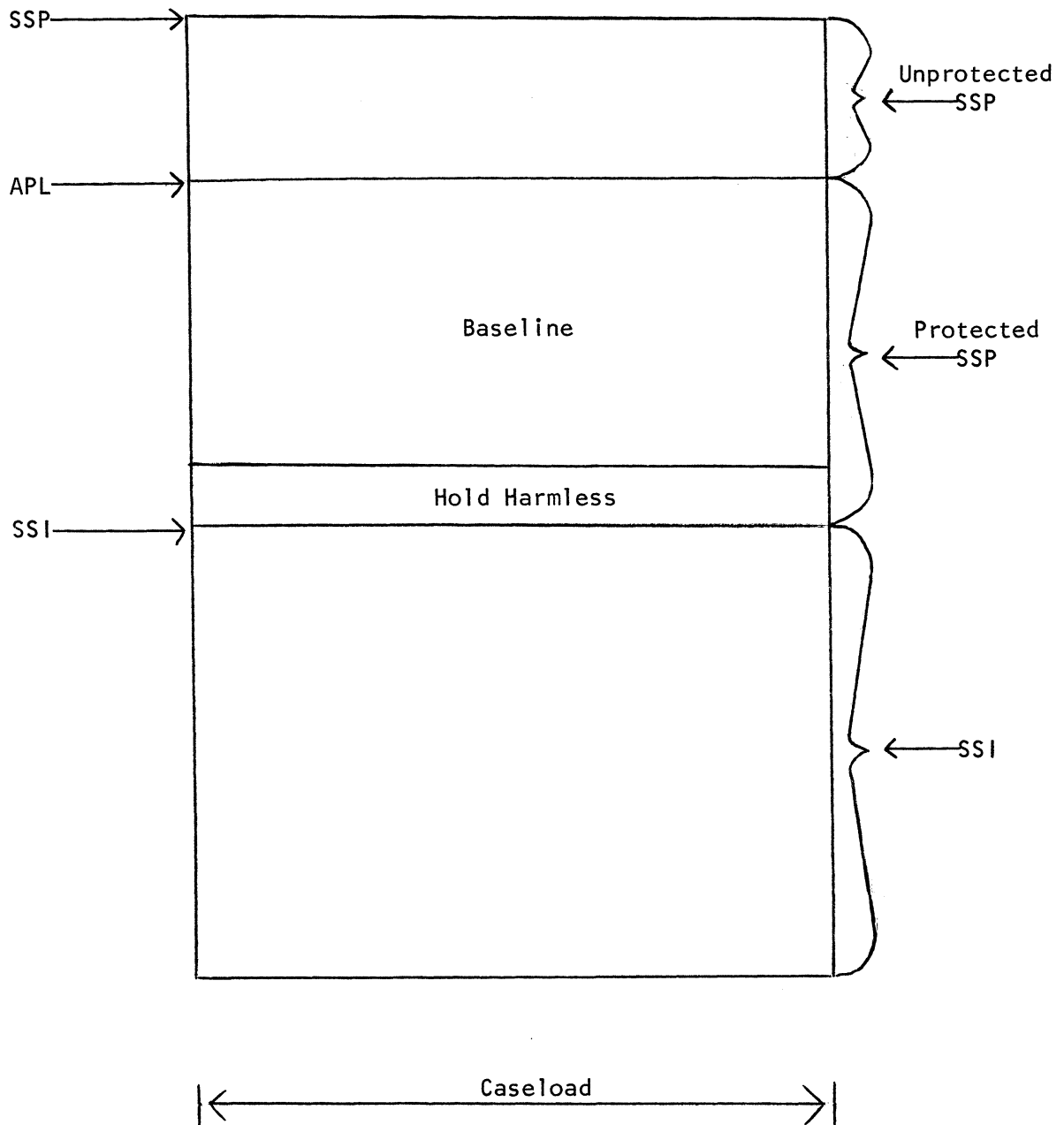
This administrative arrangement impacts on the Auditor General's recommendations that a referral system with accompanying forms be implemented. Rather than filling out the form on all applicants, the SSA should do some gross screening and refer only those persons who have a need for services. The SSA would need assistance in the development of tools for training their staff in this function. It is doubtful that this effort should be carried out given the lack of the statutory base for referrals and the current federal administrative structure.

The state and federal responsibilities related to social services must be delineated in the interagency agreements and carried out. However, unless accompanying federal administrative changes are made, the agreements will be philosophical rather than pragmatic.

FISCAL YEAR 1975-76
SSI-SSP
ADJUSTED PAYMENT LEVELS

<u>Aid Category</u>	<u>Provisional APL</u>	<u>HEW's Audit of the Provisional APL</u>
<u>Individuals:</u>		
Aged	\$216.61	\$210.33
Blind	236.54	234.89
Disabled	212.68	208.77
<u>Couples:</u>		
Aged/Aged	392.58	381.26
Blind/Blind	431.90	428.90
Disabled/Disabled	372.68	365.88
Aged/Blind	412.24	405.08
Aged/Disabled	382.63	373.57
Blind/Disabled	402.29	397.39

ADULT PROGRAM FUNDING RELATIONSHIPS



PROPOSED STATEMENT OF
SOCIAL SERVICES NEEDS

<input type="checkbox"/>	I WOULD LIKE HELP OR INFORMATION CONCERNING ONE OR MORE OF THE FOLLOWING PROBLEMS:
\$ <input type="checkbox"/>	YES <input type="checkbox"/> NO IF YES, CHECK ONLY THOSE WITH WHICH YOU NEED HELP
<input type="checkbox"/>	MY HOUSE IS IN POOR CONDITION AND NEEDS REPAIR.
<input type="checkbox"/>	I LIVE ALONE AND HAVE NO WAY TO VISIT FRIENDS.
<input type="checkbox"/>	I NEED AN ATTENDANT OR HOUSEKEEPER
<input type="checkbox"/>	I MUST MOVE TO ANOTHER HOUSE
<input type="checkbox"/>	I HAVE A HEALTH PROBLEM WHICH I WOULD LIKE TO DISCUSS WITH A SOCIAL WORKER
<input type="checkbox"/>	OTHER (EXPLAIN) <hr/>
<input type="checkbox"/>	I AM DISABLED; I CANNOT GET AROUND
\$ <input type="checkbox"/>	YES <input type="checkbox"/> NO
<input type="checkbox"/>	I AM INTERESTED IN REHABILITATION SERVICES.
\$ <input type="checkbox"/>	YES <input type="checkbox"/> NO
<input type="checkbox"/>	I AM UNDER A DOCTOR'S CARE
\$ <input type="checkbox"/>	YES <input type="checkbox"/> NO

Source: Declaration of Eligibility (former State Department of Social Welfare, Form #ABCD201).

Office of the Auditor General

cc: Members of the Legislature
Office of the Governor
Office of the Lieutenant Governor
Secretary of State
State Controller
State Treasurer
Legislative Analyst
Director of Finance
Assembly Office of Research
Senate Office of Research
Assembly Majority/Minority Consultants
Senate Majority/Minority Consultants
California State Department Heads
Capitol Press Corps