

Office of the Inspector General

Commonwealth of Massachusetts

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Review of Eligibility for the Transitional Aid to Families with Dependent Children Program

January 2013

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Executive Summary

Pursuant to Chapter 161 of the Acts of 2012, the Office of the Inspector General (Office) studied eligibility information that recipients of Transitional Aid to Families with Dependent Children (TAFDC) benefits provided to the Department of Transitional Assistance (DTA). TAFDC is a state and federally funded program designed to assist the Commonwealth's poorest residents. TAFDC benefits for families living in unsubsidized housing have increased by just 10% since 1989, meaning that benefit levels have not kept pace with inflation. This reality, combined with the current difficult economic climate, has made it more critical than ever that only those who are eligible receive TAFDC benefits.

To be eligible, each TAFDC household must include either a dependent child or a woman in the last trimester of her pregnancy. School-aged children must be attending school and properly vaccinated. Recipients must provide a valid Social Security number and, in most cases, participate in a work program. Finally, to ensure that TAFDC assistance is only provided to the state's poorest citizens, the DTA requires that recipients provide evidence that they are Massachusetts residents, that their total income is below gross and net thresholds, and that their countable assets are worth less than \$2,500.

In carrying out its legislative mandate, the Office examined a statistically valid sample of Massachusetts' active TAFDC cases as of June 1, 2012, to evaluate documentation confirming that TAFDC's eligibility requirements had been met. The Office found substantial compliance in all of the eligibility categories, with one exception: none of the households with school-aged children within the sample complied with TAFDC's school attendance verification requirement. The Office also found potential eligibility errors in the following areas: undisclosed assets (including real property and vehicles); undisclosed employment income; the use of placeholder Social Security numbers; and missing verifications associated with residency, participation in work programs, citizenship or immigration status, absent parent information, immunizations and the relationship status between grantees and dependent children. Extrapolating from the statistically valid sample, the potential eligibility errors identified throughout this report are expected to be present in the range of about 33.1% of the households receiving TAFDC benefits. Potential eligibility concerns that could result in the termination of benefits are expected to be present in the range of about 8.9% of the households receiving benefits. These eligibility

concerns could potentially have an expected average cost to the taxpayers in the range of about \$25,000,000 a year.

In general, the Office found that the DTA is complying with its eligibility rules. In addition, the DTA is in the process of implementing supplementary procedures and controls to strengthen the eligibility verification process. However, in order to make the best use of the state's limited resources, the Office recommends that the DTA improve and standardize its documentation procedures, re-evaluate its presumption that unverified applicants do not have income or assets, re-examine its policy not to consider the assets or income of certain caretakers, increase staff training, and enhance both its enforcement and program integrity initiatives.

Introduction

In February 2012 a special commission (Commission), convened by the Legislature, studied the use of Electronic Benefit Transfer (EBT) cards. The Inspector General was a member of the Commission. The Commission was tasked with researching and evaluating such issues as the use of EBT cards to purchase firearms, tobacco, alcohol, lottery tickets and similar products; the use of EBT cards out of state; and the cost of requiring the Department of Transitional Assistance (DTA) to include the participant's photograph on his EBT card. On April 1, 2012, the Commission issued a set of recommendations. As part of its recommendations, the Commission suggested that the Massachusetts Office of the Inspector General (Office) examine the accuracy of eligibility information provided by participants in the DTA's cash assistance programs.

In July 2012, the Legislature enacted Section 6 of Chapter 161 of the Acts of 2012, *An Act Relative to the Electronic Benefit Transfer Program*, which directed the Office to conduct a data-match survey to evaluate the accuracy of information provided to the DTA by cash assistance recipients. Section 6 became law on July 27, 2012, and states as follows:

SECTION 6. Notwithstanding any general or special law to the contrary, the inspector general shall conduct a data match survey involving the case records for households receiving cash assistance benefits under chapter 18 of the General Laws for the purposes of uncovering information that is inconsistent with or contradictory to information provided by the cash assistance benefit recipients. The inspector general shall submit a report that shall include the results of a further investigation on a statistically valid sample of the cases for which inconsistent or contradictory information has been found to determine if the household is receiving benefits for which it is not eligible, and if so, whether the error is due to administrative error, unintentional program violation or intentional program violation with the house and senate committees on ways and means on or before December 31, 2012; provided, however, that 60 days before filing the report the inspector general shall provide a draft of the report to the department of transitional assistance for review and comment and the inspector general shall include the department's comments with the report when it is made public and filed.

In carrying out this mandate, the Office focused its investigation on the Transitional Aid to Families with Dependent Children (TAFDC) program, which is the largest cash assistance program that the DTA administers. The Office reviewed a statistically valid sample of active TAFDC cases as of June 1, 2012, the most recent date for which complete electronic data was

available. The Office also conducted informal interviews, participated in trainings the DTA conducted, and performed a database interrogation of all 141,232 TAFDC recipients as of June 1, 2012. This report contains the Office's findings and recommendations.

Background

I. The Office of the Inspector General

Created in 1981, the Office was the first state inspector general's office in the country. The Office's mission is to prevent and detect fraud, waste and abuse in the expenditure of public funds. The Office investigates allegations of fraud, waste and abuse at all levels of government; conducts programmatic reviews to identify systemic vulnerabilities and opportunities for improvement; and provides assistance to the public and private sectors to help prevent fraud, waste and abuse in government spending. The Office also offers a wide range of training programs designed to promote excellence in public procurement and to enhance the capacity of public purchasing officials to operate effectively.

The Office has considerable experience reviewing social service programs, including public housing programs, fuel assistance, MassHealth and the Health Safety Net. Like TAFDC, all of these programs have eligibility, documentation and verification components. The Office also has expertise in developing fraud-control best practices for state agencies and municipalities.

II. The Department of Transitional Assistance

The DTA falls under the umbrella of the Commonwealth's Executive Office of Health and Human Services. The DTA's mission is to assist low-income individuals and families to meet their basic needs, increase their income and improve their quality of life. Its annual budget for FY2013 is \$778,785,439.

In addition to its central office in Boston, the DTA has more than 20 regional offices located throughout the state. The DTA's regional offices are responsible for managing and monitoring the delivery of support services to individuals and their families. Individuals and families apply for DTA services at the regional DTA offices.

In carrying out its mission, the DTA administers four programs. TAFDC is a state and federally funded program that provides temporary cash assistance to low-income families with children and to pregnant women in the last 120 days of pregnancy. TAFDC is also the state's implementation of the federal Temporary Assistance for Needy Families (TANF) program, and is meant to provide emergency, short-term cash assistance to families struggling to meet the

basic needs of their children. TAFDC is the DTA's largest cash-assistance program and was the focus of the Office's review.

The DTA also administers several other social welfare programs. Supplemental Security Income is state-funded and provides cash assistance to certain individuals who also receive federal Social Security income benefits. Emergency Aid to the Elderly, Disabled and Children is a state-funded program that provides limited cash assistance to extremely low-income elderly and disabled persons, as well as children, who are not covered by other benefit programs. Finally, the Supplemental Nutrition Assistance Program is federally funded and provides food and nutritional benefits to low-income individuals and families.

III. Transitional Aid to Families with Dependent Children

During FY2012, the average monthly TAFDC grant to a household was \$456. At the time of the Office's selected sample, June 1, 2012, there were 51,311 active TAFDC cases through which the DTA provided benefits to 141,232 recipients. The TAFDC appropriation for FY2013 is \$315,351,679.

A. Definitions

TAFDC regulations refer to the following terms for eligibility and benefit determination purposes.

Assistance Unit. An assistance unit is composed of those people in a household who are eligible to receive TAFDC benefits. For instance, when an application is made on behalf of a dependent child, the assistance unit includes:

- (1) the dependent child as defined in 106 CMR 701.600;
- (2) the natural and/or adoptive parent(s) of the dependent child living in the same household as the dependent child; and
- (3) all siblings of the dependent child who are related by blood or adoption and living in the same household as the dependent child and who are themselves dependent children. 106 CMR 701.600; 106 CMR 204.305.

The DTA considers the needs of the assistance unit in order to determine both eligibility for the TAFDC program and the amount of the monthly grant (*i.e.*, cash) that the assistance unit receives.

Filing Unit. A filing unit is composed of (a) the assistance unit and (b) individuals who should be in the assistance unit but who “have failed to fulfill an eligibility requirement, or have been sanctioned, or have failed to cooperate.” 106 CMR 204.310(B). For instance, a father who is living with his dependent daughter but who has not provided the DTA with his Social Security number would not be in the assistance unit, but would be included in the filing unit.

The DTA must consider the income and assets of everyone in the filing unit in order to determine the assistance unit’s eligibility for TAFDC and the amount of the monthly grant (*i.e.*, cash) that the assistance unit receives. 106 CMR 204.310.

Household. A household is the total group of people who live together. The assistance unit, the filing unit and the household may or may not be the same group of people. 106 CMR 701.600.

Grantee. Grantees are the adults in the assistance unit who receive the grant on behalf of the assistance unit. In a two-parent household, both parents are considered grantees. 106 CMR 701.600.

Ineligible Grantee. Ineligible grantees are adults who receive a grant on behalf of a dependent child, but who are not themselves eligible for TAFDC benefits. For instance, a parent who is receiving Social Security Income benefits is an ineligible grantee. 106 CMR 701.600.

Finally, for the purpose of this report, an applicant refers to someone who has applied for TAFDC benefits on behalf of an assistance unit. A recipient is someone who is receiving TAFDC benefits as a grantee, an ineligible grantee or a member of an assistance unit.

B. Eligibility Requirements

To qualify for TAFDC benefits, an applicant must meet the following eligibility requirements.

Dependent Child and/or Expectant Mother. The primary requirement to receive TAFDC benefits is the presence of a dependent child. 106 CMR 203.560. A dependent child is a person who is either (a) under the age of 18 or (b) under the age of 19 and both a full-time student in twelfth grade or below and expected to graduate or complete a course of study or training before his nineteenth birthday. A pregnant woman in the final 120 days of pregnancy is also eligible for benefits. 106 CMR 203.565.

Relationship. Further, the dependent child must live with a relative responsible for the day-to-day care of the child in a place of residence maintained as a home. The relative must be related

to the dependent child as a blood relative; a stepfather, stepmother, stepsister or stepbrother; a parent by legal adoption or the adopting parent's blood relatives, natural children or adopted children; or the spouse of any person previously named, even if the marriage has been terminated. The relationship must be verified by a birth certificate or school records showing the address of the child and the name and relationship of the relative responsible for the child. Marital relationships must be verified by a license or certificate of marriage. 106 CMR 203.585.

Asset Guidelines. In order to receive TAFDC benefits, the filing unit cannot have "countable" assets worth more than \$2,500. 106 CMR 204.110. The dollar value of an asset is its equity value, except in the case of a vehicle. An asset's equity value is its fair market value less the value of any legal encumbrances. *Id.* In the case of a vehicle, the value is either the fair market value above \$10,000 or the equity value above \$5,000, whichever is greater.

Per 106 CMR 204.120 countable assets include:

- Cash
- Bank deposits
- Accessible pensions and retirement accounts
- Securities
- Cash surrender value of life insurance policies
- Burial insurance
- Real estate other than the primary residence
- Vehicles
- Income tax refunds
- Lump-sum income

Income Guidelines. The DTA also conducts a two-part income test, which considers both the filing unit's total family income and each member's monthly earned income. Earned income is defined as "income, in cash or in kind, earned through employment or self-employment." 106 CMR 204.210.

Massachusetts Residency. Each member of the assistance unit must be a resident of Massachusetts. 106 CMR 203.650. Residency can be satisfied in one of two ways. First, residency is satisfied if the members of the assistance unit live in Massachusetts with the intention of making their home in Massachusetts. Second, the members of the assistance unit are

considered Massachusetts residents if they are living in Massachusetts temporarily, are not receiving assistance from another state, and the reason for entering Massachusetts was to fulfill a job commitment or seek employment. In either case, the assistance unit is not required to maintain a permanent residence or fixed address.

Citizenship. Each member of the assistance unit must be a United States citizen, an eligible noncitizen as defined in 106 CMR 203.675, or an American Indian born in Canada. 106 CMR 203.665.

Social Security Number. A Social Security number must be provided for each member of the assistance unit, unless good cause exists. 106 CMR 701.230. If a Social Security number is not provided for a member of the assistance unit, the applicant must provide written verification from the Social Security Administration stating that the person for whom the Social Security number cannot be provided has applied for a Social Security number or has requested that an already-existing Social Security number be validated.

Absent Parent. Applicants must also cooperate with state child support enforcement efforts managed by the Department of Revenue (DOR). Specifically, the applicant must assign to the state her rights to any financial or medical support from an absent parent. 106 CMR 203.700. If an applicant does not cooperate, her application must be denied. However, there are certain “good cause” reasons that an applicant may not cooperate. These include:

- The child was conceived as a result of verified incest or forcible rape.
- Legal proceedings for the child’s adoption are pending.
- A licensed public or private agency is currently helping to resolve whether to put the child up for adoption.
- The child or grantee would suffer serious harm or emotional impairment if the applicant cooperated.

While the DOR determines whether a grantee is cooperating, the DTA determines whether a grantee has a good cause for not cooperating.

Immunization. Every dependent child must be properly immunized. 106 CMR 203.800. Immunization must be verified at the time of application, upon notification of the birth of a dependent child, and when the dependent child turns two. Immunizations can be refused for

religious or medical reasons, or if a grantee states in writing that after consultation with a physician the grantee believes there are health risks associated with the immunizations.

School Attendance. Every school-aged dependent child must attend school or be home-schooled, unless the grantee is disabled. 106 CMR 203.900. School attendance verification for a dependent child under the age of 14 must be provided on a quarterly basis and include the number of unexcused absences the dependent child had in that quarter.

Work Program. Unless she is employed or exempt, a grantee who has received TAFDC assistance for 60 days must participate in the DTA's employment services program (ESP). 106 CMR 203.400. The regulations outline the number of hours that the grantee must work or otherwise participate in the program.

C. BEACON

In order to determine the eligibility of applicants and track cases, the DTA uses a computerized intake system called BEACON. During the intake process, caseworkers input the applicant's eligibility information into BEACON. BEACON then calculates the dollar amount of the benefit for which the assistance unit is eligible. In addition, BEACON can also interface with other government data sources to provide the DTA with additional information on each of its applicants and recipients. Finally, BEACON also stores all the information the caseworker inputs and serves as an electronic case file. A physical file also exists at the regional DTA office managing the case.

D. Program Integrity

In 2008, the DTA created the Program Integrity Division in response to its growing caseload. The Program Integrity Division is composed of three units: Program Assessment; Fraud Investigations and Data Matching; and Recoveries, Reimbursements and Reporting. The Program Integrity Division is responsible for coordinating activities to maintain the integrity of all of the DTA's units and programs.

The Program Assessment Unit consists of 44 employees and conducts federally mandated reviews and ad hoc regional DTA office reviews to ensure compliance with DTA regulations. The Fraud Investigations and Data Matching Unit consists of 24 employees and oversees the fraud hotline, investigative referrals and fraud investigations. The unit also conducts numerous

data matches to a variety of data sources on a daily, weekly, monthly, quarterly and annual basis to assist in verifying eligibility. Additionally, the unit refers more egregious cases to federal oversight agencies and the Bureau of Special Investigations within the Office of the State Auditor. The Recoveries, Reimbursements and Reporting Unit consists of eight employees and is responsible for the collection activity of all overpayments of DTA benefits, provides information and documentation to the regional DTA offices for overpayment appeals, and collects reimbursements from other agencies.

The DTA is actively seeking to expand the number of data matches the Program Integrity Division performs, and also to automate the data matches it conducts. Currently, many data matches are performed after an individual has already started receiving benefits. The DTA is attempting to move some of these matches to the front end of the eligibility determination process in order to verify eligibility at the time that an individual applies for benefits. Among these initiatives, the DTA is working with the DOR to (a) obtain employment information at the time an individual applies for benefits and (b) expand the types of information it receives from the DOR. Further, the DTA is piloting an automated employment verification system that would provide the DTA with access to employment information from 2,000 employers. The DTA has indicated that such a system will greatly enhance its program integrity efforts.

The DTA is also to enhance its Social Security number verification process to ensure that applicants provide an accurate Social Security number for each recipient in the program. Further, the Executive Office of Health and Human Services is currently developing an Integrated Eligibility System, with anticipated implementation by 2015, which the DTA believes will enhance program integrity. Similarly, the DTA is exploring additional ways to verify that school-aged children are attending school.

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Methodology

In carrying out the Legislature's mandate, the Office completed a data-match survey on a statistically valid sample of TAFDC cases. A "statistically valid" sample is one which can, with a determined amount of certainty, be used to extrapolate trends within a larger population. Certainty in extrapolations is broken down into two categories: Confidence Interval and Confidence Level. The Confidence Interval is the range in which the actual value of a given result could deviate from the reported value; 5% is a typical standard. The Confidence Level is the certainty with which all given values will fall within the Confidence Interval; 95% is a typical standard.

The Office calculated its statistically valid sample using a 5% Confidence Interval and a 95% Confidence Level. Based on this calculation, the Office randomly selected 381 TAFDC cases from the 51,311 TAFDC cases in the DTA's system as of June 1, 2012. This sample of 381 cases was drawn from all regional DTA offices in the state and encompassed 1,078 individuals.

The Office also created a database using a series of output tables that it received from the DTA. The database contained eligibility information for all TAFDC cases in the DTA's system as of June 1, 2012 (51,311 cases encompassing 141,232 individuals). The Office then tested certain eligibility information provided to the DTA against a commercially-available data aggregation service. The aggregation service accesses current public records and can provide probable identification information for individuals. The purpose of this data aggregation test was to identify preliminary "red flags," that is, data that called into question a recipient's eligibility for TAFDC benefits. The categories the Office tested are identified in the table below.

Category Tested	Preliminary Red Flags
Name	Aliases that do not appear to be maiden names
Date of Birth (DOB)	DOBs that differ from those recorded in the BEACON system
Real Property	Deeds which list the grantee as the owner of real property
Vehicles	Currently registered vehicles Vehicles currently registered out of state
Employment	Listed employment Active professional licenses Other indicia that the grantee is employed, such as data indicating that the grantee has “work associates”
Businesses	Corporate filings indicating that the grantee owns or operates a business
Massachusetts Residency	Active, out-of-state addresses that run concurrently with the application timeframe Active addresses that run concurrently with the application timeframe and that do not match the address recorded in BEACON Active driver’s licenses from other states
Social Security Number	Multiple individuals associated with the same Social Security number Multiple Social Security numbers for one individual No Social Security number

Table 1. Categories Tested Against Data Aggregation Service.

Following the identification of preliminary red flags, the Office reviewed the physical case file for each of the 381 cases in the sample. During the case file review, the Office looked for documentation relating to the preliminary red flags. The Office also looked for documentation to verify the eligibility of each recipient, such as birth certificates, Social Security cards, driver’s licenses, documentation that the recipient is participating in ESP, address verification documents, immunization records and school attendance verification forms. Through this process, the Office resolved some preliminary red flags; that is, despite a preliminary flag in a specific category (*e.g.*, income), the Office was able to determine that the recipient had satisfied the eligibility requirement for that category. At the same time, the Office also identified additional eligibility issues that required investigation.

The Office conducted the majority of case file reviews in regional DTA offices throughout the state. In situations where a regional DTA office had only a few case files included in the sample, the files were sent to the DTA central office and staff from the Office reviewed the case files there. Teams made up of three to eight Office staff conducted the case file reviews almost daily

over a three-week period. In most instances, two staff members reviewed each case file to ensure accuracy.

The Office also interrogated the database of all TAFDC cases in the DTA's system as of June 1, 2012, to identify trends and anomalies across all 51,311 TAFDC cases. This included searches to identify duplicate information from different recipients, placeholder Social Security numbers and other similar queries. The Office also retained an actuary to assist with the statistical analyses presented in this report.

Finally, throughout the course of this review, the Office met with, provided information to, and received data from the DTA. While the Office conducted its fieldwork in October, the Office regularly shared with the DTA general observations and potential eligibility concerns that were identified during the case file reviews. Once the case file reviews were completed, the Office provided the DTA with a draft of the report in early November and then again with an updated report at the end of November. Also throughout November the Office provided the DTA with the case-specific information that formed the basis of the Office's findings. In mid-December, the Office and the DTA met to discuss the draft report.

On December 20, 2012, the DTA provided the Office with additional documentation in order to help resolve many of the eligibility concerns the Office had identified. In order to adequately review this new information and to ensure that this report was accurate, the Office requested and obtained a one-month extension (until January 31, 2013) from both the House and the Senate Committees on Ways and Means to submit the final report.

During this one-month period, the Office reviewed all the new information the DTA submitted and was able to resolve approximately 65 of the eligibility issues previously identified. In mid-January the Office met with the DTA to discuss these updates. Included in this final report are the updates and the results of the Office's review of the supplemental documentation the DTA provided on December 20, 2012.

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Findings

I. Financial Eligibility Requirements

A. Asset Limits

In order for the assistance unit to be eligible for TAFDC benefits, the filing unit's total countable assets may not exceed \$2,500. For each of the 381 cases in the sample, the Office evaluated and tested the following countable assets.

1. Real Estate (Other than the Principal Residence)

The equity value of the filing unit's primary residence, including the land on which it rests, is not a countable asset. The equity value of all other real property owned by anyone in the filing unit is a countable asset (with certain exceptions for situations where there are good faith efforts to sell the property). As previously discussed, equity value is the fair market value of the property minus any legal encumbrances or obligations.

For each of the 381 randomly selected cases, the Office queried the information from the data aggregation test to determine if any recipients had identified real estate ownership interests. Of the 381 recipients in the test sample, the Office found that 34 had associated real property interests. Four of these grantees appeared to have multiple real property interests.

Through the case file reviews and subsequent examination of registry-of-deed information, the Office was able to resolve 31 cases because (a) the recipient had disclosed to the DTA that the property was her principal residence; (b) the recipient was an ineligible grantee whose assets and incomes are not included in evaluating eligibility or benefits;¹ or (c) the property was disposed of (foreclosed) before the recipient applied for TAFDC benefits. Consequently, the exception list was narrowed to three cases (0.8% of the sample) in which a recipient appeared to have undisclosed real property. Because the equity value of real estate (other than a primary residence) counts towards the filing unit's \$2,500 asset limit, the existence of undisclosed real property raises concerns about the recipients' eligibility for TAFDC benefits.

¹ See Sections I.C and I.D below.

Extrapolating from the percentage of exception cases (0.8%) as derived from the sample, undisclosed real property is expected to be present in the range of about 404² (or 0.8%) of the 51,311 active TAFDC cases the DTA had as of June 1, 2012. On a program-wide basis, therefore, this eligibility issue could potentially have an expected average cost to the taxpayers in the range of about \$2,200,000³ a year.

Finally, in one of the three exception cases, the recipient disclosed to the DTA that her family owned a duplex. The recipient and her family lived in one unit; she rented the other unit for more than \$1,000 per month. Nevertheless, the equity value of the rental unit was not considered in determining the assistance unit's eligibility for TAFDC benefits. While the DTA considers recipients who own rental property to be business owners, the DTA does not consider the financial value of business assets in determining eligibility for TAFDC benefits. The DTA should consider including the value of business assets when calculating financial eligibility for TAFDC benefits.

2. *Vehicles*

Vehicles are countable assets. If the filing unit has only one vehicle, the DTA excludes the vehicle's fair market value up to \$10,000 or its equity value up to \$5,000, whichever is greater. 106 CMR 204.120. When the filing unit owns more than one vehicle, the \$10,000 fair market/\$5,000 equity exclusion is applied to the vehicle having the greatest value, provided it is used primarily for the transportation of the filing unit. The DTA considers the full fair market value or the full equity value (whichever is greater) of each additional vehicle the filing unit owns (including vehicles used primarily for recreational purposes, such as snowmobiles, boats and trailers).

Through the initial data aggregation test, the Office identified 136 cases in which recipients appeared to own motor vehicles. In five of these cases, the data aggregation survey indicated that recipients owned multiple vehicles. Through examination of the case files, the Office was able to resolve 106 of these cases. In the subsequent review of the supporting documentation the DTA provided in response to the draft report, the Office was able to resolve nine additional

² 404 = 0.8% x 51,311, within rounding.

³ \$2,200,000 = \$456 per month x 12 months x 404 cases, within rounding. The \$456 value was the average monthly grant per household across the entire TAFDC program in FY2012; therefore, the Office used this average in its calculations.

cases. Twenty-one cases (or 5.5% of the sample) could not be resolved, meaning that the recipient appeared to have a vehicle that had not been disclosed to the DTA.

The Office brought these 21 cases to the DTA's attention. The DTA found that the value of each vehicle fell below the regulatory thresholds, meaning that the vehicles would not affect the recipients' eligibility for TAFDC benefits. Nevertheless, the lack of disclosure of these vehicles highlights weaknesses in the DTA's process to identify assets.

Extrapolating from the percentage of potentially ineligible cases (5.5%) related to this issue as derived from the sample, undisclosed vehicles are expected to be present in the range of about 2,828 (or 5.5%) of the 51,311 active TAFDC cases the DTA had as of June 1, 2012.

3. *Cash*

The TAFDC eligibility process relies on applicants to fully disclose all cash on hand, including checking and savings accounts. The Office, through its review of the individual case files, identified several cash-related issues, including the following:

- An applicant disclosed to the DTA that she had a bank balance in excess of \$3,000. Although that amount exceeded the DTA's eligibility limits, the applicant was granted TAFDC benefits. There was no evidence in the DTA's case files that the agency had evaluated the applicant's cash assets and determined that all or part of those assets should not be included in the eligibility determination.
- An applicant claimed that she had been unemployed for more than six years and that her spouse was incarcerated. The applicant also provided part of a bank statement that covered the weeks immediately preceding the initial application. While the statement was incomplete, a monthly summary revealed deposits totaling more than \$7,000, withdrawals totaling more than \$8,500, and an ending balance of approximately \$200. Under 106 CMR 204.135(B)(1) et seq., the withdrawals were an extraordinary expense, thereby creating a rebuttable presumption that the transfer was made for the purpose of qualifying for TAFDC benefits. Absent proof rebutting this presumption, the applicant should not have been eligible pursuant to 106 CMR 204.135(B)(3). The applicant's case file did not contain any proof rebutting the presumption. Additionally, the information in the bank account called into question the veracity of the applicant's assertions that she had been unemployed for more than six years. The records provided to the Office contained no evidence that the DTA investigated the applicant's employment status.

B. Income Limits

To assess eligibility for TAFDC benefits, the DTA conducts a two-part income test that considers both the filing unit's total family income and each member's monthly earned income.

Earned income is defined as “income, in cash or in kind, earned through employment or self-employment.” 106 CMR 204.210.

To evaluate recipients’ disclosure of earned income, the Office examined both outside employment and self-employment.

1. Income from Outside Employment

Out of the 381 cases sampled, the Office identified through the data aggregation test 26 cases in which recipients appeared to be employed. This warranted a follow up to determine whether the recipients’ earned income made them ineligible for TAFDC benefits. After reviewing the individual case files, the Office cleared 20 of these cases and also identified two additional red flag files, for a total of eight cases with employment concerns.

Of these eight cases, the Office determined that six recipients (1.6% of the sample) appeared to have undisclosed earnings. In one case, for instance, the Office found a document from a local housing authority indicating that the recipient’s gross income exceeded TAFDC income limits. There was no evidence in the DTA’s case file that the agency had investigated the recipient’s income or employment status. In two other cases, the DTA had received tips via its fraud hotline. In one, the tip indicated that the recipient’s spouse was still living with the family and that he was working full time. In the other, the tip indicated that the recipient was running a daycare from her home. In the former case, there was no documentation indicating that the DTA had investigated the allegations. In the latter case, the fraud intake form indicated that no further action was taken.

If these six recipients (1.6% of the sample) had undisclosed earnings, they may not have been eligible for the TAFDC benefits they were receiving. Extrapolating from the percentage of potentially ineligible cases (1.6%) related to this issue as derived from the sample, undisclosed employment earnings are expected to be present in the range of about 808 (or 1.6%) of the 51,311 active TAFDC cases the DTA had as of June 1, 2012. On a program-wide basis, therefore, this issue could potentially have an expected average cost to the taxpayers in the range of about \$4,400,000⁴ a year.

⁴ \$4,400,000 = \$456 per month x 12 months x 808 cases, within rounding. See also footnote 3.

2. *Business Verification*

DTA regulations state that income from self-employment, net of business expenses, counts towards TAFDC income limits as earned income.

The Office did not identify any cases in which a recipient was operating a business in her own name. Through its initial data aggregation test, the Office identified 22 cases out of the 381 cases in its test sample wherein the recipients appeared to have ownership interests in businesses. After controlling for ineligible grantees and defunct businesses, the Office found no recipient operating a business under her own name.

C. Unverified Applicants

As previously discussed, if an applicant does not provide the required information about citizenship or immigration status, she is ineligible to receive TAFDC benefits. Such an “unverified applicant” nevertheless can receive benefits on behalf of a dependent child. If the unverified applicant lives with and has a legal duty to support the dependent child, the applicant’s assets and income are supposed to be considered in determining the dependent child’s eligibility for TAFDC benefits. 106 CMR 104.305; 106 CMR 104.310. However, it is the DTA’s practice not to require unverified applicants to provide proof of income or assets. It is the DTA’s practice to presume that unverified applicants have no assets or income.

Through its initial data aggregation survey, the Office identified unverified applicants who appeared to have motor vehicles and outside employment.

D. Responsible Relatives Without Legal Custody

Under the DTA’s regulations, a responsible relative may apply for TAFDC benefits on behalf of a dependent child who is living with that relative. The regulations do not explicitly require that the responsible relative have legal custody of the child.

As previously discussed, an assistance unit’s eligibility for benefits is based on the filing unit’s assets and income. The regulations are silent as to whether the filing unit includes a responsible relative who is caring for a dependent child but who does not have legal custody of that child. *See* 106 CMR 104.305. Additionally, it is the DTA’s practice *not* to include that responsible relative in the filing unit. Thus, when a responsible relative applies for benefits on behalf of a child without demonstrating legal custody, that responsible relative’s income and assets are not

considered in determining eligibility. For instance, a grandparent who cares for his granddaughter (but who does not establish legal custody) may apply for benefits on behalf of his granddaughter. Nevertheless, his assets and income would not be examined in determining the child's eligibility or the amount of his grant.

Through its initial data aggregation survey, the Office identified responsible relatives who appeared to have the following assets and income:

- Interest in real property
- Motor vehicles
- Outside employment
- Business interests

II. Non-Financial Eligibility Requirements

A. Residency and Address Verification

Because only Massachusetts residents are eligible for TAFDC benefits, DTA regulations, 106 CMR 203.650(B)(1), require that an applicant verify that he is a Massachusetts resident through one of the following methods:

- A signed statement from a landlord specifying the rental arrangement, including the rental address
- A deed or other evidence that the applicant owns property that is being used as the assistance unit's home
- Postal service records
- Church or religious institution records
- Utility company records
- Voter registration records
- Motor vehicle license or registration
- Employment records

DTA regulations state that if the applicant is “homeless and documentary evidence is not available,” 106 CMR 203.250(B)(2),⁵ residency can be verified by:

- A written statement signed by the household or by a person known to the household stating that the applicant lives in the area covered by the regional DTA office in which he applied for benefits
- A collateral contact with a person who can verify that the applicant lives in the area covered by the DTA office in which he applied for benefits
- A home visit

During the review of case files, the Office found that an applicant’s residency and address were typically verified through a Landlord Verification Form or a Shared Housing Verification Form. *See Appendix B and Appendix C.* The DTA created these forms, which must be signed by either the landlord or the person with whom the applicant resides, respectively. The forms must also list the applicant’s or recipient’s address as well as the amount of rent paid and, in the case of the Shared Housing Verification Form, the date on which the applicant started residing at the address.

Neither form is signed under the penalties of perjury. In addition, the DTA does not independently verify information on the form. The DTA does not confirm, for instance, that the form is signed by the actual landlord of a given residence.

Furthermore, six case files (1.6% of the sample) contained inadequate or no proof of residency. Many of these files contained a short handwritten letter from a person with whom the recipient purportedly resided. Such letters did not comply with DTA regulations because, for example, they failed to specify the rental arrangement or did not identify the recipient’s address. In one case, the purported residency verification was a handwritten note from an individual who stated that he was willing to rent to the recipient. In another case, the recipient listed his address as a post office box.

Residency is a threshold eligibility requirement. Extrapolating from the percentage of potentially ineligible cases (1.6%) related to this issue as derived from the sample, inadequate proof of residency is expected to be present in the range of about 808 (or 1.6%) of the 51,311 active TAFDC cases the DTA had as of June 1, 2012. On a program-wide basis, therefore, this issue

⁵ DTA regulations do not define the term “homeless.”

could potentially have an expected average cost to the taxpayers in the range of about \$4,400,000⁶ a year.

Also within the 381 cases reviewed, the Office identified 14 cases in which the data aggregation survey indicated that the recipient had an active out-of-state address. The DTA does not have access to a data aggregation service to evaluate eligibility and therefore the agency would not necessarily have been able to identify these 14 cases.

Nevertheless, some of these case files contained material that raised questions about the recipient's residency status, including the following:

- A recipient sought benefits on behalf of his dependent daughter. At the same time, the recipient's sister wrote a letter stating that she "has been caring for" her brother's daughter "since 2007." A letter from the recipient stated that his sister lived in Georgia, raising questions about whether the child resided in Massachusetts or Georgia.
- The data aggregation test showed that a recipient had an active address in New York. In the case file, the recipient's forms of identification were all from New York. The only proof of Massachusetts residency was a Shared Housing Verification Form.
- The recipient submitted a Landlord Verification Form and a Shared Housing Verification Form as proof of Massachusetts residency. However, the file also contained school verification forms stating that the recipient's dependent child (who was receiving TAFDC benefits) was attending school in Puerto Rico.

There was no evidence in the files for these three cases that the DTA investigated the recipient's residency status before granting TAFDC benefits.

Finally, while residency is an ongoing requirement, the Office found that a number of case files contained only one address verification for participants who had been receiving TAFDC benefits for more than a year.

B. Citizenship or Immigration Status

To be eligible for TAFDC benefits, each member of the assistance unit must provide proof that he is a United States citizen, an eligible noncitizen as defined in 106 CMR 203.675, or an American Indian born in Canada. 106 CMR 203.665. If an applicant does not provide acceptable information about his citizenship or immigration status, he is ineligible to receive TAFDC benefits.

⁶ \$4,400,000 = \$456 per month x 12 months x 808 cases, within rounding. *See also* footnote 3.

Through examination of the 381 case files, the Office identified 23 cases that lacked the documentation necessary to establish citizenship or immigration status. In the subsequent review of the supporting documentation the DTA provided in response to the draft report, the Office was able to resolve 16 of these cases. Seven of the cases (or 1.8% of the sample) could not be resolved. All seven cases involved active recipients, raising concerns regarding eligibility for TAFDC benefits.

Proof of citizenship or immigration status is a threshold eligibility requirement. Extrapolating from the percentage of potentially ineligible cases (1.8%) related to this issue as derived from the sample, inadequate proof of citizenship or immigration status is expected to be present in the range of about 943 (or 1.8%) of the 51,311 active TAFDC cases the DTA had as of June 1, 2012. On a program-wide basis, therefore, this issue could potentially have an expected average cost to the taxpayers in the range of about \$5,200,000⁷ a year.

C. Social Security Numbers

Each member of an assistance unit applying for TAFDC benefits must provide a Social Security number. 106 CMR 701.230. The DTA uses Social Security numbers to verify recipients' income against information maintained by other agencies, such as the DOR and the Department of Employment and Training.

If an applicant does not provide a Social Security number for someone in the assistance unit, he must provide the DTA with written verification from the Social Security Administration (SSA) that the individual has either applied for a Social Security number or has requested validation of an already-existing number. If an applicant cannot provide either a Social Security number or written verification from the SSA for an individual, that individual must be excluded from the assistance unit.

The DTA verifies the Social Security number for each member of the assistance unit against a data file from the SSA. Caseworkers are required to report any inconsistent or contradictory information.

⁷ \$5,200,000 = \$456 per month x 12 months x 943 cases, within rounding. See also footnote 3.

1. Verification

The Office attempted to verify the Social Security number for each recipient in the 381 sample cases. The Office found no cases in which a recipient had provided an invalid Social Security number; that is, in every case in which a Social Security number was provided for a recipient, that Social Security number was matched to that recipient.

2. Placeholder Social Security Numbers

If an applicant (or a member of his assistance unit) does not have a Social Security number when he applies for TAFDC benefits, the DTA temporarily assigns a “placeholder” Social Security number. These “placeholders” begin with “999.” Following the assignment of a “999” placeholder, the applicant must inform the DTA once an actual Social Security number is obtained for a grantee or dependent child. Applicants are not required to inform the DTA if a Social Security number is obtained for an ineligible grantee.

A 2004 report on the DTA’s technology controls by the State Auditor’s Office recommended that the DTA tighten its oversight of placeholder Social Security numbers, including instituting strict time limits on their validity, creating an automated system to remind recipients to provide actual Social Security numbers as soon as possible, and suspending benefits to recipients who failed to provide actual Social Security numbers within the time limit. The DTA has not implemented the State Auditor’s recommendations.

In reviewing the 381 case files, the Office found that seven dependent children who were receiving TAFDC benefits had placeholder Social Security numbers.⁸ There was no evidence in the case files that the applicants ever provided the DTA with a Social Security number for these seven children. Nor was there any evidence that the DTA followed up with the applicants to obtain the children’s Social Security numbers.

The Office also interrogated the TAFDC database representing all the active cases as of June 1, 2012, to identify all placeholder Social Security numbers. In total, the Office identified 5,443 individuals – including ineligible grantees – with placeholder numbers. The demographics for

⁸ The Office also found 26 ineligible adults with placeholder Social Security numbers; 23 were parents of children eligible for TAFDC benefits, while three were other adults in the household. As mentioned above, applicants are not required to inform the DTA if a Social Security number is obtained for an individual who is not receiving TAFDC benefits.

this group are as follows: 1,283 were under the age of one; 917 were between the ages of 1 and 17; and 3,243 were between the ages of 18 and 68. The DTA should tighten its oversight of placeholder Social Security numbers and require that applicants provide actual Social Security numbers in accordance with the agency's regulations.

3. *Enforcement*

When an ineligible grantee is unable or unwilling to provide a Social Security number, the DTA will stop efforts to obtain documentation or ask additional questions of the applicant. In particular, the DTA does not appear to question whether the applicant has a Social Security number. In one of the cases reviewed that included an ineligible grantee with a placeholder Social Security number, the Office found, based on the results from the data aggregation survey, that the grantee appeared to be a U.S. citizen who should have had a valid Social Security number.⁹

After meeting with the Office in December, the DTA indicated that in the next phase of its Social Security number verification initiative, the agency would determine whether ineligible grantees in fact have a Social Security number.

D. Employment Services Program (ESP)

DTA regulations provide that any recipient "who has received assistance for 60 days must work the required hours per week as specified in 106 CMR 203.400(A)(5), unless exempt." 106 CMR 203.400. If a recipient does not comply with ESP, he is no longer eligible for TAFDC benefits.

Compliance with ESP varied depending on the case file and the caseworker assigned to that file. A number of case files showed a strict adherence to the ESP requirement and contained verification that the recipient was either working, attending a training program, in school, or participating in community service. By contrast, a large number of files contained no verification or monitoring of the ESP requirements. Further, some recipients were deemed exempt from the ESP requirement without any explanation as to which exemption applied or any documentation that would provide a basis for an exemption.

⁹ After completing the case file reviews, the Office used a second data aggregator to determine if any other individuals with placeholder Social Security numbers had a valid Social Security number. Through this process the Office identified four additional ineligible grantees who appeared to have a valid Social Security number. In one instance the individual was also registered to vote.

Finally, two case files contained documents indicating that the recipient was not complying with the ESP requirement. In one case a recipient was enrolled in a training program, but a letter in her file indicated that she had not been attending the program. The recipient subsequently signed a verification stating she had been attending. In another case a recipient was receiving TAFDC benefits while she was incarcerated. During this time period, the recipient submitted timesheets stating she was participating in a work program at a career center. There was no evidence in the DTA's case files that the agency investigated either of these cases to determine if the recipient was eligible for TAFDC benefits.

E. Absent Parent Verification

Recipients must cooperate with the DOR to obtain child support and medical benefits from parents who are absent from the household. A recipient can satisfy this requirement by assigning her rights to the DOR and by signing a one-sentence "affidavit" stating that the child's father has been continuously absent from the household and that the recipient does not know his whereabouts. *See* Appendix A.

Out of 381 case files in the test sample, the Office identified four cases (1.0% of the sample) that contained evidence demonstrating that the recipient had provided inaccurate, contradictory and/or misleading information to the DTA. Below are summaries of the four cases:

- The recipient wrote a letter to the DTA explaining that she could not cooperate with the DOR because the absent father was a good father who visited every other day and paid twenty dollars a week in non-court ordered support. In her subsequent assignment form to the DOR, the recipient stated that the father lived in Cape Verde and that she did not know any of his personal information.
- The recipient signed an absent parent affidavit on January 20, 2010, after the birth of her first child. The affidavit stated that the father of the child had been continuously absent and that the recipient did not know his whereabouts. Eighteen months later, the recipient gave birth to a second child and named the same father on the birth certificate. Seven months later, she signed another affidavit stating that the child's father had been continuously absent and that the recipient did not know his whereabouts.
- On September 3, 2008, the recipient signed an affidavit stating that the father of her child was absent. Two years later she gave birth to another child with the same father and subsequently signed another affidavit stating that the father was absent.
- The recipient signed absent parent affidavits for her children but the birth certificates listed a different father than the one named in the affidavits.

The files for these four cases did not indicate that the DTA had conducted any inquiry to determine whether the father was an absent parent whose whereabouts were unknown.

Extrapolating from the percentage of potentially ineligible cases (1.0%) related to this item as derived from the sample, the issues raised above are expected to be present in the range of about 539 (or 1.0%) of the 51,311 active TAFDC cases the DTA had as of June 1, 2012. On a program-wide basis, therefore, this issue could potentially have an expected average cost to the taxpayers in the range of about \$2,900,000¹⁰ a year.

F. Length of Participation in TAFDC

An individual may only receive TAFDC benefits for 24 months in a continuous 60-month period. 106 CMR 203.200. After these time periods have run, the individual is no longer eligible for TAFDC benefits. These time limitations apply to all members of an assistance unit.

Nevertheless, the Office's case file review revealed that many participants had received TAFDC assistance for prolonged periods of time that exceeded the statutory limitations. In some instances, case files covered spans of more than 10 years. While individuals may obtain exemptions in certain circumstances that will toll or extend the TAFDC's time limitations (*e.g.*, the participant is a survivor of domestic abuse), many of the physical case files in the sample lacked any documentation showing if or why an exemption applied to that case. In addition, the physical case files did not contain any information about the specific number of months a participant had been receiving TAFDC benefits; such information is, however, located in BEACON.

G. Relationship Verification

Relationship is a threshold eligibility requirement for TAFDC. In order to be eligible for TAFDC benefits, the dependent child must live with a relative (the grantee) who is responsible for the child's day-to-day care in a place of residence maintained as a home. DTA regulations identify the relationship requirements between the grantee and the dependent child. 106 CMR 203.585. The regulations further provide that the relationship must be verified. Relationship may be verified by:

- Birth certificate showing the name(s) of the parent(s); or

¹⁰ \$2,900,000 = \$456 per month x 12 months x 539 cases, within rounding. See also footnote 3.

- For school-aged children, school records showing the address of the child and the name and relationship of the relative responsible for the child.

If neither of the above forms of verification is available, relationship can also be verified by a baptismal certificate, family bible, genealogical records, passport, hospital birth record, a Notification of Birth Form signed by a hospital official, United States Census records, Social Security benefit records, Immigration and Naturalization records, court records, or a third-party affidavit.

Marital relationship must be verified by a license or certificate of marriage.

Through examination of the 381 case files, the Office identified 14 cases in which there was no documentation in the file verifying the relationship between the grantee and the other members of the assistance unit. In the subsequent review of the supporting documentation the DTA provided in response to the draft report, the Office was able to resolve four of these cases. Ten of the cases (or 2.6% of the sample) could not be resolved and therefore appear to be ineligible.

Extrapolating from the percentage of potentially ineligible cases (2.6%) related to this issue as derived from the sample, inadequate proof of relationship is expected to be present in the range of about 1,347 (or 2.6%) of the 51,311 active TAFDC cases the DTA had as of June 1, 2012. On a program-wide basis, therefore, these issues could potentially have an expected average cost to the taxpayers in the range of about \$7,400,000¹¹ a year.

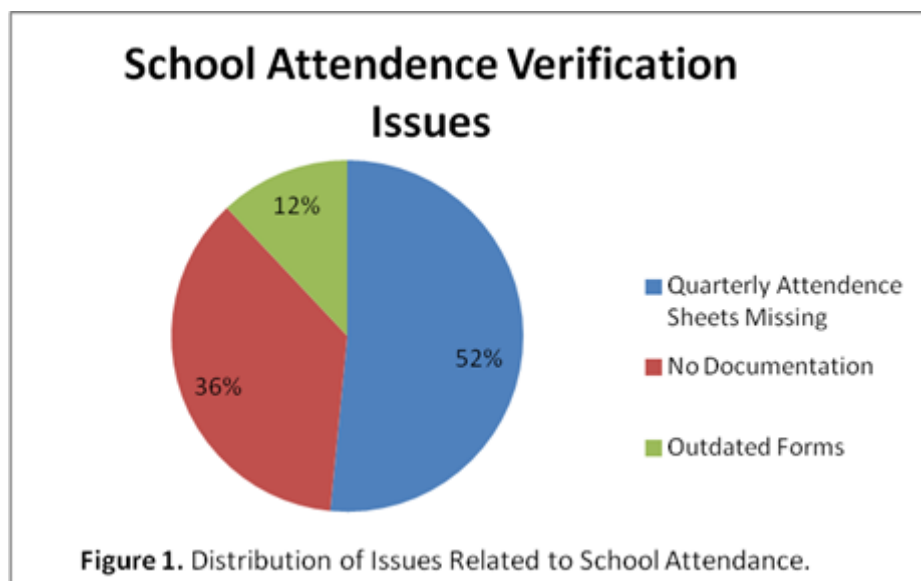
H. School Attendance Verification

Unless an exemption applies, dependent children under the age of 14 who receive TAFDC benefits must attend school. 106 CMR 203.900. Grantees must provide school attendance forms to the DTA on a quarterly basis and must include the number of unexcused absences the dependent child had in that quarter. Under DTA regulations, if a grantee does not provide the required school attendance verification, the DTA must put the grantee on probation and suspend the dependent child's benefits for six months, or until the grantee provides proof that the child is regularly attending school.

Of the 381 cases in the test sample, 225 had school-aged children (59.1% of the sample). None of these 225 cases complied with the school attendance verification requirements outlined above.

¹¹ \$7,400,000 = \$456 per month x 12 months x 1,347 cases, within rounding. *See also* footnote 3.

In 116 of these cases, one or more quarterly attendance reports were missing from the file. In 109 of the cases, the grantees failed to provide the requisite proof that the school-aged dependents were attending school; 27 of these 109 cases contained outdated forms, while 82 contained no documentation.



None of the 109 case files contained a justification excusing the school-aged dependents from attending school. *See* 106 CMR 203.900. Similarly, the Office found no evidence that the DTA was sanctioning recipients who failed to provide the required school attendance records.

Extrapolating from the percentage of noncompliant cases (59.1%) as derived from the sample, inadequate school verification records are expected to be present in the range of about 30,302 (or 59.1%) of the 51,311 active TAFDC cases the DTA had as of June 1, 2012. The absence of such records does not, however, necessarily mean that a dependent child is not attending school in Massachusetts (and that he therefore is ineligible for TAFDC benefits). For instance, a grantee could have failed to submit forms or forms could have been submitted but not placed in the case file.

I. Immunization Verification

TAFDC regulations require that recipients “ensure that each dependent child is properly immunized.” 106 CMR 203.800(A). As a result, recipients must, at a minimum, provide verification of a dependent child’s immunization at the time of application, upon notification of

the birth of a dependent child who will be included in the assistance unit, and when the dependent child turns two years of age. 106 CMR 203.800(A). Moreover, in cases where the immunization certificate states that a dependent child does not have the age-appropriate immunizations, the recipient is also required to submit a statement from a health care provider indicating that the immunizations have been completed within 30 days of the scheduled appointment. Acceptable verification of immunization includes proof of enrollment in Headstart or a licensed daycare program; an immunization form from a doctor, daycare provider or healthcare provider; a valid school verification form; or copies of medical records. 106 CMR 203.800(D). Recipients may be exempted from the immunization requirement only in the following circumstances: religious beliefs, a physician's certification that a child should not be immunized for medical reasons, or a written statement from a child's guardian stating her belief in a potential health risk arising from immunizations. 106 CMR 203.800(B).

The Office reviewed the case files for the test sample of 381 cases and found that 58 of the case files did not contain immunization documentation. In the subsequent review of the supporting documentation the DTA provided in response to the draft report, the Office was able to resolve four of these cases. However, 54 of the cases (or 14.2% of the sample) could not be resolved. None of these 54 cases contained documentation that exempted the dependent child from the immunization requirement.

Extrapolating from the percentage of potentially ineligible cases (14.2%) as derived from the sample, issues relating to improper immunization records are expected to be present in the range of about 7,272 (or 14.2%) of the 51,311 active TAFDC cases the DTA had as of June 1, 2012. A case-by-case investigation would have to be conducted to determine whether the dependent child has been immunized.

III. Additional Findings

A. Case File Organization

The DTA does not have standard requirements concerning which documents must be in a case file or how a file must be organized. Each caseworker determines what documents to retain and how to organize those documents in the case file.

The typical case file consisted of a simple manila file folder containing a volume of loose documents. Beyond that one similarity, the organization of each case file varied significantly depending on the regional DTA office in which it originated and the caseworker assigned to the file. In some, the key identification information (*i.e.*, Social Security cards and birth certificates) was stapled to the front inside cover of the manila folder. Such practice made it easy to quickly verify the identity of members of the assistance unit. In general, however, the documentation in the case files was not kept in any particular order. As a result, the organization of the files makes it difficult and time consuming for a caseworker or supervisor to verify eligibility information. Additionally, the physical case files did not indicate how long a person had been receiving TAFDC benefits.

B. Government Data Sharing

The DTA does not require staff to report fraud or abuse in the TAFDC program to other state agencies that may also be providing assistance to the same individuals, such as MassHealth and the Department of Housing and Community Development. When the DTA discovers fraud and/or abuse in the TAFDC program, it does not have a standard procedure for informing other state agencies.

C. Suspicious Information

The DTA reported that it has four investigators to investigate potential program violations across the entire state.

During the case file review, the Office identified information which raised questions regarding a recipient's eligibility. There was no indication in the case files that the DTA investigated this information. In each case file reviewed, the individual continued to receive TAFDC benefits after the questionable information was revealed.

In one case, for example, the grantee's husband inherited a multi-unit apartment building. While this grantee stated that she was separated from her husband, the DTA received an anonymous telephone call stating that the grantee was still living with her husband. In addition, the husband allegedly was receiving income as a construction worker. There was no indication that the DTA took any action to determine the veracity of any of this information.

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Conclusions and Recommendations

TAFDC benefits for families living in unsubsidized housing increased a cumulative total of 41% between 1985 and 1989, but have only increased once, by 10%, since then. This means that benefit levels have not kept pace with inflation. This reality, combined with the current economic climate, has made it more critical than ever that TAFDC benefits reach only those who are eligible.

The Office found no cases in which a recipient had provided an invalid Social Security number or was running a business in her own name. The Office found substantial compliance in all other eligibility categories that were tested, with one exception: none of the households with school-aged children within the sample had complied with TAFDC's school attendance verification requirement. As shown in the table below and as discussed in the Findings, the Office identified eligibility concerns in the following categories: undisclosed assets (including real property and vehicles); undisclosed employment income; the use of placeholder Social Security numbers; and missing verifications associated with residency, participation in the employment services program, citizenship or immigration status, absent parent information, immunizations, and the relationship status between recipients and dependent children. However, without an extensive investigation, which would have required significant time and substantial personnel resources, confirming the source of the potential eligibility concerns and determining whether they were the result of error or fraud was not possible.

Issues	Potentially Non-Compliant Cases in the Sample	Projected Total of Potentially Non-Compliant Cases	Percentage of Potentially Non-Compliant Cases
Real Estate	3	404	0.8%
Vehicles	21	2,828	5.5%
Income from Outside Employment	6	808	1.6%
Proof of Residency	6	808	1.6%
Out-of-State Address	14	1,885	3.7%
Citizenship or Immigration Status	7	943	1.8%
Placeholder Social Security Numbers	30	4,040	7.9%
Absent Parent	4	539	1.0%
Relationship Verification	10	1,347	2.6%
School Attendance Verification	225	30,302	59.1%
Immunization Verification	54	7,272	14.2%

Table 2. Areas of Vulnerability and Their Respective Frequencies.

The individual estimates by category of potentially ineligible cases in this report cannot be added together to get a total value because there is overlap across categories. For the same reason, the expected average costs to the taxpayers cannot be added together. For example, a case the Office counted as potentially ineligible due to employment reasons might also have been included in the number of cases potentially ineligible because the file did not contain information about citizenship or immigration status. It would be inaccurate and misleading to count that single case twice. In addition, under DTA regulations, the penalty for noncompliance varies: some types of noncompliance result in sanctions that reduce benefits, others result in the denial of benefits and still others have no monetary impact on the recipients or taxpayers.

That said, excluding school verification, the Office identified 126 individual cases (33.1% of the sample) with one or more eligibility issues. Extrapolating from the percentage of potentially ineligible cases (33.1%) as derived from the sample, the potential eligibility errors identified throughout this report are expected to be present in the range of about 16,969 (33.1%) of the 51,311 active TAFDC cases the DTA had as of June 1, 2012.

Of these 126 cases, and adjusting for cases with multiple eligibility concerns, the Office identified 34 (8.9% of the sample) that had eligibility concerns in the following areas: real estate, employment, proof of residency, citizenship or immigration status, absent parent and relationship. The findings in these specific areas could potentially result in the termination of TAFDC benefits. Extrapolating from the percentage of cases in these categories (8.9%) as derived from the sample, a financial impact is expected to be present in the range of about 4,479 (8.9%) of the 51,311 active TAFDC cases as of June 1, 2012. On a program-wide basis, therefore, these issues could potentially have an expected average cost to the taxpayers in the range of about \$25,000,000¹² a year.

The DTA is in the process of evaluating and implementing several fraud prevention initiatives, including initiatives that will automate processes that are now performed manually and/or that will shorten verification turnaround times. These projects include increased and improved data exchanges with the DOR, an automated employment verification pilot program and increased Social Security number controls. While many of these projects will strengthen TAFDC eligibility verifications, the results of the Office's review indicate that additional steps should be taken to ensure that only eligible households are receiving TAFDC benefits. The recommendations that follow will help to accomplish that goal, but will, in some cases, also require adequate funding to implement.

The recommendations are presented in five sections: Documentation, Eligibility Verification, Program Integrity, Training and Enforcement. These recommendations are based not only on the results of this study, but also on the Office's anti-fraud and investigative expertise.

A. Documentation

As discussed in the Findings, there was no consistent order to the documents contained in the DTA's case files; nor were all the necessary documents present. While some documentation is contained in BEACON, there is no comprehensive log – either in the physical case files or on BEACON – of all current documentation for a given file. This situation not only hampers the DTA's ability to provide oversight, but also creates an environment in which missing or incomplete documentation and resulting waste and abuse may go unnoticed.

¹² \$25,000,000 = \$456 per month x 12 months x 4,479 cases, within rounding. *See also* footnote 3.

Similarly, none of the 225 cases in the sample with school-aged children contained the required school verification records, while 14.2% of the cases in the sample lacked adequate immunization records. As noted in the findings, a lack of school verification or immunization does not necessarily indicate fraud or non-eligible status; however, the missing documentation is concerning for several reasons. The lack of documentation speaks to a lack of follow-up by DTA caseworkers. It also represents a missed opportunity for the DTA to ensure that children in the Commonwealth are protected from disease and given access to the opportunities provided by an education. In addition, school attendance verification is a useful corroborator of several other TAFDC requirements, most notably Massachusetts residency.

Finally, exemptions and exceptions were not always clearly documented in the cases files or on BEACON. For instance, the case files did not consistently provide the rationale for exemptions from work program requirements, countable assets and length of time receiving TAFDC benefits. Requiring exemptions and exceptions to be documented would help ensure that the DTA has identified a specific exemption and, therefore, that the applicant is eligible for benefits. Recording exemptions and exceptions also allows supervisors to review, and for the Program Integrity Division to audit, case files more easily.

Thus, the DTA should:

- Implement a standardized filing system for TAFDC case files.
- Create a universal checklist to track the status of each required document and verification.
- Implement an automated prompt to remind caseworkers and grantees about periodic documentation update requirements. This would include school attendance and immunization forms.
- Require caseworkers to clearly record exemptions and exceptions.
- Continue to work with the Department of Elementary and Secondary Education (DESE) to develop a database or other mechanism to obtain school attendance information directly from schools and/or DESE.
- Investigate the feasibility of converting to a paperless system.

B. Eligibility Verification

The Office examined practices related to both financial and non-financial TAFDC eligibility requirements. The file audits revealed vulnerabilities in the DTA's practices and policies for verifying both types of program requirements.

1. *Financial Eligibility Requirements*

As discussed earlier, certain categories of grantees, deemed "ineligible grantees," are not eligible to receive benefits on their own behalf but may receive benefits on behalf of dependent children in their care. First, unverified applicants – *i.e.*, individuals who did not provide the required information concerning their immigration or citizenship status – are classified as ineligible grantees. DTA regulations state that income and assets for unverified applicants must be counted towards the program's income and asset limits. Nevertheless, this category of ineligible grantees rarely had income or assets attributed to them; DTA staff explained that it is the DTA's policy to presume that these individuals have no assets or income.

This policy not only constitutes non-compliance with DTA regulations (106 CMR 104.305; 106 CMR 104.310), but it presents an opportunity for fraud, waste or abuse. That is, the TAFDC program is vulnerable to situations in which a U.S. citizen whose assets and/or income exceed eligibility limits could apply for benefits and decline to provide a Social Security number in order to avoid verifying financial eligibility. During the case file review, for instance, the Office found one unverified applicant who appeared to be from Puerto Rico and who therefore should have had a Social Security number. Yet because she did not provide a Social Security number, her assets and income were not verified.

While the Office found no evidence that this is a wide-scale practice, the Office still recommends that the DTA take steps, discussed below, to ensure this continues to be the case.

Second, the Office also found that the DTA does not examine the assets or income of responsible relatives – *i.e.*, caretakers who do not demonstrate legal custody or an obligation to support the dependent child for whom they seek TAFDC benefits. This population includes, for example, grandparents and other non-adoptive caretakers.

This practice does not violate DTA regulations because they do not expressly require the agency to count those assets and income towards financial eligibility thresholds. The DTA explained

that this practice is meant to help keep children with relatives, rather than in foster care. On the other hand, responsible relatives could possess income or assets that exceed eligibility limits. This arrangement therefore raises concerns that households that would otherwise be ineligible are receiving TAFDC benefits.

Finally, the DTA's regulations do not provide for considering the value of business assets, such as apartment buildings or equipment, which a filing unit owns. Given TAFDC's goal of providing benefits to the state's poorest residents, there is no clear reason for excluding business assets when determining an individual's financial eligibility for TAFDC benefits.

2. Non-Financial Eligibility Requirements

The file audits conducted demonstrated that the documentation related to certain non-financial eligibility requirements – particularly relationship status, residency, compliance with ESP, and absent parents – have vulnerabilities. Although the Office found that the vast majority of grantees had provided the documentation the DTA requires, that documentation is susceptible to abuse and fraud.

For instance, an applicant's residency and address are typically verified through a Landlord Verification Form or a Shared Housing Verification Form. Neither form is signed under the penalties of perjury. *See Appendix B and Appendix C.* Moreover, the DTA does not independently verify the information on the forms. The DTA does not confirm, for instance, that the form is signed by the actual landlord of a given residence. Similarly, the DTA provides applicants with a standardized absent parent affidavit; the one-sentence affidavit does not require the applicant to provide any specific or individualized information. *See Appendix A.*

To ensure that recipients comply with the financial and non-financial requirements of the program, as well as to help ensure that these requirements are not vulnerable to fraud and abuse, the DTA should:

- Continue to work with the DOR and other agencies to ensure real-time data matches at the time of intake.
- Explore the feasibility of obtaining motor vehicle information from the Registry of Motor Vehicles in order to identify all vehicles a filing unit owns.
- Re-evaluate the presumption that unverified applicants do not have income or assets.

- Re-examine the policy not to consider the assets or income of responsible relatives who do not provide documentation that they have legal custody of the dependent children in their care.
- Consider including the value of business assets when calculating financial eligibility for TAFDC benefits.
- Require responsible relatives to provide documentation that they have legal custody of children for whom they seek benefits. Such legal documentation should be provided within a specific time period after a responsible relative applies for benefits.
- Evaluate the feasibility of obtaining data from the Administration for Children and Families, the federal agency which administers TANF, to identify recipients who are living out of state.
- Implement a stronger residency verification requirement by, for example, strengthening the Landlord and Shared Housing Verification Forms.
- Verify residency through random home visits.
- Implement a control system to ensure that all members of a family unit have valid Social Security numbers or have applied for them in a timely fashion. This should include regular reviews and follow-up for all individuals who have been assigned placeholder Social Security numbers.
- Ensure that all assistance unit members who are required to participate in a work or education program are in fact participating.
- Except when good cause not to cooperate exists, ensure grantee cooperation in identifying absent parents and pursuing appropriate support orders and recovery efforts.

C. Training

DTA caseworkers hold great responsibility in the eligibility process. Oftentimes, potential eligibility issues are left at the caseworker level to resolve. For instance, Social Security number mismatches are not reported centrally, but instead are processed directly through a caseworker's work terminal. Similarly, while the BEACON system determines eligibility for TAFDC benefits and calculates benefit amounts, the system depends on caseworkers to enter information. Thus, well-trained caseworkers are critically important.

Some case files from the samples reviewed, moreover, contained information indicating that a grantee may be ineligible for benefits. Yet the files did not contain evidence that the information had been examined to determine whether the grantee still met eligibility requirements (or that the information had been referred to the Program Integrity Division). In some instances, for example, the case files suggested that the filing unit's bank activity and balances were in excess

of program requirements. Yet there was no apparent follow up to determine whether the recipients were eligible for TAFDC benefits. In another instance, information in the file indicated that the grantee was being paid less than minimum wage, which violates Massachusetts wage laws. This information had not been reported to the Program Integrity Division or to any enforcement agency.

Thus, the DTA should:

- Provide regular training to ensure that all caseworkers are completely familiar with TAFDC eligibility requirements, including countable assets, income limits and acceptable forms of verification for each eligibility requirement.
- Train caseworkers to identify issues that indicate that the recipient may be ineligible for benefits, that the TAFDC program is potentially being abused, or that there are violations of other laws.

D. Enforcement

As noted in the Findings, in some instances recipients appeared to be receiving benefits despite information in the case files indicating that they were potentially ineligible. In other cases, recipients continued to receive benefits even though required verifications, such as Social Security numbers, were not in the case files. To ensure compliance with TAFDC eligibility and program requirements the DTA should:

- Examine its enforcement policies, including policies for decreasing, suspending or terminating benefits when program requirements are not met.
- Review its procedures for referring cases to the Program Integrity Division.

E. Program Integrity

As discussed above, the DTA's current eligibility and verification standards as related to residency, address, custody, and school verification leave the DTA susceptible to program violations and fraud. While many of these concerns are mitigated by the data matches and the work the DTA's Program Integrity Unit performs, to continue to ensure the highest level of program integrity possible, and to supplement these vulnerable forms of verification, the DTA should:

- Employ an adequate number of investigators to investigate eligibility information.
- Perform periodic audits, which could include matching recipient data against a law enforcement data aggregation service to identify any discrepancies, similar to the

Office's review. Detailed audits of individuals flagged through this process could then be conducted.

- Share information about potential program violations with other state agencies and federal oversight entities.

* * *

The Office would like to thank the State Auditor's Office, including the State Auditor's Bureau of Special Investigations, for sharing their time, experience and expertise.

The Office also wishes to acknowledge the DTA, whose assistance and cooperation were invaluable. Although the DTA was managing two external audits at the time of the Office's review, the DTA not only complied with the Office's requests in a timely manner but also supplied the Office with training and program integrity materials, provided technical and logistical support, and reviewed multiple drafts of this report, resulting in valuable comments and insight. The DTA also reviewed results as they were compiled, allowing for a regular dialogue to occur over the findings of this report.

In carrying out its legislative mandate, the Office examined a statistically valid sample of Massachusetts' active TAFDC cases as of June 1, 2012, to evaluate documentation that TAFDC's eligibility requirements had been met. The Office found substantial compliance in all categories, except one: none of the applicable case files in the sample included the required school attendance verification forms. In other areas the Office found a small but substantive number of cases with other eligibility concerns. As discussed in the report, changes should be made to ensure that only eligible households are receiving benefits.

As TAFDC benefits have increased only 10% over the past 20 years and have not kept pace with inflation, and recognizing the current difficult economic climate, it is more critical than ever that TAFDC benefits reach only those who are eligible. It is the hope of this Office that the findings and associated recommendations detailed in this report prove useful to the leaders of the Commonwealth and the DTA as they continue to provide aid and assistance to families in need.

APPENDIX A: Absent Parent Affidavit Form

Absent Parent Affidavit

I, the custodial parent, certify under penalty of perjury that _____ has been continuously absent since ___/___/___ and that all other information provided by me is true to the best of my knowledge.

Signature: _____ Date: _____

Witness Signature: _____ Date: _____

APPENDIX B: Landlord Verification Form

LANDLORD VERIFICATION

Part I

Name of Department Worker

Tenant's Name

Tenant's Address

Return completed form by 4/12/09

City/Town

ZIP

Part II (Please complete, sign and date this form.)

A. Rental Information

1. The total rent for this address is: \$825.00 per ☒ month ☐ week ☐ other _____ (specify)
2. Does the tenant live in:
Public Housing? ☐ Yes ☒ No
Section 8 or Massachusetts Residential Voucher Program? ☐ Yes ☒ No
3. If subsidized: Tenant Payment is: \$ _____ per ☐ month ☐ week ☐ other _____ (specify)
4. Is the tenant behind on the rent? ☐ Yes ☒ No

B. Utility Information

1. Are heat/air conditioning and all other utilities included in the rent? ☐ Yes ☒ No
2. If not, does the tenant pay for any of the following separate from the rent?

Utilities	
Heat	<input checked="" type="checkbox"/>
Air conditioning	<input checked="" type="checkbox"/>
Electric	<input type="checkbox"/>
Gas for cooking	<input type="checkbox"/>

C. Landlord Information

Landlord's Signature

Landlord's Name (print)

Landlord's Address

Landlord's Daytime Telephone Number

Date

APPENDIX C: Shared Housing Form

Shared Housing Verification

Part I

Requester Name [REDACTED]

Return the completed form by 2/20/12

Part II

Name of head of household sharing expenses with the person named in Part III. [REDACTED]

Street Address [REDACTED]

City/Town [REDACTED]

ZIP [REDACTED]

Date person named in Part III moved in: 4/10/09

This Shared Housing Verification form explains how you and the other people living at your address share the costs for rent, utilities, and food. Section IV, below, must be completed by the head of household.

Part III

Authorization to Release Information

I, [REDACTED]

(Print Name)

give my permission to the requester to obtain and verify this information.

Signature [REDACTED]

Date 2/21/2012

Part IV (TO BE COMPLETED BY THE HEAD OF HOUSEHOLD)

A. Household Information

1. Do you live in public or state or federally subsidized housing? ☐ Yes ☒ No
2. Is anyone in your family related to the person named in Part III? ☐ Yes ☒ No
3. Do you purchase and prepare meals together? ☐ Yes ☒ No
4. Name of all household members, including the person named in Part III.
[REDACTED]
[REDACTED]

REQUESTER USE ONLY

SUA Type

☐ Heating/Cooling

☐ Nonheating

☐ Phone

B. Rental Information (for person living with you)

The person living/sharing with you:

1. Gets meals provided? ☐ Yes ☒ No If yes, how many meals per week? _____
Amount paid per week for these meals is \$ _____
2. Rents a room? ☒ Yes ☐ No
3. Pays rent in the amount of \$ 175 per ☒ month ☐ week ☐ other _____ (specify)

C. Utility Information (for person living with you)

1. No Separate Utilities: All utilities are included in the rent. ☒ Yes
2. Heating/Cooling: Does the person living/sharing with you pay for either of the following SEPARATE from rent?
☐ heating (seasonally) ☐ air conditioning (seasonally)
3. Nonheating: Does the person living/sharing with you pay for any of the following utilities SEPARATE from rent?
☐ electricity (nonheat) ☐ gas/oil (nonheat) ☐ water/sewerage ☐ trash/garbage removal
☐ other _____ (specify)
4. Telephone: Does the person living/sharing with you pay for a telephone (may include a cell phone)?
☒ Yes ☐ No ☐ Unknown

APPENDIX D: Response of the Department of Transitional Assistance

Findings

I. Financial Eligibility Requirements

A. Asset Limits

In order for the assistance unit to be eligible for TAFDC benefits, the filing unit's total countable assets may not exceed \$2,500. For each of the 381 cases in the sample, the Office evaluated and tested the following countable assets.

3. *Real Estate (Other than the Principal Residence)*

The equity value of the filing unit's primary residence, including the land on which it rests, is not a countable asset. The equity value of all other real property owned by anyone in the filing unit is a countable asset (with certain exceptions for situations where there are good faith efforts to sell the property). As previously discussed, equity value is the fair market value of the property minus any legal encumbrances or obligations.

For each of the 381 randomly selected cases, the Office queried the information from the data aggregation test to determine if any recipients had identified real estate ownership interests. Of the 381 recipients in the test sample, the Office found that 34 had associated real property interests. Four of these grantees appeared to have multiple real property interests.

Through the case file reviews and subsequent examination of registry-of-deed information, the Office was able to resolve 31 cases because (a) the recipient had disclosed to the DTA that the property was her principal residence; (b) the recipient was an ineligible grantee whose assets and incomes are not included in evaluating eligibility or benefits;¹³ or (c) the property was disposed of (foreclosed) before the recipient applied for TAFDC benefits. Consequently, the exception list was narrowed to three cases (0.8% of the sample) in which a recipient appeared to have undisclosed real property. Because the equity value of real estate (other than a primary residence) counts towards the filing unit's \$2,500 asset limit, the existence of undisclosed real property raises concerns about the recipients' eligibility for TAFDC benefits.

¹³ See Sections I.C and I.D below.

Extrapolating from the percentage of exception cases (0.8%) as derived from the sample, undisclosed real property is expected to be present in the range of about 404¹⁴ (or 0.8%) of the 51,311 active TAFDC cases the DTA had as of June 1, 2012. On a program-wide basis, therefore, this eligibility issue could potentially have an expected average cost to the taxpayers in the range of about \$2,200,000¹⁵ a year.

Finally, in one of the three exception cases, the recipient disclosed to the DTA that her family owned a duplex. The recipient and her family lived in one unit; she rented the other unit for more than \$1,000 per month. Nevertheless, the equity value of the rental unit was not considered in determining the assistance unit's eligibility for TAFDC benefits. While the DTA considers recipients who own rental property to be business owners, the DTA does not consider the financial value of business assets in determining eligibility for TAFDC benefits. The DTA should consider including the value of business assets when calculating financial eligibility for TAFDC benefits.

DTA Response:

TAFDC applicants and clients must meet categorical and financial eligibility factors. They must submit verifications required by TAFDC policy to demonstrate satisfaction of eligibility factors per 106 CMR 701.410; 106 CMR 702.310. The applicant/client is required to report to DTA within 10 days any changes in circumstances that may affect eligibility or the amount of the grant, per 106 CMR 701.420 Applicants and clients are required to verify both the fair market value and equity value of all countable real estate, i.e., not including the principal residence, held by the filing unit at application and "at times of reported change when it affects or may affect eligibility," per 106 CMR 204.120(H)(2) Required verification for fair market value is the most recent property tax bill or assessment, and equity value must be verified through copies of loan instruments, etc., per 106 CMR 204.120(H)(2).

DTA agrees that the use of data aggregation services can be helpful – particularly in identifying out-of-state property ownership. It should be noted, however, that in addition to funding concerns, the use of such services would require subsequent steps and additional resources to verify initial leads and ascertain current ownership in the property.

4. Vehicles

¹⁴ $404 = 0.8\% \times 51,311$, within rounding.

¹⁵ $\$2,200,000 = \$456 \text{ per month} \times 12 \text{ months} \times 404 \text{ cases}$, within rounding. The \$456 value was the average monthly grant per household across the entire TAFDC program in FY2012; therefore, the Office used this average in its calculations.

Vehicles are countable assets. If the filing unit has only one vehicle, the DTA excludes the vehicle's fair market value up to \$10,000 or its equity value up to \$5,000, whichever is greater. 106 CMR 204.120. When the filing unit owns more than one vehicle, the \$10,000 fair market/\$5,000 equity exclusion is applied to the vehicle having the greatest value, provided it is used primarily for the transportation of the filing unit. The DTA considers the full fair market value or the full equity value (whichever is greater) of each additional vehicle the filing unit owns (including vehicles used primarily for recreational purposes, such as snowmobiles, boats and trailers).

Through the initial data aggregation test, the Office identified 136 cases in which recipients appeared to own motor vehicles. In five of these cases, the data aggregation survey indicated that recipients owned multiple vehicles. Through examination of the case files, the Office was able to resolve 106 of these cases. In the subsequent review of the supporting documentation the DTA provided in response to the draft report, the Office was able to resolve nine additional cases. Twenty-one cases (or 5.5% of the sample) could not be resolved, meaning that the recipient appeared to have a vehicle that had not been disclosed to the DTA.

The Office brought these 21 cases to the DTA's attention. The DTA found that the value of each vehicle fell below the regulatory thresholds, meaning that the vehicles would not affect the recipients' eligibility for TAFDC benefits. Nevertheless, the lack of disclosure of these vehicles highlights weaknesses in the DTA's process to identify assets.

Extrapolating from the percentage of potentially ineligible cases (5.5%) related to this issue as derived from the sample, undisclosed vehicles are expected to be present in the range of about 2,828 (or 5.5%) of the 51,311 active TAFDC cases the DTA had as of June 1, 2012.

DTA Response:

Pursuant to 106 CMR 710.420, "an applicant or recipient is required to report to [DTA] within 10 calendar days any changes in his or her circumstances that may affect his or her eligibility or the amount of the grant." As required by regulation, DTA regularly notifies clients of this responsibility in all of its application and reevaluation forms, approval and denial notices and any time a client's benefits are recalculated. In addition, change report forms with this information are given to clients at application; reevaluation and anytime a change report form is returned to the office.

DTA's review of the cases flagged by the OIG established that none of the vehicles owned would have placed the recipients over the relevant asset limits – therefore, reporting them would not have resulted in changes in benefit levels.

5. *Cash*

The TAFDC eligibility process relies on applicants to fully disclose all cash on hand, including checking and savings accounts. The Office, through its review of the individual case files, identified several cash-related issues, including the following:

- An applicant disclosed to the DTA that she had a bank balance in excess of \$3,000. Although that amount exceeded the DTA's eligibility limits, the applicant was granted TAFDC benefits. There was no evidence in the DTA's case files that the agency had evaluated the applicant's cash assets and determined that all or part of those assets should not be included in the eligibility determination.
- An applicant claimed that she had been unemployed for more than six years and that her spouse was incarcerated. The applicant also provided part of a bank statement that covered the weeks immediately preceding the initial application. While the statement was incomplete, a monthly summary revealed deposits totaling more than \$7,000, withdrawals totaling more than \$8,500, and an ending balance of approximately \$200. Under 106 CMR 204.135(B)(1) et seq., the withdrawals were an extraordinary expense, thereby creating a rebuttable presumption that the transfer was made for the purpose of qualifying for TAFDC benefits. Absent proof rebutting this presumption, the applicant should not have been eligible pursuant to 106 CMR 204.135(B)(3). The applicant's case file did not contain any proof rebutting the presumption. Additionally, the information in the bank account called into question the veracity of the applicant's assertions that she had been unemployed for more than six years. The records provided to the Office contained no evidence that the DTA investigated the applicant's employment status.

DTA Response:

DTA currently requires applicants and clients at redetermination to verify assets by providing all bank statements. The Program Integrity Unit also conducts quarterly bank matches with the Department of Revenue to identify any undisclosed bank accounts. DTA will consider implementing an additional review process to monitor enforcement of asset limits, correct for human error and strengthen internal controls applicable to eligibility determinations.

B. Income Limits

To assess eligibility for TAFDC benefits, the DTA conducts a two-part income test that considers both the filing unit's total family income and each member's monthly earned income.

Earned income is defined as "income, in cash or in kind, earned through employment or self-employment." 106 CMR 204.210.

To evaluate recipients' disclosure of earned income, the Office examined both outside employment and self-employment.

3. *Income from Outside Employment*

Out of the 381 cases sampled, the Office identified through the data aggregation test 26 cases in which recipients appeared to be employed. This warranted a follow up to determine whether the recipients' earned income made them ineligible for TAFDC benefits. After reviewing the individual case files, the Office cleared 20 of these cases and also identified two additional red flag files, for a total of eight cases with employment concerns.

Of these eight cases, the Office determined that six recipients (1.6% of the sample) appeared to have undisclosed earnings. In one case, for instance, the Office found a document from a local housing authority indicating that the recipient's gross income exceeded TAFDC income limits. There was no evidence in the DTA's case file that the agency had investigated the recipient's income or employment status. In two other cases, the DTA had received tips via its fraud hotline. In one, the tip indicated that the recipient's spouse was still living with the family and that he was working full time. In the other, the tip indicated that the recipient was running a daycare from her home. In the former case, there was no documentation indicating that the DTA had investigated the allegations. In the latter case, the fraud intake form indicated that no further action was taken.

If these six recipients (1.6% of the sample) had undisclosed earnings, they may not have been eligible for the TAFDC benefits they were receiving. Extrapolating from the percentage of potentially ineligible cases (1.6%) related to this issue as derived from the sample, undisclosed employment earnings are expected to be present in the range of about 808 (or 1.6%) of the 51,311 active TAFDC cases the DTA had as of June 1, 2012. On a program-wide basis, therefore, this issue could potentially have an expected average cost to the taxpayers in the range of about \$4,400,000¹⁶ a year.

DTA Response:

The primary tool used by DTA to obtain employment information is the DOR employment match. . It is DTA policy that any questionable or suspicious information identified or received by DTA will result in an internal investigation or a referral to BSI for a complete investigation.

¹⁶ \$4,400,000 = \$456 per month x 12 months x 808 cases, within rounding. *See also* footnote 3.

DTA is constantly exploring new or supplemental approaches and is already in the process of piloting a more timely data matching process with DOR, as well as exploring the use of a commercial solution, the Work Number by Equifax, to enhance the employment verification process.

4. Business Verification

DTA regulations state that income from self-employment, net of business expenses, counts towards TAFDC income limits as earned income.

The Office did not identify any cases in which a recipient was operating a business in her own name. Through its initial data aggregation test, the Office identified 22 cases out of the 381 cases in its test sample wherein the recipients appeared to have ownership interests in businesses. After controlling for ineligible grantees and defunct businesses, the Office found no recipient operating a business under her own name.

C.Unverified Applicants

As previously discussed, if an applicant does not provide the required information about citizenship or immigration status, she is ineligible to receive TAFDC benefits. Such an “unverified applicant” nevertheless can receive benefits on behalf of a dependent child. If the unverified applicant lives with and has a legal duty to support the dependent child, the applicant’s assets and income are supposed to be considered in determining the dependent child’s eligibility for TAFDC benefits. 106 CMR 104.305; 106 CMR 104.310. However, it is the DTA’s practice not to require unverified applicants to provide proof of income or assets. It is the DTA’s practice to presume that unverified applicants have no assets or income.

Through its initial data aggregation survey, the Office identified unverified applicants who appeared to have motor vehicles and outside employment.

DTA Response:

The Department agrees that policy requires the counting of income and assets for unverified applicants. TAFDC regulations include such individuals in the filing unit and make clear that their income and assets are countable. These individuals are excluded from the assistance unit, and therefore, the grant.

If an applicant does not provide information about citizenship or immigration status, she is ineligible to receive TAFDC benefits. Such an “unverified applicant” nevertheless can receive benefits on behalf of a dependent child. If the unverified applicant lives with and has a legal duty to support the dependent child, moreover, the applicant’s assets and income are supposed to be considered in determining the dependent child’s eligibility for TAFDC benefits, per 106 CMR 204.300, 204.305(E) and 310(B).

D. Responsible Relatives without Legal Custody

Under the DTA's regulations, a responsible relative may apply for TAFDC benefits on behalf of a dependent child who is living with that relative. The regulations do not explicitly require that the responsible relative have legal custody of the child.

As previously discussed, an assistance unit's eligibility for benefits is based on the filing unit's assets and income. The regulations are silent as to whether the filing unit includes a responsible relative who is caring for a dependent child but who does not have legal custody of that child. *See* 106 CMR 104.305. Additionally, it is the DTA's practice *not* to include that responsible relative in the filing unit. Thus, when a responsible relative applies for benefits on behalf of a child without demonstrating legal custody, that responsible relative's income and assets are not considered in determining eligibility. For instance, a grandparent who cares for his granddaughter (but who does not establish legal custody) may apply for benefits on behalf of his granddaughter. Nevertheless, his assets and income would not be examined in determining the child's eligibility or the amount of his grant.

Through its initial data aggregation survey, the Office identified responsible relatives who appeared to have the following assets and income:

- Interest in real property
- Motor vehicles
- Outside employment
- Business interests

DTA Response:

Under the DTA's regulations, a relative responsible for a dependent child's day-to-day care may apply for TAFDC benefits on behalf of that child, provided that the child is living with that relative. The regulations do not require that the relative have legal custody of the child. When a relative in this situation applies for benefits on behalf of a child, that responsible relative's income and assets are not considered in determining eligibility.

II. Non-Financial Eligibility Requirements

C. Residency and Address Verification

Because only Massachusetts residents are eligible for TAFDC benefits, DTA regulations, 106 CMR 203.650(B)(1), require that an applicant verify that he is a Massachusetts resident through one of the following methods:

- A signed statement from a landlord specifying the rental arrangement, including the rental address
- A deed or other evidence that the applicant owns property that is being used as the assistance unit's home
- Postal service records
- Church or religious institution records
- Utility company records
- Voter registration records
- Motor vehicle license or registration
- Employment records

DTA regulations state that if the applicant is “homeless and documentary evidence is not available,” 106 CMR 203.250(B)(2),¹⁷ residency can be verified by:

- A written statement signed by the household or by a person known to the household stating that the applicant lives in the area covered by the regional DTA office in which he applied for benefits
- A collateral contact with a person who can verify that the applicant lives in the area covered by the DTA office in which he applied for benefits
- A home visit

During the review of case files, the Office found that an applicant's residency and address were typically verified through a Landlord Verification Form or a Shared Housing Verification Form. *See Appendix B and Appendix C.* The DTA created these forms, which must be signed by either the landlord or the person with whom the applicant resides, respectively. The forms must also list the applicant's or recipient's address as well as the amount of rent paid and, in the case of the Shared Housing Verification Form, the date on which the applicant started residing at the address.

¹⁷ DTA regulations do not define the term “homeless.”

Neither form is signed under the penalties of perjury. In addition, the DTA does not independently verify information on the form. The DTA does not confirm, for instance, that the form is signed by the actual landlord of a given residence.

Furthermore, six case files (1.6% of the sample) contained inadequate or no proof of residency. Many of these files contained a short handwritten letter from a person with whom the recipient purportedly resided. Such letters did not comply with DTA regulations because, for example, they failed to specify the rental arrangement or did not identify the recipient's address. In one case, the purported residency verification was a handwritten note from an individual who stated that he was willing to rent to the recipient. In another case, the recipient listed his address as a post office box.

Residency is a threshold eligibility requirement. Extrapolating from the percentage of potentially ineligible cases (1.6%) related to this issue as derived from the sample, inadequate proof of residency is expected to be present in the range of about 808 (or 1.6%) of the 51,311 active TAFDC cases the DTA had as of June 1, 2012. On a program-wide basis, therefore, this issue could potentially have an expected average cost to the taxpayers in the range of about \$4,400,000¹⁸ a year.

Also within the 381 cases reviewed, the Office identified 14 cases in which the data aggregation survey indicated that the recipient had an active out-of-state address. The DTA does not have access to a data aggregation service to evaluate eligibility and therefore the agency would not necessarily have been able to identify these 14 cases.

Nevertheless, some of these case files contained material that raised questions about the recipient's residency status, including the following:

- A recipient sought benefits on behalf of his dependent daughter. At the same time, the recipient's sister wrote a letter stating that she "has been caring for" her brother's daughter "since 2007." A letter from the recipient stated that his sister lived in Georgia, raising questions about whether the child resided in Massachusetts or Georgia.
- The data aggregation test showed that a recipient had an active address in New York. In the case file, the recipient's forms of identification were all from New York. The only proof of Massachusetts residency was a Shared Housing Verification Form.

¹⁸ \$4,400,000 = \$456 per month x 12 months x 808 cases, within rounding. *See also* footnote 3.

- The recipient submitted a Landlord Verification Form and a Shared Housing Verification Form as proof of Massachusetts residency. However, the file also contained school verification forms stating that the recipient's dependent child (who was receiving TAFDC benefits) was attending school in Puerto Rico.

There was no evidence in the files for these three cases that the DTA investigated the recipient's residency status before granting TAFDC benefits.

Finally, while residency is an ongoing requirement, the Office found that a number of case files contained only one address verification for participants who had been receiving TAFDC benefits for more than a year.

DTA Response:

DTA will consider adding an attestation clause to the Verification Forms.

DTA staff perform administrative investigations, and refer cases to the Office of the State Auditor's Bureau of Special Investigations (BSI) for further investigation. Residence visits were a past practice that has been discontinued by BSI. Should additional funding become available in the future, DTA will consider the use of a data aggregate service similar to the one used by OIG.

D. Citizenship or Immigration Status

To be eligible for TAFDC benefits, each member of the assistance unit must provide proof that he is a United States citizen, an eligible noncitizen as defined in 106 CMR 203.675, or an American Indian born in Canada. 106 CMR 203.665. If an applicant does not provide acceptable information about his citizenship or immigration status, he is ineligible to receive TAFDC benefits.

Through examination of the 381 case files, the Office identified 23 cases that lacked the documentation necessary to establish citizenship or immigration status. In the subsequent review of the supporting documentation the DTA provided in response to the draft report, the Office was able to resolve 16 of these cases. Seven of the cases (or 1.8% of the sample) could not be resolved. All seven cases involved active recipients, raising concerns regarding eligibility for TAFDC benefits.

Proof of citizenship or immigration status is a threshold eligibility requirement. Extrapolating from the percentage of potentially ineligible cases (1.8%) related to this issue as derived from the sample, inadequate proof of citizenship or immigration status is expected to be present in the range of about 943 (or 1.8%) of the 51,311 active TAFDC cases the DTA had as of June 1, 2012.

On a program-wide basis, therefore, this issue could potentially have an expected average cost to the taxpayers in the range of about \$5,200,000¹⁹ a year.

DTA Response:

DTA will conduct a detailed analysis of this issue to insure that existing regulations and procedures are sufficient in the verification of citizenship and status. Currently DTA uses the SAVE data match to confirm applicant's citizenship status at the time of application.

E. Social Security Numbers

Each member of an assistance unit applying for TAFDC benefits must provide a Social Security number. 106 CMR 701.230. The DTA uses Social Security numbers to verify recipients' income against information maintained by other agencies, such as the DOR and the Department of Employment and Training.

If an applicant does not provide a Social Security number for someone in the assistance unit, he must provide the DTA with written verification from the Social Security Administration (SSA) that the individual has either applied for a Social Security number or has requested validation of an already-existing number. If an applicant cannot provide either a Social Security number or written verification from the SSA for an individual, that individual must be excluded from the assistance unit.

The DTA verifies the Social Security number for each member of the assistance unit against a data file from the SSA. Caseworkers are required to report any inconsistent or contradictory information.

4. *Verification*

The Office attempted to verify the Social Security number for each recipient in the 381 sample cases. The Office found no cases in which a recipient had provided an invalid Social Security number; that is, in every case in which a Social Security number was provided for a recipient, that Social Security number was matched to that recipient.

5. *Placeholder Social Security Numbers*

If an applicant (or a member of his assistance unit) does not have a Social Security number when he applies for TAFDC benefits, the DTA temporarily assigns a "placeholder" Social Security

¹⁹ \$5,200,000 = \$456 per month x 12 months x 943 cases, within rounding. See also footnote 3.

number. These “placeholders” begin with “999.” Following the assignment of a “999” placeholder, the applicant must inform the DTA once an actual Social Security number is obtained for a grantee or dependent child. Applicants are not required to inform the DTA if a Social Security number is obtained for an ineligible grantee.

A 2004 report on the DTA’s technology controls by the State Auditor’s Office recommended that the DTA tighten its oversight of placeholder Social Security numbers, including instituting strict time limits on their validity, creating an automated system to remind recipients to provide actual Social Security numbers as soon as possible, and suspending benefits to recipients who failed to provide actual Social Security numbers within the time limit. The DTA has not implemented the State Auditor’s recommendations.

In reviewing the 381 case files, the Office found that seven dependent children who were receiving TAFDC benefits had placeholder Social Security numbers.²⁰ There was no evidence in the case files that the applicants ever provided the DTA with a Social Security number for these seven children. Nor was there any evidence that the DTA followed up with the applicants to obtain the children’s Social Security numbers.

The Office also interrogated the TAFDC database representing all the active cases as of June 1, 2012, to identify all placeholder Social Security numbers. In total, the Office identified 5,443 individuals – including ineligible grantees – with placeholder numbers. The demographics for this group are as follows: 1,283 were under the age of one; 917 were between the ages of 1 and 17; and 3,243 were between the ages of 18 and 68. The DTA should tighten its oversight of placeholder Social Security numbers and require that applicants provide actual Social Security numbers in accordance with the agency’s regulations.

6. Enforcement

When an ineligible grantee is unable or unwilling to provide a Social Security number, the DTA will stop efforts to obtain documentation or ask additional questions of the applicant. In particular, the DTA does not appear to question whether the applicant has a Social Security number. In one of the cases reviewed that included an ineligible grantee with a placeholder

²⁰ The Office also found 26 ineligible adults with placeholder Social Security numbers; 23 were parents of children eligible for TAFDC benefits, while three were other adults in the household. As mentioned above, applicants are not required to inform the DTA if a Social Security number is obtained for an individual who is not receiving TAFDC benefits.

Social Security number, the Office found, based on the results from the data aggregation survey, that the grantee appeared to be a U.S. citizen who should have had a valid Social Security number.²¹

After meeting with the Office in December, the DTA indicated that in the next phase of its Social Security number verification initiative, the agency would determine whether ineligible grantees in fact have a Social Security number.

DTA Response:

DTA has initiated a new practice in which recipients with assigned SSNs will be matched against Enumeration Verification System and SVS social security databases on a monthly basis to verify recipients who may have recently obtained a new SSN.

F. Employment Services Program (ESP)

DTA regulations provide that any recipient “who has received assistance for 60 days must work the required hours per week as specified in 106 CMR 203.400(A)(5), unless exempt.” 106 CMR 203.400. If a recipient does not comply with ESP, he is no longer eligible for TAFDC benefits.

Compliance with ESP varied depending on the case file and the caseworker assigned to that file. A number of case files showed a strict adherence to the ESP requirement and contained verification that the recipient was either working, attending a training program, in school, or participating in community service. By contrast, a large number of files contained no verification or monitoring of the ESP requirements. Further, some recipients were deemed exempt from the ESP requirement without any explanation as to which exemption applied or any documentation that would provide a basis for an exemption.

Finally, two case files contained documents indicating that the recipient was not complying with the ESP requirement. In one case a recipient was enrolled in a training program, but a letter in her file indicated that she had not been attending the program. The recipient subsequently signed a verification stating she had been attending. In another case a recipient was receiving TAFDC benefits while she was incarcerated. During this time period, the recipient submitted timesheets

²¹ After completing the case file reviews, the Office used a second data aggregator to determine if any other individuals with placeholder Social Security numbers had a valid Social Security number. Through this process the Office identified four additional ineligible grantees who appeared to have a valid Social Security number. In one instance the individual was also registered to vote.

stating she was participating in a work program at a career center. There was no evidence in the DTA's case files that the agency investigated either of these cases to determine if the recipient was eligible for TAFDC benefits.

DTA Response:

Clients participating in an education or training activity must complete a Participation and Attendance form on a monthly basis that is signed by the provider delivering the training. The case manager must enter this information into DTA's eligibility system; if the information is not entered in or the client fails to return the form, the case is sanctioned for failure to meet participation requirements and the case is ultimately closed. Clients who are employed must complete a monthly report documenting hours and wages. Failure to provide this information results in case closure.

The work requirement cited above is monitored on a monthly basis as prescribed in our Work Verification Plan, which is submitted to and approved by the federal Department of Health and Human Services. It is monitored on a monthly basis. Failure to meet the work requirement without demonstrating good cause will result in the adult being sanctioned and, ultimately, the case closing.

G. Absent Parent Verification

Recipients must cooperate with the DOR to obtain child support and medical benefits from parents who are absent from the household. A recipient can satisfy this requirement by assigning her rights to the DOR and by signing a one-sentence "affidavit" stating that the child's father has been continuously absent from the household and that the recipient does not know his whereabouts. *See* Appendix A.

Out of 381 case files in the test sample, the Office identified four cases (1.0% of the sample) that contained evidence demonstrating that the recipient had provided inaccurate, contradictory and/or misleading information to the DTA. Below are summaries of the four cases:

- The recipient wrote a letter to the DTA explaining that she could not cooperate with the DOR because the absent father was a good father who visited every other day and paid twenty dollars a week in non-court ordered support. In her subsequent assignment form to the DOR, the recipient stated that the father lived in Cape Verde and that she did not know any of his personal information.
- The recipient signed an absent parent affidavit on January 20, 2010, after the birth of her first child. The affidavit stated that the father of the child had been continuously absent and that the recipient did not know his whereabouts. Eighteen months later, the recipient gave birth to a second child and named the same father on the birth

certificate. Seven months later, she signed another affidavit stating that the child's father had been continuously absent and that the recipient did not know his whereabouts.

- On September 3, 2008, the recipient signed an affidavit stating that the father of her child was absent. Two years later she gave birth to another child with the same father and subsequently signed another affidavit stating that the father was absent.
- The recipient signed absent parent affidavits for her children but the birth certificates listed a different father than the one named in the affidavits.

The files for these four cases did not indicate that the DTA had conducted any inquiry to determine whether the father was an absent parent whose whereabouts were unknown.

Extrapolating from the percentage of potentially ineligible cases (1.0%) related to this item as derived from the sample, the issues raised above are expected to be present in the range of about 539 (or 1.0%) of the 51,311 active TAFDC cases the DTA had as of June 1, 2012. On a program-wide basis, therefore, this issue could potentially have an expected average cost to the taxpayers in the range of about \$2,950,000²² a year.

DTA Response:

In each of the four cases summarized, DTA followed existing regulations by obtaining a signed affidavit, as required, to establish that a noncustodial parent was absent. OIG has not determined otherwise.

DTA will continue to review and strengthen its Department of Revenue Child Support Enforcement and fraud investigation referral procedures, as necessary.

H. Length of Participation in TAFDC

An individual may only receive TAFDC benefits for 24 months in a continuous 60-month period. 106 CMR 203.200. After these time periods have run, the individual is no longer eligible for TAFDC benefits. These time limitations apply to all members of an assistance unit.

Nevertheless, the Office's case file review revealed that many participants had received TAFDC assistance for prolonged periods of time that exceeded the statutory limitations. In some instances, case files covered spans of more than 10 years. While individuals may obtain exemptions in certain circumstances that will toll or extend the TAFDC's time limitations (*e.g.*, the participant is a survivor of domestic abuse), many of the physical case files in the sample

²² \$2,950,000 = \$456 per month x 12 months x 539 cases, within rounding. See also footnote 3.

lacked any documentation showing if or why an exemption applied to that case. In addition, the physical case files did not contain any information about the specific number of months a participant had been receiving TAFDC benefits; such information is, however, located in BEACON.

DTA Response:

Under TAFDC rules, a non-exempt household may receive benefits for 24 out of every 60 months. Once the 60 month time period has elapsed, the case is eligible to return to assistance. Thus, a review of the case file may create the erroneous impression that TAFDC benefits may have continued over ten years.

I. Relationship Verification

Relationship is a threshold eligibility requirement for TAFDC. In order to be eligible for TAFDC benefits, the dependent child must live with a relative (the grantee) who is responsible for the child's day-to-day care in a place of residence maintained as a home. DTA regulations identify the relationship requirements between the grantee and the dependent child. 106 CMR 203.585. The regulations further provide that the relationship must be verified. Relationship may be verified by:

- Birth certificate showing the name(s) of the parent(s); or
- For school-aged children, school records showing the address of the child and the name and relationship of the relative responsible for the child.

If neither of the above forms of verification is available, relationship can also be verified by a baptismal certificate, family bible, genealogical records, passport, hospital birth record, a Notification of Birth Form signed by a hospital official, United States Census records, Social Security benefit records, Immigration and Naturalization records, court records, or a third-party affidavit.

Marital relationship must be verified by a license or certificate of marriage.

Through examination of the 381 case files, the Office identified 14 cases in which there was no documentation in the file verifying the relationship between the grantee and the other members of the assistance unit. In the subsequent review of the supporting documentation the DTA provided in response to the draft report, the Office was able to resolve four of these cases. Ten of the cases (or 2.6% of the sample) could not be resolved and therefore appear to be ineligible.

Extrapolating from the percentage of potentially ineligible cases (2.6%) related to this issue as derived from the sample, inadequate proof of relationship is expected to be present in the range of about 1,347 (or 2.6%) of the 51,311 active TAFDC cases the DTA had as of June 1, 2012. On a program-wide basis, therefore, these issues could potentially have an expected average cost to the taxpayers in the range of about \$7,400,000²³ a year.

DTA Response:

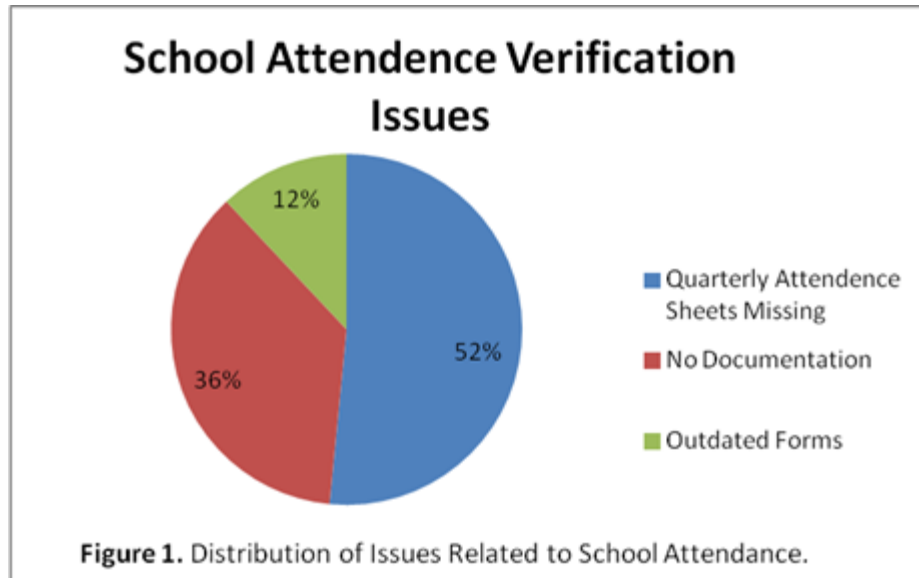
DTA maintains that in all but two of these cases, relationships had been verified per existing regulations, and the Department had complied with statutory requirements. DTA review of the 14 cases identified by the OIG as having questionable relationship verifications revealed that 12 of those cases contained Birth Certificates which meet DTA requirements for documentation.

J. School Attendance Verification

Unless an exemption applies, dependent children under the age of 14 who receive TAFDC benefits must attend school. 106 CMR 203.900. Grantees must provide school attendance forms to the DTA on a quarterly basis and must include the number of unexcused absences the dependent child had in that quarter. Under DTA regulations, if a grantee does not provide the required school attendance verification, the DTA must put the grantee on probation and suspend the dependent child's benefits for six months, or until the grantee provides proof that the child is regularly attending school.

Of the 381 cases in the test sample, 225 had school-aged children (59.1% of the sample). None of these 225 cases complied with the school attendance verification requirements outlined above. In 116 of these cases, one or more quarterly attendance reports were missing from the file. In 109 of the cases, the grantees failed to provide the requisite proof that the school-aged dependents were attending school; 27 of these 109 cases contained outdated forms, while 82 contained no documentation.

²³ \$7,400,000 = \$456 per month x 12 months x 1,347 cases, within rounding. *See also* footnote 3.



None of the 109 case files contained a justification excusing the school-aged dependents from attending school. *See* 106 CMR 203.900. Similarly, the Office found no evidence that the DTA was sanctioning recipients who failed to provide the required school attendance records.

Extrapolating from the percentage of noncompliant cases (59.1%) as derived from the sample, inadequate school verification records are expected to be present in the range of about 30,302 (or 59.1%) of the 51,311 active TAFDC cases the DTA had as of June 1, 2012. The absence of such records does not, however, necessarily mean that a dependent child is not attending school in Massachusetts (and that he therefore is ineligible for TAFDC benefits). For instance, a grantee could have failed to submit forms or forms could have been submitted but not placed in the case file.

DTA Response:

DTA has faced numerous challenges in implementing this requirement, due to both the burden of obtaining quarterly verifications from clients who may be living in unstable situations, and the fragmentation of records which has frustrated automation attempts so far. DTA expects to be able to benefit from new processes through the Department of Elementary and Secondary Education that would allow the creation of an automated system to verify school enrollment and attendance.

K. Immunization Verification

TAFDC regulations require that recipients “ensure that each dependent child is properly immunized.” 106 CMR 203.800(A). As a result, recipients must, at a minimum, provide verification of a dependent child’s immunization at the time of application, upon notification of the birth of a dependent child who will be included in the assistance unit, and when the dependent child turns two years of age. 106 CMR 203.800(A). Moreover, in cases where the immunization certificate states that a dependent child does not have the age-appropriate immunizations, the recipient is also required to submit a statement from a health care provider indicating that the immunizations have been completed within 30 days of the scheduled appointment. Acceptable verification of immunization includes proof of enrollment in Headstart or a licensed daycare program; an immunization form from a doctor, daycare provider or healthcare provider; a valid school verification form; or copies of medical records. 106 CMR 203.800(D). Recipients may be exempted from the immunization requirement only in the following circumstances: religious beliefs, a physician’s certification that a child should not be immunized for medical reasons, or a written statement from a child’s guardian stating her belief in a potential health risk arising from immunizations. 106 CMR 203.800(B).

The Office reviewed the case files for the test sample of 381 cases and found that 58 of the case files did not contain immunization documentation. In the subsequent review of the supporting documentation the DTA provided in response to the draft report, the Office was able to resolve four of these cases. However, 54 of the cases (or 14.2% of the sample) could not be resolved. None of these 54 cases contained documentation that exempted the dependent child from the immunization requirement.

Extrapolating from the percentage of potentially ineligible cases (14.2%) as derived from the sample, issues relating to improper immunization records are expected to be present in the range of about 7,272 (or 14.2%) of the 51,311 active TAFDC cases the DTA had as of June 1, 2012. A case-by-case investigation would have to be conducted to determine whether the dependent child has been immunized.

DTA Response:

DTA believes that there is near universal compliance with existing regulations. Immunization records are not required, for example, where school enrollment satisfies the immunization requirement for a school-age child. In addition, participation in state funded child care requires

up-to-date immunizations. Approximately 75% of all questioned children had participated in state funded child care, thus meeting the requirement.

III.Additional Findings

L. Case File Organization

The DTA does not have standard requirements concerning which documents must be in a case file or how a file must be organized. Each caseworker determines what documents to retain and how to organize those documents in the case file.

The typical case file consisted of a simple manila file folder containing a volume of loose documents. Beyond that one similarity, the organization of each case file varied significantly depending on the regional DTA office in which it originated and the caseworker assigned to the file. In some, the key identification information (*i.e.*, Social Security cards and birth certificates) was stapled to the front inside cover of the manila folder. Such practice made it easy to quickly verify the identity of members of the assistance unit. In general, however, the documentation in the case files was not kept in any particular order. As a result, the organization of the files makes it difficult and time consuming for a caseworker or supervisor to verify eligibility information. Additionally, the physical case files did not indicate how long a person had been receiving TAFDC benefits.

DTA Response:

DTA has implemented a training/checklist for staff, specifying what documentation a file should contain and how it should be organized. The implementation of electronic document management within the next 12 months will enable DTA to digitize incoming information and organize it electronically, thus reducing – and subsequently eliminating – the need to maintain paper files.

M. Government Data Sharing

The DTA does not require staff to report fraud or abuse in the TAFDC program to other state agencies that may also be providing assistance to the same individuals, such as MassHealth and the Department of Housing and Community Development. When the DTA discovers fraud and/or abuse in the TAFDC program, it does not have a standard procedure for informing other state agencies.

DTA Response:

DTA works with the Office of the State Auditor's Bureau of Special Investigations (BSI) for further investigation and possible criminal prosecution of cases where the cases cannot be administratively pursued at DTA. DTA referred 3,547 cases for investigation to BSI during FY2012. BSI investigates recipient cases involving a variety of public benefits , such as MassHealth, Housing and Child Care benefits.

N. Suspicious Information

The DTA reported that it has four investigators to investigate potential program violations across the entire state.

During the case file review, the Office identified information which raised questions regarding a recipient's eligibility. There was no indication in the case files that the DTA investigated this information. In each case file reviewed, the individual continued to receive TAFDC benefits after the questionable information was revealed.

In one case, for example, the grantee's husband inherited a multi-unit apartment building. While this grantee stated that she was separated from her husband, the DTA received an anonymous telephone call stating that the grantee was still living with her husband. In addition, the husband allegedly was receiving income as a construction worker. There was no indication that the DTA took any action to determine the veracity of any of this information.

DTA Response:

DTA staff are trained to make fraud referrals when they discover or receive suspicious information which would affect a recipient's eligibility. If a case cannot be pursued administratively by DTA it is referred to BSI for further investigation.

Department of Transitional Assistance Response to Office of Inspector General Case Review

The Department of Transitional Assistance (DTA) is committed to continually strengthening program integrity and insuring that the right people get the right resources in a timely fashion. DTA has a Program Integrity (PI) Division, which was established in 2008 to conduct fraud investigations, data matching, ongoing program assessment/quality control and recoveries. The Division's current focus is on automating program integrity functions and strengthening eligibility processes on the front end.

DTA would like to provide an update on recent accomplishments and current initiatives aimed at automating the data matching process to receive real-time, front end information, increase accuracy and efficiency, and minimize client hardship. The following are examples of recent initiatives by the Division:

Department of Revenue (DOR) – DTA Interagency Data Services Initiative

In September 2012, DOR and DTA started an initiative to build new operating efficiencies to improve the income verification process by using a direct portal to portal exchange of income data. DTA and DOR currently exchange new hire and quarterly wage match information, as well as quarterly bank matches. This pilot is intended to make front end employment information available at the time of application, as well as expand the data received to include self-employment income, rental income and, possibly, alimony.

Purchase of Death Match Master File from the US Department of Commerce

While DTA already receives death matches directly from the Social Security Administration and the Massachusetts Department of Public Health, in March 2012, DTA expanded its data sources by purchasing the Death Master File from the US Department of Commerce. The development of the match was completed in July 2012, when the Data Matching Unit began receiving the new data files, resulting in closings, reductions and fraud/overpayment referrals. DTA now subscribes to a monthly match update with the US Department of Commerce, which allow the Department to expedite case closings. DTA Fraud Investigations and Data Matching Staff now process the new match on a monthly basis.

Automation of DCF – DTA Data Matching

In September 2012, DTA automated and expanded its match with the Department of Children and Families (DCF) to include adoption and foster care subsidy cases, while also ensuring that no further data verification steps are required. This match is used in the determination of family composition, as well as identification and verification of undisclosed subsidies that may affect benefit levels. The match enhancements implemented in September 2012 led to additional case closings, reductions and fraud/overpayment referrals. The automation of this match has reduced the number of days needed for completion from one month to only 4 days.

Automation of the PARIS Match

In December 2012, DTA began automating the PARIS (Public Assistance Reporting Information System) match, which is conducted to identify clients who may be receiving assistance in another state as well as Massachusetts. The addition of more efficient matching and filtering criteria will be completed in March 2013, and will allow for faster processing, greater transparency and enhanced management controls.

DTA Data Matching with the Department of Corrections (DOC)

In January 2013, DTA initiated discussions with DOC to implement a data matching process to identify incarcerated individuals who might also be in receipt of public assistance in a more timely fashion. DTA currently matches with the Federal Bureau of Prisons through the PARIS Match on a monthly basis and all information must be further verified. Matching with DOC will provide verified information which would be received on a weekly basis.

Equifax (The Work Number) Pilot

DTA is in the process of concluding negotiations and beginning a pilot to evaluate this automated employment verification system which contains information on 33 percent of the US workforce, with over 2,000 employers providing data each time they process payroll. This new product is expected to significantly impact the timeliness of employment information available to DTA; however, funding constraints may limit the Department's ability to implement a full rollout.

Social Security Number Verification

DTA has implemented verification processes to improve the accuracy and integrity of social security numbers. The Department's Local Office Quality Control (LOQC) unit queries the State Verification Exchange System (SVES) and DTA's eligibility system, BEACON, to identify inaccurate numbers, which are then corrected and investigated with the assistance of DTA field staff. The most common problem encountered is clients with three names, or using hyphenated names which often result in mismatches with Social Security Administration records. DTA is in the process of developing an automated solution with anticipated completion in April 2013. Monthly queries have also been implemented by the Department to identify benefit recipients who had been assigned temporary social security numbers but were subsequently issued social security numbers by the Social Security Administration. DTA is streamlining and automating the ongoing reconciliation process.

Implementation of New Legislative Mandates

In 2012, the Department began implementation of the Electronic Benefit Transfer (EBT)²⁴ reforms required by Chapter 161 of the Acts of 2012, *An Act Relative to the Electronic Benefit Transfer Program*. The Department implemented a \$5 replacement Electronic Benefit Transaction (EBT) card fee for recipients of cash assistance,²⁵ and began sending notices to benefit recipients who request more than 3 replacement EBT cards in a calendar year, noting that the number of requests is unusual and that future requests will be monitored. The Department will continue to roll out processes and technologies that will allow for a broader implementation of the remaining EBT mandates in FY2014. Governor Patrick has shown his commitment by providing funding for the implementation of these initiatives in his House 1 budget.

Building Vendor Relationships

DTA has been actively communicating with business organizations, such as the Massachusetts Retailers Association, vendor licensing boards and local law enforcement agencies to educate them of DTA's programs and the EBT card-related legislative mandates that may be applicable to their members

State Law Enforcement Bureau (SLEB)

DTA is in the process of entering into an agreement with the United States Department of Agriculture-Food and Nutrition Services Bureau (USDA-FNS) to become a State Law Enforcement Bureau (SLEB). The agreement will grant DTA the authority to conduct investigations into possible Supplemental Nutritional Assistance (SNAP) fraud, and create the framework for local law enforcement to investigate retailers with the authorization of FNS. This agreement is an example of DTA's pro-active approach to building relationships with law enforcement and developing new sources of information.

EBT Out of State Usage Report

In December 2012, DTA purchased an expanded out-of-state EBT utilization report from Xerox, the Department's EBT vendor. The first sections of this report were received in December 2012, and allowed DTA to identify out of state usage of benefits in a more timely fashion. As a result of this significantly improved and enhanced reporting, the Data Matching Unit has been able to complete numerous case closings due to continuous out of state usage beyond statutory timeframes.

²⁴ The EBT card is the vehicle through which Massachusetts delivers cash assistance benefits to most Transitional Aid to Families with Dependent Children (TAFDC) and Emergency Aid to the Elderly, Disabled and Children (EAEDC) households, and nutrition assistance benefits to all Supplemental Nutritional Assistance Program (SNAP) households. Cash assistance clients also have the option to receive their benefits through check or direct deposit instead of an EBT card.

²⁵ This process will be expanded to include recipients of SNAP benefits in April 2013.

Automated Fraud Calculation

In November 2012, the Program Integrity Division was awarded a grant by the Office of the State Comptroller to develop an enhancement to the BEACON system, allowing the addition of an automated fraud overpayment calculation. The development process will be undertaken by Xerox and is expected to be completed in June 2013. Fraud calculations are currently conducted manually and can result in backlogs of cases requiring calculations.

Social Media Automated Search

DTA is in the process of implementing a social media search tool to more efficiently monitor social media websites for SNAP fraud, using an online tool for keyword searches to periodically check against Craigslist, Amazon, and eBay and identify postings from individuals attempting to buy or sell SNAP benefits. The Fraud Investigations Unit will be monitoring this system to identify individuals that attempt to engage in SNAP trafficking and initiate administrative action or a referral to the Bureau of Special Investigations (BSI) for criminal investigation.

Electronic Data Management and Integrated Eligibility Systems

DTA is currently participating in the development of a new Integrated Eligibility System (IES) that will be available through the state operated health insurance exchange. This is an unprecedented opportunity to align MassHealth and DTA eligibility processes and further improve program integrity. By linking agencies to a shared services portal, DTA will enhance its ability to verify eligibility using the EOHHS/state data hub and the Federal data hub. As an interim step, the Department is pursuing the development of electronic document management (EDM) functionality, which will allow incoming information to be digitized and organized electronically, thus reducing – and subsequently eliminating – the need to maintain paper records.

DTA is constantly striving to improve and strengthen program integrity, and exploring available options to enhance technologies and increase staffing in order to implement its aggressive agenda. DTA appreciates the support of the OIG in thinking through these needed changes in infrastructure and systems.

Report Recommendations

The report concludes with recommendations which center on six broad areas. DTA agrees that those areas are critically important, and has already undertaken a number of related initiatives, while recognizing existing resource and policy constraints.

A number of recommendations are related to automating certain functions. DTA, in partnership with the Executive Office of Health and Human Services, is in the process of designing an Integrated Eligibility System (IES), which will allow not only the automation of existing functions but also an expansion of information sourcing, processing and reporting – with resulting significant enhancements in eligibility and compliance related functions. DTA is furthermore continuously pursuing automation opportunities – most notably, the recent automation of several existing data matches and current efforts to implement an electronic document management system (EDM).

A.Documentation

- Implement a standardized filing system for TAFDC case files.

DTA has implemented a training/checklist for staff, specifying what documentation a file should contain and how it should be organized.

The implementation of EDM and IES will enable DTA to digitize incoming information and organize it electronically, thus reducing – and subsequently eliminating – the need to maintain paper files.

- Create a universal checklist to track the status of each required document and verification.

DTA has a checklist of mandatory verifications (per Operations Memo 2010-55 and the BEACON²⁶ verification checklist or “VC-1”), however in most cases, different documentary proofs can be used to verify mandatory information. DTA Policy staff provided in depth training to all offices when the memo was rolled out; at that time, BEACON was amended to better track mandatory and optional verifications (this is, in fact, DTA’s “universal checklist”).

- Implement an automated prompt to remind caseworkers and grantees about periodic documentation update requirements. This would include school attendance and immunization forms.

²⁶ DTA’s eligibility system.

DTA case managers perform their tasks based on specific “views” in BEACON. While a pop-up reminder does not exist, there are two BEACON views ("verifications due" view and "immunization tracking child turns two" view) that show the worker when the documentation is due. Furthermore, a BEACON VC-1 is generated automatically when a client applies for benefits and at re-determination to inform the household of the required documentation.

- Investigate the feasibility of converting to a paperless system.

Implementation of IES and EDM – two initiatives that DTA is currently pursuing - will achieve the intent of this recommendation.

B. Eligibility Verification

- Continue to work with the DOR and other agencies to ensure real-time data matches at the time of intake.

DTA’s Program Integrity Division will be implementing an initiative with DOR to obtain portal-to-portal employment information at the time of application, as well as a pilot to obtain data from a commercial third-party employment verification service, also at the time of application.

- Require that custody of children be verified by legal documentation. Such legal documentation should be provided within a time period specified by the DTA.

DTA needs to review this recommendation for policy implications.

- Implement a stronger residency verification requirement by, for example, strengthening the Landlord and Shared Housing Verification Forms.

DTA’s residency requirements are stipulated in the Department’s regulations and believed to be appropriate for the populations served by the Department. DTA is unable to provide a more specific response due to the broad scope of the recommendation.

- Verify residency through random home visits.

This recommendation raises client confidentiality concerns. Random residency visits were previously performed by the Bureau of Special Investigations (BSI) within the State Auditor’s Office but were discontinued in 2001. Additional funding, staff and staff training would be required, should either BSI or DTA pursue a reinstatement of this approach.

- Implement a control system to ensure that all members of a family unit have valid Social Security numbers or have applied for them in a timely fashion. This should include regular reviews and follow-up for all individuals who have been assigned placeholder Social Security numbers.

In October 2012, DTA implemented a change whereby SSNs matched with the Social Security Administration are automatically updated by BEACON and a report is generated and made available to case managers on a monthly basis. In November 2012, DTA began developing further validation steps throughout BEACON.

- Ensure that all assistance unit members who are required to participate in a work or education program are in fact participating.

Work requirement enforcement is automated insofar as BEACON initiates a sanctioning process (including a warning notice to clients) and case managers authorize the sanctions if assistance unit members do not fulfill their work requirements. Sanctions and pending sanctions can be seen in each case manager's views.

- Except when good cause not to cooperate exists, ensure grantee cooperation in identifying absent parents and pursuing appropriate support orders and recovery efforts.

Clients are required to cooperate with identifying absent parents and the pursuit of recovery efforts except when the client has good cause (e.g., domestic violence, forcible rape, incest, legal adoption proceedings): If the client does not cooperate, the client is sanctioned and the grant is reduced by 25 percent. Under federal law, the Department of Revenue's Child Support Enforcement must aggressively pursue enforcement or be subject to federal sanction.

C.Training

- Provide regular training to ensure that all caseworkers are completely familiar with TAFDC eligibility requirements, including countable assets, income limits and acceptable forms of verification for each eligibility requirement.

DTA's Training Unit currently provides TAFDC refresher training courses on an annual basis; more frequently if requested by a local office. The Training Unit will also provide one-on-one or small group training at the request of managers, e.g, for staff returning from leave. In addition, all of the Department's TAFDC training packages are available to staff online through the EOHHS Center for Staff Development training website. Interactive "knowledge checks" that test a user's knowledge of TAFDC policies and procedures are also available online.

- Train caseworkers to identify issues that indicate that the recipient may be ineligible for benefits, that the TAFDC program is potentially being abused, or that there are violations of other laws.

DTA staff is currently trained to verify both employment and bank information, including data received via online matches, and to enter the data into DTA's eligibility system per regulations. If the case manager notices suspicious activity, a fraud referral would be made to the DTA Fraud and Overpayment Referral Screening Unit (FORS.)

D.Enforcement

- Examine its enforcement policies, including policies for decreasing, suspending or terminating benefits when program requirements are not met.

DTA's eligibility process is designed so a case is not opened if not all eligibility documents are obtained. At re-determination, the case is closed if not all documents are obtained.

E.Program Integrity

- Employ an adequate number of investigators to investigate eligibility information.

DTA currently has 3 investigators and is in the process of hiring an additional 3 investigators. DTA agrees that the need for investigators continues to increase— both as a result of the Program Integrity Unit gaining access to additional investigative tools and new legislative mandates being promulgated.

- Perform periodic audits, which could include matching recipient data against a law enforcement data aggregation service to identify any discrepancies, similar to the Office's review. Detailed audits of individuals flagged through this process could then be conducted.

DTA would consider using a commercial data aggregation solution; however, there are funding and resource issues to be considered.

DTA's current focus is on automating and expanding data matching. In addition, DTA's Program Integrity Division is pursuing additional front-end data matching from other state agencies.

- Share information about potential program violations with other state agencies and federal oversight entities.

DTA works with the Office of the State Auditor's Bureau of Special Investigations (BSI) for further investigation and possible criminal prosecution of cases where the cases cannot be administratively pursued at DTA. DTA referred 3,547 cases for investigation to BSI during FY2012. BSI investigates recipient cases involving a variety of public benefits, such as MassHealth, Housing and Child Care benefits.

In summary, DTA recognized the importance of program integrity and already has implemented, as set forth above, initiatives to ensure program integrity. DTA agrees that steps to strengthen the areas identified in the OIG report would result in improved program integrity. As noted, DTA has already taken a number of steps to strengthen the program against fraud, waste and abuse. Although funding or policy constraints may exist with respect to specific recommendations made in certain areas, the Department has already implemented or begun the implementation of initiatives that align with the steps proposed in this report. DTA welcomes and will continue to collaborate with the OIG to further strengthen existing processes.

