

Audit Highlights



Highlights of performance audit report on the Division of Welfare and Supportive Services issued on February 18, 2020.

Legislative Auditor report # LA20-11.

Background

The mission of the Division of Welfare and Supportive Services (Division) is to engage clients, staff, and the community to provide public assistance benefits to all who qualify, and reasonable support for children with absentee parents to help Nevadans achieve safe, stable, and healthy lives.

The Division, as part of the Department of Health and Human Services, is tasked with administering various state and federal welfare programs, including the Supplemental Nutrition Assistance Program (SNAP), Temporary Assistance for Needy Families (TANF), Medicaid, the Energy Assistance Program (EAP), and the Child Support Enforcement Program.

Caseloads for SNAP and Medicaid have increased significantly in response to economic pressures and the Affordable Care Act. The population of SNAP recipients has increased from 125,000 in 2007 to 440,000 in 2018; for Medicaid, these figures total 175,000 in 2007 and 650,000 in 2018.

The Division had expenditures of about \$606 million in fiscal year 2019. Primary funding sources include General Fund appropriations and federal grants. The Division's administrative office is in Carson City, with 21 district offices located throughout the State.

Purpose of Audit

The purpose of this audit was to determine whether the Division had sufficient controls over eligibility, income determinations, and fraud. Our audit focused on Division activities in fiscal year 2018 although we reviewed wage and other information prior to and after this time period for eligibility testing.

Audit Recommendations

This audit report contains eight recommendations to improve the Division's processes over eligibility and fraud detection. The Division accepted the eight recommendations.

Recommendation Status

The Division's 60-day plan for corrective action is due on May 12, 2020. In addition, the 6-month report on the status of audit recommendations is due on November 12, 2020.

Division of Welfare and Supportive Services

Department of Health and Human Services

Summary

Generally, the Division is properly assessing available information at the time eligibility is determined for most programs, but should improve its processes over identifying unreported wages and wage increases. Utilizing quarterly wage information more robustly could identify ineligibility sooner. Additionally, system notifications of changes in recipient circumstances should be reviewed timely. Even though health and welfare programs are largely funded by the federal government, the State should have processes to restrain unnecessary benefits as much as possible.

Enhancing the use of quarterly wage information can potentially reduce millions in improper payments. Projecting the results of our testing to the population of Medicaid and SNAP recipient households, we conservatively estimate ineligible recipients received benefits worth more than \$69 million per year, but amounts could potentially be much higher. Unless recipients self-report changes in income timely, most of these improper payments are not preventable by the Division using available wage information.

The Division can improve its processes over detecting, deterring, and recovering improperly paid public assistance benefits. First, the Division does not adequately prioritize investigations and overpayment claims. As a result, a significant backlog exists. Second, the Division does not fully utilize its fraud detection system to identify misuse or fraud. Finally, certain reports generated to identify recipients receiving benefits in multiple states contained inconsistent information.

Key Findings

Recipients did not always notify the Division of income changes as required. Because of this, and the fact that Division systems do not routinely compare quarterly wage information, increases in income went undetected by the Division. Program agreements state recipients must report income changes to the Division. (page 4)

During our audit, we reviewed Employment Security Division quarterly wage data during participants' annual eligibility periods for 50 of the over 417,000 Medicaid recipient households. We found 11 households had unreported increases in income for one or more quarters. (page 5)

We requested the Division of Health Care Financing and Policy provide information on benefits paid for the 11 households and found \$54,321 in ineligible benefits paid on recipients' behalf. We conservatively estimate ineligible recipients may have received more than \$59.8 million in Medicaid benefits per year based on population totals. Only a small portion of Medicaid payments, about 20%, may be prevented by the Division. (page 5)

Our testing also included 50 of over 234,000 SNAP recipient households. Six households had unreported increases in income for one or more quarters. We requested the Division provide information on benefits paid for the six households in our sample with increased income and found \$10,095 in excess benefits were paid. We conservatively estimate ineligible recipients may have received more than \$9.5 million based on population totals. These excess benefit payments are likely unpreventable by the Division for the SNAP program due to the timing of wage information. (page 6)

The Division frequently did not clear system generated notifications regarding changes in recipient circumstances within 10 days. Some notifications do not appear overly useful. This volume of low value notifications impacts the Division's ability to review and take action on relevant issues. (page 8)

As of June 2019, the Division had a backlog of 3,800 unassigned investigation leads. These leads were open for an average of 1,023 days and 90% were more than a year old. Additionally, over 5,300 claim referrals remained unestablished pending a review. Claims had been open for an average of 559 days with about half open more than 1 year. (page 11)

The Division contracted with a data analytics service in 2017 to enhance fraud detection in the SNAP program. However, the Division has not fully determined the fraud detection reports most useful to its operations or developed policies and procedures over the use of the program and related reports. As a result, fraud and abuse is likely more prevalent in the program than identified under existing processes. (page 12)