

EXECUTIVE DIGEST

OFFICE OF INSPECTOR GENERAL AND RELATED COMPLAINT REFERRAL AND DISPOSITION PROCESSES

INTRODUCTION

This report, issued in January 2001, contains the results of our performance audit* of the Office of Inspector General (OIG) and Related Complaint Referral and Disposition Processes, Family Independence Agency (FIA).

AUDIT PURPOSE

This performance audit was conducted as part of the constitutional responsibility of the Office of the Auditor General. Performance audits are conducted on a priority basis related to the potential for improving effectiveness* and efficiency*.

BACKGROUND

OIG is a criminal justice agency* within FIA whose mission* is to support FIA by conducting criminal and administrative investigations and providing assistance to ensure accountability and the efficient use of FIA funds. FIA local offices are responsible for initially analyzing complaints; referring complaints to OIG; and recording recoupment* agreements and court-ordered restitutions, referred by OIG, on the Automatic Recoupment System. Federal regulations require FIA to establish and maintain

procedures for referring to law enforcement officials situations in which there is a valid reason to suspect that fraud has been committed.

OIG incurred operating expenditures of approximately \$6.6 million, \$6.7 million, and \$7.7 million in fiscal years 1998-99, 1997-98, and 1996-97, respectively. We estimate that FIA recovered, as the result of OIG investigations, benefits for which recipients were not eligible of \$8.5 million, \$6.1 million, and \$13.7 million in fiscal years 1998-99, 1997-98, and 1996-97, respectively.

AUDIT OBJECTIVES,
CONCLUSIONS, AND
NOTEWORTHY
ACCOMPLISHMENTS

Audit Objective: To determine whether FIA's referral process to its OIG for alleged public assistance fraud was effective and efficient.

Conclusion: We concluded that FIA's referral process to its OIG for alleged public assistance fraud was neither effective nor efficient. Our assessment disclosed three material conditions*:

- FIA sometimes did not actively pursue potential fraud in compliance with federal statutes and regulations, State statute, State Plan certifications, and FIA policies and procedures that require action against clients who may have improperly received "material" benefits based on false claims (Finding 1).

FIA responded that it agreed and will comply with the corresponding recommendation. However, FIA offered some comments related to the finding, which are shown in the agency preliminary response to Finding 1.

- FIA frequently did not comply with its procedures to investigate differences between clients' actual wages and reported wages (Finding 2).

FIA responded that it agreed and will comply with the corresponding recommendation.

- FIA's controls were not effective in ensuring that OIG receives all complaint referrals* for potential fraud which meet FIA's defined threshold for referral to OIG (Finding 3).

FIA responded that it agreed and will comply with the corresponding recommendation.

Audit Objective: To determine whether FIA and its OIG safeguarded the integrity of alleged fraud referrals; effectively investigated referrals in compliance with applicable statutes, rules, policies, and procedures; and established effective controls to help ensure the recovery of public assistance overissuances*.

Conclusion: We concluded that FIA and its OIG did not safeguard the integrity of alleged fraud referrals; that OIG effectively investigated referrals in compliance with applicable statutes, rules, policies, and procedures; and that FIA had not established effective controls to help ensure the recovery of public assistance overissuances. Our assessment disclosed two material conditions:

- FIA and its OIG had not developed effective control procedures to ensure the security of the Automated

Reporting System for the Office of Inspector General database files (Finding 4).

FIA responded that it agreed and will comply with the corresponding recommendation.

- FIA had not formally established effective controls to ensure that it recorded OIG recoupment agreements and court-ordered restitutions to facilitate the recovery of public assistance overissuances and to deter welfare fraud (Finding 5).

FIA responded that it agreed and will comply with both corresponding recommendations.

Our assessment also disclosed reportable conditions* relating to the timely screening and assignment of complaint referrals and the timely purging of special investigation cases (Findings 6 and 7).

Noteworthy Accomplishments: Our stakeholder survey of prosecuting attorneys showed that the attorneys were generally satisfied with OIG operations related to fraud referrals and considered OIG investigations to be successful in acting as a fraud deterrent.

Audit Objective: To determine whether OIG was effective in recommending ways to improve public assistance program accountability and to detect and deter related fraud.

Conclusion: We concluded that OIG was effective in recommending ways to improve public assistance

program accountability and to detect and deter related fraud.

**AUDIT SCOPE AND
METHODOLOGY**

Our audit scope was to examine the Family Independence Agency's Office of Inspector General program and its records and the Family Independence Agency's records for related complaint referral and disposition processes. Our audit was conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included such tests of the records and such other auditing procedures as we considered necessary in the circumstances.

Our audit procedures generally covered the period October 1, 1996 through April 30, 2000. Our procedures included a preliminary survey to obtain an understanding of the OIG complaint intake, processing, and collection processes. Our audit included examining various records at four FIA county offices: Genesee, Ingham, Jackson, and Wayne.

In connection with our first objective, we selected a sample of complaint referrals to determine whether OIG had received the referrals and recorded them on its database. We also investigated the basis for the disposal of wage/benefit matches* at various local offices throughout the State.

In connection with our second objective, we reviewed randomly selected complaint referrals to determine whether OIG processed them in accordance with OIG policy and procedure and to determine whether FIA had properly recorded settlements for collection.

In connection with our third objective, we reviewed the action taken by OIG to correct identified internal control weaknesses and to detect and deter fraud.

**AGENCY RESPONSES
AND PRIOR AUDIT
FOLLOW-UP**

Our audit report contains 7 findings and 8 corresponding recommendations. The agency preliminary response indicates that FIA agreed with the 8 recommendations. The agency preliminary response also indicates that FIA did not agree with parts of Finding 1.

FIA complied with 8 of the 12 prior audit recommendations included within the scope of our current audit. We repeated 1 prior audit recommendation in this report (Finding 3), and 3 prior audit recommendations were no longer applicable.