

IN THE EXECUTIVE ETHICS COMMISSION
OF THE STATE OF ILLINOIS

In re: ILLINOIS DEPARTMENT OF)
HUMAN SERVICES,) OEIG Case #11-00069

OEIG FINAL REPORT (REDACTED)

Below is an amended final summary report from an Executive Inspector General. The General Assembly has directed the Executive Ethics Commission (Commission) to redact information from this report that may reveal the identity of witnesses, complainants or informants and “any other information it believes should not be made public.” 5 ILCS 430/20-52(b).

The Commission exercises this responsibility with great caution and with the goal of balancing the sometimes-competing interests of increasing transparency and operating with fairness to the accused. In order to balance these interests, the Commission may redact certain information contained in this report. The redactions are made with the understanding that the subject or subjects of the investigation have had no opportunity to rebut the report’s factual allegations or legal conclusions before the Commission.

The Commission received this amended final report from the Governor’s Office of Executive Inspector General (“OEIG”) and a response from the agency in this matter. The Commission, pursuant to 5 ILCS 430/20-52, redacted the final report and mailed copies of the redacted version and responses to the Attorney General, the Governor’s Executive Inspector General and to DHS Director James T. Dimas.

The Commission reviewed all suggestions received and makes this document available pursuant to 5 ILCS 430/20-52.

FINAL REPORT

I. OVERVIEW OF THE INVESTIGATION

In 2012, the Office of Executive Inspector General for the Agencies of the Illinois Governor (OEIG) completed an investigation in which it found that an Illinois Department of Human Services (DHS) caseworker improperly cleared certain codes (“C” codes) without first taking required action, and as a result of that misconduct, DHS overpaid food benefits to DHS clients.¹ During that investigation, in light of the fact that a widespread failure to address the type of income information identified by “C” codes could expose the State to significant monetary loss, the OEIG initiated this broader investigation to determine whether there is a systematic failure to process “C” codes at DHS. The OEIG discovered that DHS caseworkers

¹ As discussed in greater detail below, “C” codes identify DHS benefit recipients who were receiving income when DHS may not have budgeted the earnings. The report in that investigation was publicly released on June 5, 2013, and is available at http://www2.illinois.gov/oeig/Documents/09-00711_Oliver_06.05.13.pdf.

commonly do not address “C” codes, resulting in significant money being overpaid to DHS clients.

II. BACKGROUND

A. DHS and the Family Community Resource Centers

DHS employs more than 13,000 people to provide services for the purpose of helping Illinois residents “achieve maximum self-sufficiency, independence and health.”² In order to facilitate the administration of its programs, DHS operates about 80 Family Community Resource Centers (Resource Centers) statewide, where more than 2,800 caseworkers work. DHS caseworkers determine clients’ eligibility for benefits, assess changes in client information for any impact on available services, and make appropriate adjustments to services.

In 2011, in an effort to address a sharp increase in eligible applicants for benefits and a concurrent decrease in DHS staffing, DHS launched its Work Support Strategies initiative.³ One feature of this initiative is that caseworkers in some participating Resource Centers no longer are responsible for all functions relating to a particular caseload. Instead, caseworkers are assigned to teams that are responsible for performing a single specialized task, such as interviewing clients or processing applications. Since DHS launched the Work Support Strategies initiative, some Resource Centers adopted a task-based system, while others still operate under the traditional caseload model or a hybrid system. DHS plans to convert all Resource Centers to a task-based system by September 2015.

In addition, DHS has begun to implement a new computer system called the Integrated Eligibility System and plans to complete its transition to this system in September 2015.

B. The Supplemental Nutrition Assistance Program

One program DHS administers is the Supplemental Nutrition Assistance Program (SNAP), which provides food benefits to low-income households. Eligibility for SNAP benefits is based on factors such as household income and expenses, as well as the number of persons who live and eat together. If a client is approved for SNAP benefits, the client is required to report changes to DHS, such as certain changes to income and household size, which may affect eligibility and benefit level.⁴ When such changes are not reported to DHS, an overpayment of benefits may result.

² See <http://www.dhs.state.il.us/page.aspx?item=27897> (last visited Apr. 27, 2015).

³ The Work Support Strategies initiative later evolved into the “Local Office Pride” program. Some DHS employees also refer to this program as “Ford Foundation,” after the organization that funded it. For the sake of clarity and consistency, this report refers to the program as the Work Support Strategies initiative.

⁴ Clients in “EZ” (simplified reporting) redetermination status are only required to report when their income exceeds the Gross Monthly Income Standard for the SNAP benefits unit’s size.

A client's continued eligibility for SNAP benefits is also evaluated during DHS's regular redetermination process. Redeterminations are supposed to be conducted every 6 to 24 months, depending on the type of case.

C. DHS Caseworker Duties and Responsibilities Relating to "C" Codes

In addition to relying on clients' reports of changes and conducting redeterminations to identify cases that require adjustments in services, DHS generates a Priority Action List⁵ that identifies cases that have an error or a high probability of error. The Priority Action List, which is generated monthly, uses various letter codes to indicate issues DHS caseworkers need to address, one of which is a "C" code. A "C" code appears on the Priority Action List if DHS receives information from the Illinois Department of Employment Security (IDES) indicating that an individual receiving DHS benefits was also receiving income.⁶

If a DHS client's name is listed on a Priority Action List with a "C" code, DHS policy requires the caseworker to verify the following information:

- first, that the IDES wage earner is the DHS client, rather than another individual using the client's name and/or Social Security number;
- second, that the client is not a child;
- third, that the income has not already been reconciled; and
- fourth, whether the income is the result of a DHS budgeting error.⁷

If the caseworker determines that the income identified on the Priority Action List is associated with an adult DHS client and has not already been reconciled, he or she is required to mail the client a form that requires the client to verify the income amount.⁸ If the DHS client is unable to verify the earnings information, the caseworker is required to ask the client's employer to verify the client's wages.⁹ The caseworker uses whatever verified earnings information is obtained to calculate any benefit overpayment.¹⁰ If the caseworker determines that DHS overpaid benefits to a client, the client is notified of the overpayment, and the caseworker reports the overpayment to DHS's Bureau of Collections, whose duties include collecting overpayments.¹¹ The caseworker also is required to follow DHS procedures for budgeting the client's income, to determine the client's continued eligibility for benefits and the correct benefit amount.¹²

⁵ The Priority Action List is also referred to as the Integrated Criteria List.

⁶ DHS Cash, SNAP, and Medical Manual, Workers' Action Guide §§ 19-06-01-d: Code C (cash and medical benefits); 19-06-02-a: Code C (SNAP benefits).

⁷ *Id.*

⁸ *Id.* If the client fails to respond, the case is cancelled. If the client fails to respond to a further request for information, the caseworker uses the income amount reported on the Priority Action List to project income over the entire period up to the month of cancellation.

⁹ *Id.*

¹⁰ *Id.* If the employer fails to respond to the request for wage verification, the caseworker divides the quarterly amount on the Priority Action List by three to determine the monthly income amount. The caseworker then uses this figure to project the client's income over the entire period at issue. *Id.*

¹¹ *Id.*; PM 23-04-00: Setting up an Overpayment (Cash, SNAP).

¹² DHS Cash, SNAP, and Medical Manual, Workers' Action Guide §§ 13-02-00: Budgeting (SNAP); 19-06-01-d: Code C (cash and medical benefits); 19-06-02-a: Code C (SNAP benefits).

Once a caseworker has resolved a “C” code issue identified on the Priority Action List, the caseworker then completes a DHS form, and the case is removed from the Priority Action List.¹³ If the caseworker fails to process a “C” code within two months of it first appearing on the Priority Action List, that case will continue to appear on the Priority Action List every two months thereafter until the “C” code issue is resolved.

D. Assistance Provided by the DHS Bureau of Collections

In addition to its collection responsibilities, DHS’s Bureau of Collections provides assistance in establishing overpayments. The Bureau of Collections provides this assistance through two programs: the Central “C” Code Project, and the Department of Employment Security Overpayment System.

1. Central “C” Code Project

Under the Central “C” Code Project, the Bureau of Collections dispatches field consultants to Resource Centers, where they identify overpayments of SNAP benefits by examining “C” code cases that have not been addressed by a DHS caseworker. If any overpayment is identified, the Bureau of Collections notifies the client and the Resource Center of the overpayment, and necessary steps are taken, such as adjusting benefits amounts or recouping overpayments from the client. This project operates in all Resource Centers statewide.

2. Department of Employment Security Overpayment System

In addition to the Central “C” Code Project, the Bureau of Collections provides assistance in establishing overpayments through its Department of Employment Security Overpayment System. This automated system runs a quarterly cross-match of wages reported by IDES against active DHS clients who are receiving benefits, and automatically calculates an estimated overpayment. The client is then notified of the estimated overpayment and given an opportunity to contest it. As of April 2015, this program operated in eight Resource Centers.

III. INVESTIGATION

As noted above, DHS generates a monthly Priority Action List in order to help identify benefit cases in which there may be overpayments. The OEIG attempted to determine whether DHS caseworkers were addressing “C” codes on the Priority Action List and if not, the amount of overpayments that may have resulted. The OEIG looked at three different time periods: July/August 2010, September/October 2011, and May/June 2014. As will be described in further detail below, the OEIG worked with the DHS Bureau of Collections to review a sample of 106 benefits cases and discovered that in just 60 of the 106 SNAP benefit cases examined from two different Resource Centers, DHS paid a total of \$172,670 in overpayments without taking any action to address them. A case is considered unaddressed when a “C” code appeared on the Priority Action List but there was no evidence that the DHS caseworker followed the required steps or took any other action to determine whether an overpayment occurred.

¹³ *Id.*

Period of Review	Resource Center	Selected Cases Analyzed	Total Amount of Overpayments	Amount of Overpayment Unaddressed by DHS
July/Aug. 2010	Southeast	40	\$62,673	\$42,060
Sept/Oct. 2011	Southeast & Northern	33	\$93,790	\$51,809
May/June 2014	Southeast & Northern	<u>33</u>	<u>\$82,565</u>	<u>\$78,801</u>
TOTAL		106	\$239,028	\$172,670

In addition, the OEIG discovered that in many of the cases with unaddressed overpayments, “C” codes repeatedly appeared on the Priority Action List for an extended period of time.

The OEIG’s process for obtaining these figures is described in further detail below. The OEIG also interviewed DHS caseworkers, supervisors, and an Associate Director, as well as the Bureau of Collections Bureau Chief.

A. Analyses of Sampled DHS SNAP Benefit Cases with “C” Codes

The OEIG obtained samples of DHS SNAP benefit cases from three different two-month periods and asked the Bureau of Collections to determine whether any overpayments had been made to DHS clients in the respective cases. Below is a discussion of the process used to select the cases, the results of the analyses, and the OEIG’s examination of the number of times cases with unaddressed “C” codes reappeared on the Priority Action List.

1. Selection of Cases for Analysis

In this investigation, the OEIG selected a sampling of cases for which “C” codes appeared on the Priority Action List, from three different two-month time periods: July and August 2010, September and October 2011, and May and June 2014.¹⁴ The chart below shows the total number of “C” codes that appeared on the Priority Action Lists statewide for those periods for all types of benefits:

Periods Sampled	Number of “C” Codes for All Benefit Types
July/Aug. 2010	86,046
Sept./Oct. 2011	59,366
May/June 2014	<u>134,585</u>
TOTAL	279,997

¹⁴ As discussed below, the OEIG sampled cases from 2014 because the Resource Centers that handled the cases changed the way work was assigned to caseworkers after the 2011 sampling was done.

In light of these large numbers, the OEIG opted to narrow its review to SNAP benefit cases from the Southeast and Northern Resource Centers¹⁵ that had “C” codes for these time periods.¹⁶

The cases the OEIG sampled from the July/August 2010 and September/October 2011 Priority Action Lists had been assigned to caseworkers in the Southeast and Northern Resource Centers under DHS’s traditional caseload model. In other words, at that time, caseworkers were assigned a unique caseload number, and performed all tasks relating to the cases that were assigned to that caseload. Because the Southeast and Northern Resource Centers transitioned to a task-based system in 2012, the OEIG decided to sample another set of cases after this transition (May/June 2014) to determine whether the transition to a task-based system affected the number of “C” codes that had been addressed.

For the analysis of July and August 2010 cases, the OEIG chose six Southeast Resource Center caseloads, each of which was assigned to a different DHS caseworker. In addition, none of the assigned caseworkers, for any of the six caseloads, was supervised by the same DHS supervisor. The OEIG then reviewed the Priority Action Lists for these six Southeast Resource Center caseloads, and selected the 40 SNAP benefit cases that generated “C” codes.¹⁷

For the analysis of September and October 2011 cases, the OEIG chose five caseloads each from the Southeast and Northern Resource Centers. Each of the ten caseloads was assigned to a different DHS caseworker and none of the caseworkers was supervised by the same person. The OEIG then reviewed the Priority Action Lists for these caseloads, and selected the 33 SNAP benefit cases that generated “C” codes, for which IDES reported a gross income of at least \$5,000 for at least one quarter, and in which the highest estimated monthly incomes exceeded the highest monthly gross income DHS permits clients to earn and still remain eligible for SNAP benefits.¹⁸

As noted above, the Southeast and Northern Resource Centers operated under a task-based system in May and June 2014, and did not assign caseloads to individual caseworkers. Therefore, for the analysis of May and June 2014 cases, the OEIG randomly selected 7 SNAP benefit cases from the Southeast Resource Center, and 26 SNAP benefit cases from the Northern Resource Center cases that generated “C” codes, and for which IDES reported a gross income of at least \$5,000 for at least one quarter.¹⁹

2. Results of the Bureau of Collections’ Analyses of Sampled Cases

At the OEIG’s request, DHS’s Bureau of Collections analyzed the 106 cases sampled from the Southeast and Northern Resource Centers from 2010, 2011, and 2014, for the purpose

¹⁵ The Southeast Resource Center is located at 8001 South Cottage Grove Avenue, in Chicago. The Northern Resource Center is located at 8020 North St. Louis Avenue, in Skokie.

¹⁶ For the July/August 2010 analysis, the OEIG only sampled cases from the Southeast Resource Center.

¹⁷ Some of these clients received both SNAP and medical benefits.

¹⁸ The OEIG calculated the estimated monthly income by dividing the income for the highest earning quarter by three. There were 7 cases selected from the Southeast Resource Center and 26 cases selected from the Northern Resource Center.

¹⁹ Investigators selected these numbers of cases to match the numbers of cases analyzed from the Southeast and Northern Resource Centers from September and October 2011.

of determining whether any overpayments had been made.²⁰ The results of those analyses are discussed below.

In its analysis of 40 Southeast Resource Center cases sampled from July and August 2010, the Bureau of Collections determined that in 19 of the cases there were no overpayments made to benefit recipients. The cited reasons included that the client's income had been properly reported and budgeted, the client did not receive SNAP benefits during the period at issue, or the income appeared to be exempt because of the client's age. However, the Bureau of Collections determined that in the remaining 21 cases, there were estimated²¹ overpayments made in the amount of approximately \$62,673. In 14 of the 21 cases, no DHS staff had taken any action to reconcile the "C" code as required by DHS Cash, SNAP, and Medical Manual, Workers Action Guide § 19-06-02-a. The total overpayment in these 14 unaddressed cases was approximately \$42,060.

In its analysis of 33 Southeast and Northern Resource Center cases sampled from September and October 2011, the Bureau of Collections determined that in 9 of the cases there were no overpayments made to benefit recipients. In several of these cases, the Bureau of Collections noted that it appeared that someone other than the DHS client was using the client's Social Security number to work, and therefore the earnings reported by IDES were not attributable to the client.²² However, with regard to the remaining 24 cases, the Bureau of Collections estimated that overpayments had been made in the amount of \$93,789.60. In 19 of these cases, no action had been taken by DHS employees to reconcile the "C" codes, as required by DHS Cash, SNAP, and Medical Manual, Workers Action Guide § 19-06-02-a. The total overpayment in these 19 unaddressed cases was approximately \$51,809.

In its analysis of 33 Southeast and Northern Resource Center cases sampled from May and June 2014, the Bureau of Collections determined that in 3 of the cases there were no overpayments made to benefit recipients. In a fourth case, the Bureau of Collections was unable to determine whether an overpayment had been made because of the age of the case, and a lack of information regarding the client's employer. However, with regard to the remaining 29 cases, the Bureau of Collections calculated that overpayments had been made in the amount of \$82,565. In 27 of these cases, no action had been taken by DHS employees to reconcile the "C" codes, as required by DHS Cash, SNAP, and Medical Manual, Workers Action Guide § 19-06-02-a. The total overpayment in these 27 unaddressed cases was \$78,801. Thus, as a result of its review of 106 SNAP benefit cases from three separate two-month periods, the Bureau of Collections found that there was an estimated unaddressed overpayment of \$172,670.

²⁰ The Bureau of Collections' analysis of July and August 2010 cases also included a case that the OEIG had not included in its request; the analysis of that case is not included in this discussion.

²¹ These overpayments were estimated, rather than actual, because the Bureau of Collections calculated the clients' monthly income by dividing the quarterly income amounts reported by IDES by three, rather than using actual monthly income amounts. This method does not take into account the start and end dates of the employment, and may not correspond with the dates when the clients received benefits.

²² When a DHS employee identifies a situation in which it appears that another person may be using the DHS client's Social Security number for employment purposes, the employee is required to submit a referral form to DHS's Social Security Programs Control Unit, which is responsible for coordinating with the Social Security Administration to resolve Social Security number discrepancies. *See* DHS Cash, SNAP, and Medical Manual, Workers' Action Guide §§ 19-06-01-d: Code C; 03-11-01: Social Security Number Policy; Policy Manual 22-07-00: Social Security Programs Control Unit (SSA/PCU).

3. Examination of the Number of Times “C” Codes for Sampled Cases Appeared on the Priority Action List

In addition to examining the amount of unaddressed overpayments made in the sampled cases, the OEIG examined how many times “C” codes appeared on the Priority Action List for the cases with unaddressed overpayments sampled from 2011 and 2014.

Investigators determined that “C” codes appeared on the Priority Action List on multiple occasions in all 19 cases with unaddressed overpayments sampled from September and October 2011, as set forth below:²³

- 6 cases appeared on the Priority Action List between 4 and 9 times;
- 5 cases appeared on the Priority Action List between 10 and 14 times;
- 6 cases appeared on the Priority Action List between 15 and 19 times; and
- 2 cases appeared on the Priority Action List 20 or more times.

In addition, investigators determined that “C” codes appeared on the Priority Action List multiple times in 26 of the 27 cases with unaddressed overpayments sampled from May and June 2014, as set forth below:²⁴

- 8 cases appeared on the Priority Action List between 3 and 9 times;
- 10 cases appeared on the Priority Action List between 10 and 14 times;
- 3 cases appeared on the Priority Action List between 15 and 19 times; and
- 5 cases appeared on the Priority Action List 20 or more times.

As noted above, cases that generate “C” codes appear on the Priority Action List every two months until the “C” code is cleared. Therefore, if a case appeared on the Priority Action List 20 or more times, this may signify that the “C” code for that case was not cleared for over 3 years, and any overpayments may have continued for that time period.²⁵

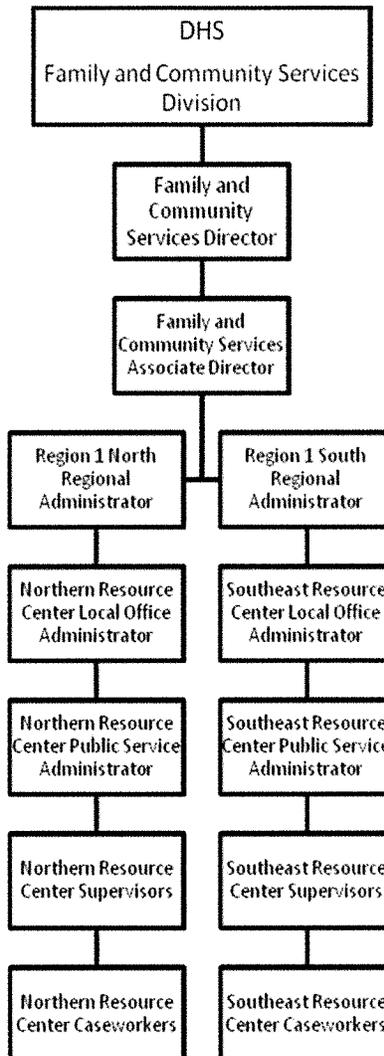
²³ DHS was unable to provide to the OEIG the Priority Action Lists for a number of months.

²⁴ DHS was unable to provide to the OEIG the Priority Action Lists for a number of months.

²⁵ The case also may have reappeared on the Priority Action List because of new income discrepancies.

B. Interviews of DHS Personnel

Investigators interviewed various DHS personnel regarding the cases analyzed above. Below is an organizational chart showing the relative positions held by some of these individuals.



1. Interviews of Region 1 North Personnel

Investigators interviewed Northern Resource Center caseworkers responsible for cases identified by the Bureau of Collections as having unaddressed overpayments in September and October 2011, their direct supervisors, a Public Service Administrator at the center, and the center's Local Office Administrator. In addition, investigators interviewed the Regional Administrator responsible for the region in which the Northern Resource Center is located.

a) Interviews of Northern Resource Center Caseworkers

On March 11, 2014, investigators interviewed four of the five DHS caseworkers who, in September and October 2011, were responsible for the cases identified by the Bureau of Collections as having unaddressed overpayments from the OEIG's sample of Northern Resource Center cases from that time period.²⁶

Two of the four caseworkers interviewed explained that they did not have time to address the "C" codes because they had large caseloads in 2011.²⁷ One of the caseworkers claimed that he did not address the "C" codes on these cases because they probably were not brought to his attention. The fourth caseworker claimed that he would have verified the clients' current income amounts using information available on DHS's computer system to ensure that it was correctly budgeted, but stated that it was not his responsibility to address past overpayments. According to these caseworkers, they were not given a goal of how many "C" codes they were expected to process.

All four caseworkers interviewed stated that they had not received a Priority Action List since the Northern Resource Center completed its conversion from the traditional caseload system to a task-based system in approximately March 2012. All four stated that they have never been counseled or disciplined for not addressing "C" codes.

b) Interviews of Northern Resource Center Supervisors

On March 26, 2014, investigators interviewed the five DHS supervisors responsible for supervising the Northern Resource Center caseworkers whose cases were identified as having unaddressed overpayments as of September and October 2011.

Four of the five supervisors said that they provided Priority Action Lists to the caseworkers they supervised until the Northern Resource Center converted to a task-based system. One supervisor said she did not provide Priority Action Lists to the caseworkers she supervised because she did not receive them even before the Northern Resource Center began using a task-based system.²⁸

Four of the supervisors said they did not know why the specific Priority Action Lists identified by the Bureau of Collections had not been addressed. One supervisor stated that the Priority Action Lists were not addressed because the Northern Resource Center did not have enough staff to do so.

All five supervisors stated that the caseworkers at the Northern Resource Center have not addressed the Priority Action Lists since at least when the center converted to a task-based system. Four of the five supervisors said they have not received any Priority Action Lists since the conversion took place. One supervisor, who now is an Acting Public Service Administrator at the Northern Resource Center, said the Priority Action List has continued to come to the

²⁶ The fifth caseworker was on leave at the time of these interviews, and was not interviewed in this investigation.

²⁷ The caseworkers interviewed stated that they had caseloads of about 1,000 to 1,500 cases during this period.

²⁸ This individual supervised the caseworker who was not interviewed in this investigation, and was not the supervisor of the caseworker who stated that the "C" codes were not brought to his attention.

center since the conversion took place, but that the employees “never get to it.” She added that the processing team is supposed to be responsible for addressing codes on the Priority Action List, but that the caseworkers on that team do not have time to do it.

The supervisors said that a DHS Bureau of Collections employee periodically comes to the Northern Resource Center to process “C” codes. According to one of the supervisors, this employee has been assisting the Northern Resource Center since before the center converted to a task-based system.

c) Interview of [Employee 1]

The OEIG interviewed Public Service Administrator [Employee 1] on October 18, 2012. [Sentence containing identifying information redacted.] [Employee 1] stated that before the Northern Resource Center converted to a task-based system, she distributed the Priority Action Lists to staff, and the caseworkers would refer any “C” codes they located to a representative from the Bureau of Collections. However, [Employee 1] stated that since the restructuring seven months earlier, she kept the Priority Action Lists in boxes in her office while she awaited instructions for how to address them.

d) Interview of [Employee 2]

On October 18, 2012, the OEIG interviewed [Employee 2]. [Employee 2] stated that at that time, the Northern Resource Center had approximately 118 employees and was handling approximately 100,000 cases.

[Employee 2] stated that before the Northern Resource Center converted to a task-based system in early 2012, Northern Resource Center staff members were expected to address the issues identified on the Priority Action List. However, she stated that the Northern Resource Center lacked the necessary resources to address the Priority Action List, and that because of staff shortages, she placed a higher priority on ensuring that clients receive timely benefits.

[Employee 2] stated that since the 2012 restructuring, the Northern Resource Center’s focus has been on eliminating backlogs. Therefore, overpayments have not been addressed, other than when an overpayment is discovered during the redetermination process, or when a Bureau of Collections representative comes on a sporadic basis to assist in addressing overpayments. [Employee 2] stated that she is unaware of any of her employees being disciplined for failing to address the Priority Action List.

e) Interview of [Employee 3]

On December 2, 2012, the OEIG interviewed [Employee 3]. [Sentence containing identifying information redacted.]²⁹ [Employee 3] stated that because of limited staffing, processing SNAP benefits is a higher priority than addressing “C” codes. However, she stated that she advises her Local Office Administrators that at minimum they should address the Priority Action List codes that warn of a possible earnings discrepancy, including “C” codes, because such changes could affect the accuracy of SNAP benefits.

²⁹ [Employee 3] currently works in a different position at DHS.

[Employee 3] stated that there will always be an expectation to address changes in clients' cases, even under a task-based system, and that she never instructed the Northern Resource Center to stop addressing issues on the Priority Action List. [Employee 3] stated that she did not know what directives relating to the Priority Action List had been given to Resource Centers that had task-based systems, and stated that she could not recall if anyone at the Northern Resource Center had asked how to address the Priority Action List under a task-based system.

2. Interviews of Region 1 South Personnel

Investigators also interviewed [Employee 4 and Employee 5].

a) Interview of [Employee 4]

On August 31, 2012, the OEIG interviewed [Employee 4]. [Employee 4] stated that at that time, the Southeast Resource Center had about 100 employees and was handling approximately 54,000 cases.

[Employee 4] acknowledged that the Priority Action List is "a low priority right now," because of a reduction in staff and resources, and that DHS's current priority is timely processing SNAP benefits.³⁰ [Employee 4] stated that although he continues to receive the Priority Action List each month, the Southeast Resource Center has not addressed the Priority Action List since it began converting to a task-based system in August 2011.

In a September 4, 2012 email, [Employee 4] clarified that the responsibility for reviewing the Priority Action List has not been abandoned; rather, it has been shifted from individual caseworkers to his Financial Recovery Coordinator. [Employee 4] stated that the Financial Recovery Coordinator is responsible for ensuring that the Southeast Resource Center meets a target of processing 264 overpayments each year, and that the Southeast Resource Center had met or exceeded this target in each of the previous five years.

³⁰ Similarly, when interviewed on August 4, 2014 in an unrelated investigation, the South Suburban Resource Center's Local Office Administrator, a 40-year DHS veteran, stated that addressing "C" codes has not been a priority. She further noted that especially in cases in which the client is *not* receiving SNAP benefits (for example, a client receiving medical benefits), "C" codes have not been reviewed for the past 10 to 20 years.

b) Interview of [Employee 5]

On December 2, 2012, the OEIG interviewed [Employee 5]. At that time, [Employee 5] was responsible for [identifying information redacted].³¹ [Employee 5] stated that caseworkers remain responsible for addressing issues identified on the Priority Action List under a task-based system, although ensuring the timeliness of benefits is a higher priority.

[Employee 5] stated that no one at the Southeast Resource Center informed her that the Southeast Resource Center is not addressing issues on the Priority Action List, or that the Southeast Resource Center needed additional direction regarding the Priority Action List. [Employee 5] stated that after DHS's focus changed to the timeliness of distributing benefits, she did not closely monitor the Southeast Resource Center's Priority Action List. [Employee 5] acknowledged that it is difficult for staff to address the Priority Action List along with their other duties.

3. Interviews of [Employee 6]

The OEIG interviewed DHS's [Employee 6], on October 9, 2013 and June 30, 2014.³² As [identifying information redacted], a position she entered in February 2010, [Employee 6] oversaw [identifying information redacted]. [Employee 6] also was [identifying information redacted].

[Employee 6] stated that "years ago," DHS maintained an expectation, which was reflected as a goal on caseworker evaluations, as to how many overpayments caseworkers should process.³³ [Employee 6] explained that this expectation changed because caseworkers no longer can complete the same amount of work they used to complete, because of a significant decrease in staff levels and increase in case volume. Currently, individual Regional Administrators and Local Office Administrators have the discretion to set (or not set) expectations for how many overpayments caseworkers should process. However, [Employee 6] said that caseworkers are still expected to address overpayments if they see them.

[Employee 6] said that although the Resource Centers are still expected to address overpayments, she placed a higher priority on other tasks, such as the timely issuance of SNAP benefits. Accordingly, she said, she did not push the Resource Centers to process overpayments and did not closely monitor whether they were doing so. [Employee 6] said she neither received instructions from anyone over her regarding identifying and addressing overpayments, nor did she issue any such instructions to anyone below her.

[Employee 6] stated that she was not aware of any instructions given to task-based Resource Centers in how to address overpayments in a task-based system.³⁴ [Employee 6]

³¹ [Employee 5] has since retired from DHS.

³² [Employee 6] left State employment in April 2015.

³³ [Employee 6] could not recall how many overpayments caseworkers were expected to process annually at that time. However, [Employee 7], who reported to [Employee 6], told the OEIG that caseworkers were expected to complete two overpayments each year.

³⁴ Similarly, in an August 12, 2014 interview, the DHS employee in charge of improving business processes in Resource Centers in Cook County told investigators that he was unaware of any instructions given to the task-based Resource Centers about processing overpayments in a task-based system.

acknowledged that a task-based Resource Center could choose to assign a team to the task of addressing “C” codes, but said that each Resource Center establishes its own procedures.

[Employee 6] noted that the number of overpayments established by the Bureau of Collections has increased significantly. [Employee 6] said that no conscious decision was made to transfer this responsibility from the Resource Centers to the Bureau of Collections, and explained that the Bureau of Collections stepped in as the Resource Centers became overwhelmed.

When investigators told [Employee 6] that an analysis of cases sampled from the Southeast and Northern Resource Centers for 2010 and 2011 revealed that cases repeatedly reappeared on the Priority Action List over long periods of time,³⁵ [Employee 6] responded that that was “extremely concerning,” because it indicated that “it was not even looked at, and that’s a problem.”³⁶ [Employee 6] said she had been aware of problems in the Southeast and Northern Resource Centers before they converted to task-based systems, and noted that the centers had streamlined their procedures since then. [Employee 6] said that in addition to changing processes through the Work Support Strategies initiative, DHS has hired additional staff.

When asked what, if anything, she would recommend that DHS do differently to address overpayments, [Employee 6] suggested centralizing important processes to ensure that overpayments are addressed, either in the Bureau of Collections or elsewhere, and providing sufficient staff to handle this responsibility. [Employee 6] also suggested increasing monitoring.

4. Interviews of [Employee 8]

On January 23, 2013 and April 13, 2015, the OEIG interviewed [Employee 8] about the assistance the Bureau of Collections provides to the Resource Centers in establishing overpayments. [Employee 8] stated that although the Resource Centers bear the primary responsibility for establishing overpayments, Resource Centers have increasingly relied on the Bureau of Collections to handle them. He said that when caseworkers in the Resource Centers identify possible overpayments (whether through the redetermination process or otherwise), they typically set the cases aside for Bureau of Collections staff to handle.

[Employee 8] stated that 14 Bureau of Collections staff members establish the majority of the overpayments that are established statewide, and noted that these employees are paid from the funds the Bureau of Collections recovers. [Employee 8] said that in FY 2014, Bureau of Collections field consultants established about \$25 million in overpayment claims through the Central “C” Code Project.³⁷ In addition, [Employee 8] said, the Bureau of Collections’ Department of Employment Security Overpayment System, which operates in eight Resource

³⁵ [Employee 6’s] 2014 interview occurred before the analysis of the cases sampled from May and June 2014 was conducted; therefore, investigators did not question her about the results of that analysis.

³⁶ [Employee 6] said she did not know if the amount of overpaid benefits discovered in the analyses was unacceptable, however, because she did not know the overall amount of benefits that were issued. [Employee 6] explained that the federal government tends to accept an average error rate of 3 to 4%. [Employee 6] further stated that in quarterly calls, the U.S. Department of Agriculture has always been “pleased” with the amount of overpayments DHS processed.

³⁷ By contrast, [Employee 8] said, the caseworkers in the Resource Centers established about \$11 million in overpayments in FY 2014.

Centers, establishes about \$2 million in overpayment claims each quarter. According to [Employee 8], DHS typically collects about one-third of the amount of overpayments in the first year after they are established. Nevertheless, [Employee 8] said, because caseworkers generally are not addressing overpayments and there are only 14 Bureau of Collections staff members assigned to provide assistance to the Resource Centers in establishing overpayments, he estimated that DHS is missing “at least half” of the overpayments that occur.

[Employee 8] said that when DHS’s new computer system, the Integrated Eligibility System, is fully implemented in September 2015, the income discrepancies currently identified by “C” codes on the Priority Action List will instead be identified on the new system. However, he said that caseworkers will still bear the primary responsibility for addressing income discrepancies that may indicate overpayments, as they currently are required to do for “C” codes on the Priority Action List. [Employee 8] said the Bureau of Collections’ Department of Employment Security Overpayment System will continue to operate after the Integrated Eligibility System is implemented.³⁸

IV. ANALYSIS

The OEIG’s investigation revealed that DHS has a tool to identify clients who may be receiving an overpayment of benefits: a Priority Action List that is generated once each month, and identifies cases that have a high probability of error. DHS policy requires caseworkers to take certain steps to address the “C” codes identified on the Priority Action List. DHS has failed, however, to ensure that these “C” codes are addressed, to reduce and recover overpayments made to SNAP benefit recipients. As a result, the State has lost and continues to lose significant amounts of money. For example, in just the 106 cases that were reviewed as part of this investigation, the State overpaid approximately \$172,670 and no action was taken by caseworkers to address these overpayments. For that same time period, there were over 270,000 cases statewide that showed a “C” code on the Priority Action List. Because of the large amount of cases identified by the “C” code, there is reason to believe there has been and will continue to be large amounts of overpayments made by the State without any attempts at reducing or recovering this amount of money.

A. DHS Procedures Governing Caseworker Action Relating to “C” Codes

DHS’s Workers’ Action Guide details the steps caseworkers must follow to address a “C” code in a SNAP benefits case. Specifically, DHS procedures require caseworkers to verify that the income reported on the Priority Action List is attributable to a DHS adult client and that it has not already been reconciled, then contact the client to verify the earnings information, ask the client’s employer to verify the client’s wages if the client is unable to do so, use the verified earnings information to calculate any overpayment that DHS has made to the client, and report any overpayment to DHS’s Bureau of Collections.³⁹ DHS procedures also require caseworkers to determine the client’s continued eligibility for benefits and the correct benefit amount.⁴⁰

B. DHS’s Failure to Effectively Address Income Discrepancies

³⁸ As noted above, this system operates in eight Resource Centers.

³⁹ DHS Cash, SNAP, and Medical Manual, Workers’ Action Guide § 19-06-02-a: Code C.

⁴⁰ DHS Cash, SNAP, and Medical Manual, Workers’ Action Guide §§ 13-02-00: Budgeting (SNAP); 19-06-02-a: Code C.

The OEIG's investigation revealed that even though DHS has a tool that identifies clients who may be receiving overpayments of benefits, it failed to use that tool to address and reduce these overpayments. As a result, DHS made significant overpayments of SNAP benefits to clients that were not addressed or attempted to be recovered over long periods of time. Although the OEIG examined only a small fraction of cases that generated "C" codes statewide, it determined that the "C" codes in most of those cases were repeatedly ignored and, as a result, DHS did not address a total of \$172,670 in overpayments of benefits.

In a sampling from the Southeast Resource Center Priority Action Lists for July and August 2010, 40 SNAP benefit cases that showed a "C" code were analyzed for possible overpayments. The amount of overpayment in these 40 cases that had not been previously addressed by any DHS employee was approximately \$42,060. In other words, of these 40 cases, no action was taken by the caseworker to address \$42,060 of overpayments, including no attempt to ensure that overpayment were recouped. Merely dividing the amount of unaddressed overpayments (\$42,060) by the amount of cases analyzed (40), there was roughly \$1,000 overpaid and unaddressed by DHS for each case analyzed. For this same time period of July and August 2010, a total of 86,046 "C" codes appeared on the Priority Action List for all benefit cases for the entire state of Illinois.

In the second sampling conducted, the OEIG randomly selected 33 SNAP benefit cases with a "C" code on the September and October 2011 Northern and Southeast Resource Center Priority Action Lists, for which IDES reported a gross income of at least \$5,000 for at least one quarter, and in which the highest estimated monthly income exceeded the limit DHS imposes for food benefit eligibility. The amount of overpayment in these 33 cases that had not been previously addressed by any DHS employee was approximately \$51,809. For this same time period of September and October 2011, a total of 59,366 "C" codes appeared on the Priority Action List for all benefit cases for the entire state.

In the third sampling conducted, the OEIG randomly selected 33 SNAP benefit cases with a "C" code on the May and June 2014 Northern and Southeast Resource Center Priority Action Lists, for which IDES reported a gross income of at least \$5,000 for at least one quarter. The amount of overpayment in these 33 cases that had not been previously addressed by any DHS employee was \$78,801. For this same time period of May and June 2014, a total of 134,585 "C" codes appeared on the Priority Action List for all benefit cases for the entire state.

Finally, the analyses also showed that many of these "C" codes continued to appear on the Priority Action List for some length of time. For the cases with unaddressed overpayments, "C" codes appeared at least an average of 12 times on the Priority Action Lists in the September/October 2011 and May/June 2014 samplings.⁴¹ If a case appeared on the Priority Action List 12 times, this may signify that the "C" code for that case was not cleared for 24 months. Obviously, the longer the "C" code is unaddressed, the higher the likelihood is that there will be a larger amount of overpayment made in the case. If the "C" codes are not addressed, there can be a significant amount of overpayment made by DHS that is never

⁴¹ This figure may under-represent the frequency with which the "C" codes appeared, because DHS was unable to provide to the OEIG a number of the Priority Action Lists.

recouped. As [Employee 6] acknowledged, the fact that no one even looks at this information is “extremely concerning.”

Furthermore, the analyses show the failure of caseworkers to address overpayments is not particular to a single caseworker or a single office, because the analyses incorporated cases from two different offices over three different time periods. There was also no indication from either [Employee 6] or [Employee 8] that other Resource Centers are handling the “C” codes any differently. As [Employee 6] explained, DHS does not set any centralized expectations for how many “C” codes caseworkers are required to address. Instead, Regional Administrators and Local Office Administrators have the discretion to set such expectations, and these administrators may choose not to set any expectations at all. [Employee 6] stated that she did not push the Resource Centers to process overpayments and did not closely monitor whether they were doing so.

Even in Resource Centers that have expectations for processing “C” codes, expectations are low. For example, although [Employee 4] maintained that the Southeast Resource Center has consistently met its target of addressing 264 overpayments annually, the OEIG’s investigation identified unaddressed overpayments in Southeast Resource Center cases sampled in 2010, 2011, and 2014. To the extent that the Southeast Resource Center is meeting its goal for processing overpayments - which amounts to only about two overpayments annually per caseworker - the losses the OEIG identified highlight the inadequacy of the expectations.

Moreover, the conversion from a traditional caseload system to a task-based system appears to have further reduced efforts to address “C” codes. The analysis of cases sampled from the Northern and Southeast Resource Centers in 2014, after they converted to a task-based system, revealed a larger amount of overpayments than the analysis of a sample of cases from these centers before the restructuring. In addition, the 2014 analysis showed that the “C” codes in the cases with unaddressed overpayments at these task-based Resource Centers continued to reappear on the Priority Action List multiple times. Caseworkers at the Northern Resource Center told investigators that they have not received a Priority Action List since the center converted to a task-based system, and the Local Office Administrators of both centers said the Priority Action List is a low priority.

Through at least August 2014, DHS had neither established new procedures for addressing “C” codes at task-based Resource Centers, nor otherwise provided centralized directions to these Resource Centers. As discussed above, DHS expects all Resource Centers to be task based by September 2015. In addition, although the income discrepancies that currently are identified by “C” codes on the Priority Action List will be reported in a different format after DHS completes its transition to the Integrated Eligibility System in the fall of 2015, caseworkers will remain responsible for addressing possible overpayments that these discrepancies identify.

The Bureau of Collections appears to have been successful in identifying overpayments of SNAP benefits in the limited capacity in which it operates. However, the Bureau of Collections has insufficient staff to address more potential overpayments that are identified, a shortsighted approach in view of the amount of overpayments recovered as a result of the Bureau of Collections’ work.

In short, although DHS receives information alerting it that overpayments of benefits may have occurred, DHS personnel have largely ignored it, resulting in a significant, continuing loss to the State. With the large amount of cases identified with a “C” code on the Priority Action List, there is reason to believe there has been and will continue to be large amounts of overpayments made by the State without any attempts at reducing or recovering this amount of money. Although the investigation showed that certain caseworkers and their supervisors failed to comply with DHS policies and procedures for addressing “C” codes, the OEIG is not issuing findings against these individuals because the failure to address “C” codes is systemic and was sanctioned by high-level DHS managers, many of whom are no longer employed by DHS.

V. CONCLUSION AND RECOMMENDATIONS

Following due investigation, the OEIG issues the following finding:⁴²

- **FOUNDED** – DHS failed to enforce DHS procedures requiring caseworkers to address “C” codes in SNAP benefit cases resulting in significant financial loss to the State.

The OEIG recommends that DHS take the necessary action to enforce current procedures requiring employees to address “C” codes on the Priority Action List, or implement and enforce new policies and procedures in light of the fact that the income information currently conveyed through “C” codes on the Priority Action List will soon be provided through the Integrated Eligibility System. In order to avoid further financial losses to the State, DHS needs to ensure that this information is effectively addressed, however it is conveyed, so that overpayments of benefits are identified and, to the extent possible, recovered.

No further investigative action is needed and this case is considered closed.

Date: September 29, 2015

Office of Executive Inspector General
for the Agencies of the Illinois Governor
69 West Washington Street, Suite 3400
Chicago, IL 60602

By: **Angela O. Luning**
Assistant Inspector General

Reginald Spears
Investigator #124

⁴² The OEIG concludes that an allegation is “founded” when it has determined that there is reasonable cause to believe that a violation of law or policy has occurred, or that there has been fraud, waste, mismanagement, misconduct, nonfeasance, misfeasance, or malfeasance.



Bruce Rauner, Governor

James T. Dimas, Secretary-designate

October 21, 2015

*Via e-mail to Fallon Opperman, Deputy Inspector General and Chief of Chicago Division,
on behalf of:*

Maggie Hickey

Executive Inspector General

Office of the Executive Inspector General for the Agencies of the Illinois Governor

69 West Washington Street, Suite 3400

Chicago, Illinois 60602

RE: Response to the Final Report for Complaint 11-00069

Dear Executive Inspector General Hickey:

This letter responds to the Final Report for Complaint Number 11-00069, attached. The Report essentially details a systemic situation in which certain "C Codes" on the Priority Action List (PAL) are not properly addressed, resulting in overpayments. The Report recommends that the Department of Human Services (DHS) either enforce existing policies, or implement and enforce new policies, to ensure the C Codes are properly addressed. DHS is implementing both recommendations.

To enforce existing policies, the Regional Administrators (RAs) have been reminded about the expectations surrounding C Codes, as well as N, U, F and S Codes (collectively referred to as Priority Action Codes). The RAs will inform the Local Office Administrators (LOAs) regarding expectations and ensure that staff within each Family and Community Resource Center (FCRC) is designated to address these Priority Action Codes. In addition, the Priority Action Codes will be discussed at LOA meetings. Each RA will ensure that each FCRC in the RA's region have addressed all current Priority Action Codes each month. Priority among codes will be given to cases involving Supplemental Nutritional Assistance Program (SNAP) benefits to decrease SNAP errors to avoid SNAP financial penalties related to payment accuracy.

As for new procedures, the Acting Associate Director of the Bureau of FCRCs will review all Priority Action Codes to identify which Regions or FCRCs are making progress, and which require additional monitoring and follow up. If progress is lacking, then the RA will create

a corrective action plan to address the issues. The Associate Director will also hold bi-monthly, individual meetings with each RA to discuss the Priority Action Codes and potential issues.

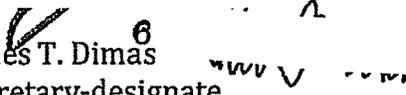
In addition, planning for a Leadership Academy conference at Bloomington is underway. The conference will focus on Quality and Accuracy—the exact topics of concern in the Report. Tentative dates for the conference are between November 2015 and January 2016. Initially, the Academy will consist of two phases. Phase I will be geared to Regional Administrators. Phase II will add to the first phase and will include the Regional Administrators and the LOAs (approximately 100 staff). Future phases will be geared toward front line managers, initiating a complete knowledge transfer of quality work to front line staff. The Academy will consist of future conferences and become engrained here at DHS.

Finally, the Central C Code Project currently covers 11 FCRCs (DuPage, Kankakee, Logan, Macon, Madison/Alton, Madison/Granite City, Peoria, South Suburban, St. Clair, Western and Williamson). Besides ensuring each office resolve the C Codes as described above, in January 2016, the Mid-South FCRC will be added, making 12 offices covered by the project.

As the Report pointed out, with Phase 2 of the Integrated Eligibility System (IES), which is likely to occur in the spring of 2016, C Code handling will change. The C Codes will be electronically assigned (via IES) to a particular caseworker's IES inbox. A caseworker will be required to resolve these assigned inbox in IES daily, versus reviewing paper reports. The front line supervisors will be able to monitor and manage from the IES Manager Dashboard, using real time data, to ensure the work is completed timely. In addition, the notification of the relevant Priority Action Codes will be rotated among caseworkers. Work not completed will be escalated to the supervisor, so that follow up by the caseworker can occur.

This matter is now considered closed with respect to your office. If you have any questions, please feel free to contact Robert J. Grindle, DHS' Ethics Officer.

Regards,



James T. Dimas⁶
Secretary-designate