Quality Control and Error Reduction in the AFDC Program: A Review and Synthesis of State Strategies

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Article:

**INTRODUCTION**

In the early 1970s, because of rising costs for the AFDC program, increasing caseloads, and public demands for eliminating welfare fraud, the United States Department of Health, Education and Welfare (now the Department of Health and Human Services) began scrutinizing payment procedures more closely and introduced the quality control program. More recent federal efforts at cost control in the AFDC program have led to an increased emphasis on quality control. While all states have instituted certain types of quality control programs, efforts have varied from state to state.

During a similar time period, attitudes toward welfare and its recipients changed. For example, a poll taken in 1961 indicated the majority of Americans felt that too little money was being spent on welfare. In contrast, 85 percent of those polled in 1976 said that too much was being spent and, furthermore, that there were a substantial number of cheaters. The Department of Health, Education and Welfare estimated in 1978 that 5.5 to 6.5 billion dollars were lost to fraud and reports in 1980 that 376 million to 3.3 billion dollars in Aid to Families with Dependent Children (AFDC) were paid out to ineligible clients raised the ire of politicians and taxpayers (Joe & Rogers, 1985).

Concerns over fraud and abuse are often mistakenly clouded with the issue of underpayment to needy persons. Many argue that we miss the boat in concentration on the elimination of isolated causes of cheating, because the real crime is that of neglecting worthy recipients. Fraud and abuse, like underpayment, are equally worthy areas of concern to the complex institution of welfare. Both must be addressed. Millions, or possibly billions, of dollars paid incorrectly to clients is money that could have been spent on research and policy analysis to help people become less dependent on a system that falls short of meeting their needs.

It is necessary for social workers to address these issues in order to gain support for programs. Control of fraud and abuse would help quench the political fires that threaten the welfare institution. When the lid is put on abuse and only the truly needy receive support, the public policy makers will have fewer rationales for further reductions in services (Gardiner & Lyman, 1985).

This article presents an assessment of states’ efforts to comply with federal error tolerance levels and identifies seven components of strategies that have led to effective error reduction in the AFDC Program.

**Background Literature**

Begun in 1935 under Title IV-A of the Social Security Act, AFDC is a federal grant-in-aid program to assist needy, dependent children. In order to receive the federal matching funds, states submit a state plan which adheres to federal requirements and which is approved by the Department of Health and Human Services (DHHS). Despite federal requirements, states are permitted a good deal of flexibility and autonomy in administering and designing an AFDC program. Inconsistency in the effective and efficient administration of public income maintenance programs has led to an increasing insistence by federal, state, and local government
officials that states be held accountable for how public assistance dollars are spent. Recessionary economic conditions, increased demand for income support, and restricted government revenues to pay for such support place additional pressure on states' accountability.

Prior to 1969, HEW federal administrators, functioning primarily as consultants rather than monitors, were able to deny knowledge of state noncompliance with federal regulations. Seeing their role as consultative rather than supervisory, the administrators believed that knowledge may imply responsibility and, therefore, ignored feedback regarding activities of states (Stewart, 1981).

In 1969, HEW instituted a reform that re-established its role in monitoring states and enforcing grant requirements, thus strengthening its accountability for goal achievement (Stewart, 1981). In 1970, seven formal hearings against states were held on conformity of their public assistance programs with federal regulations. Subsequently, four of those states were faced with threats of withdrawal of funds. These threats contributed to the initial success of this new reform.

The Omnibus Budget Reconciliation Act of 1981 (OBRA), developed in accordance with President Reagan's economic plan to curb inflation and to restrict federal expenditures on public welfare, exerted further pressure on states for fiscal accountability in the AFDC program. Provisions of OBRA sought to improve the program's administrative practices, placed greater financial and administrative responsibilities on states, established more rigid eligibility requirements, and strengthened work requirements of recipients (Wodarski, Parham, Lindsey & Blackburn, 1986).

Increasing pressure from the federal level caused states to pay closer attention to case error rates since high error levels could lead to federal fiscal sanctions. Case error rates give an indication of financial compliance with federal requirements and also are widely accepted as an indicator of AFDC program quality (Brodkin & Lipsky, 1983; Cox, 1986). While some view the increasing emphasis on error rates as a focus on accuracy and efficiency to the exclusion of other measures of program quality (Brodkin & Lipsky, 1983), others believe an emphasis on error rate is important in terms of public perceptions and economics. Brodkin and Lipsky believe that high error rates legitimize welfare cutbacks. By tightening administration of these programs, ineligibles have a harder time obtaining benefits and overpayments to eligibles are reduced, leaving more monies to be distributed among the eligible. Clients further benefit when administrative agencies are required to provide compliance information to elected officials and the public. This information can be utilized by the clients and their advocates to increase agency accountability, contribute to the development of coherent policy, and change the effectiveness in enforcement of policy requirements (Stewart, 1981).

Regardless of how important one considers error rate in evaluating program quality, it is a measure of accuracy which has become very important to states which are attempting to comply with federal regulations. "Quality control" is a term which has become synonymous with "error control," and all states have developed quality control programs to reduce error rates.

**QUALITY CONTROL**

Quality control methods have been used to determine the accuracy of financial payments and eligibility criteria for AFDC services. This federally mandated program was fully implemented in 1974 as a corrective action procedure to combat rising costs in public assistance. The quality control system utilizes federal and state review teams and consists of three major elements audit sampling, tolerance levels, and fiscal sanctions (Bendick, 1980).

**Audit Sampling**

Every six months, state teams randomly select a significant number of AFDC cases and conduct a thorough audit. Trained quality control workers spend an extensive amount of time verifying case data by interviewing clients, checking computations, reviewing completeness of case information, and checking collateral sources such as banks, employers, and landlords. Payment mistakes found through this procedure fall into three
categories: payments to ineligible recipients, overpayments to eligible recipients, or underpayments to eligible recipients. These mistakes are considered error payments (Bendick, 1980; Brodkin & Lipsky, 1983). Federal quality control reviewers reexamine a portion of the cases checked by the state teams. The proportion of sampled cases which contain an error are then computed and constitute the state's error rate (Bendick, 1980).

**Tolerance Levels**

Tolerance levels are established by DHHS and represent the acceptable amount of error for the states. In 1975, the tolerance level for AFDC payments was set at three percent for payments to eligibles and five percent for overpayments and underpayments to eligible recipients (Bendick, 1980). The tolerance levels were changed in 1979 by the Michel Amendment (Section 201 of HR 4389, PL 96-123) and later revised by the TEFRA Act in 1982. Tolerance levels in 1988 are three percent for both categories.

**Fiscal Sanctions**

Quality control methods were initially introduced to identify factors influencing error rates so that strategies to streamline programs and correct flaws could be developed. However, now quality control emphasis is on fiscal sanctions and penalties as a motivator for state compliance (Wrafter, 1984). The federal government threatened to withhold funds in

the amount by which a state's actual error rates exceed the [tolerance levels]. . . . In the audit period July-December 1975, immediately following promulgation of these regulations, the AFDC jurisdiction with the worst error rate was the District of Columbia, with 11.1% payments to eligibles, plus 8.6% overpayments (Campbell & Bendick, 1977, pp. 292, 295). The difference between 11.1% and 3%, plus the difference between 8.6 and 5%, which is 11.7%, would have resulted in withholding 11.7% of the District's federal AFDC funds. Of the 50 states and the District of Columbia, all jurisdictions except the state of Nevada fell outside the August 1975 tolerance level, according to the July-December audits. (Bendick, 1980, pp. 9-10)

Much criticism and controversy have derived from the establishment of these fiscal sanctions. Many question how suitable this penalty is for all states when a wide range of variances of AFDC policy and procedures exist within and among states (Wrafter, 1984). In the state of Washington in 1976, a federal court ruled that the tolerance levels were "arbitrary and capricious" (Brodkin & Lipsky, 1983). In addition, with the threat of federal sanctions, agencies may not be meeting the needs of the clients in the most appropriate manner. Agencies may delay the completion of applications and may deny payments to eligible clients for fear of repercussions, causing needy and eligible persons to suffer. The sanctions have also, in certain cases, added tension to and have weakened the state and federal partnership. Finally, critics question whether quality control is even a valid measure of the AFDC program’s effectiveness (Wrafter, 1984).

Nevertheless, the quality control program has created incentives for state programs to establish corrective action plans. Because of the federal demand for accountability, state programs have made efforts to spend money more accurately. States have sought to enhance their credibility and increase the confidence of their supporters. "Taxpayers clearly do not get their money's worth from poorly administered programs. Similarly, clients can be harmed by the loss of political legitimacy that often accompanies announcements of high error rates" (Kingson & Levin, 1984, p. 42).

**ERROR FACTORS**

Quality control studies have identified factors which are associated with errors. Errors may be attributable to clients and to the agency. Clients are responsible for error when they misreport or fail to report case information, either intentionally or unintentionally. Agency errors are caused when workers fail to follow up on pending information, fail to verify information, fail to apply agency policies correctly, fail to solicit all the needed information, and/or fail to compute mathematical information correctly (Kingson & Levin, 1984). The possibility for error is compounded by complexity of AFDC policy and by frequent changes in policy.
In one study (Bendick, Lavine & Campbell, 1978), data from quality control reports was obtained from the fifty states and the District of Columbia. By using multiple regression tests on error rates, five factors which greatly affect errors were identified. These factors include the backlogs of case redetermination; readability of public assistance documents; skill level of workers; the complexity of computation rules and eligibility requirements; and the presence of computerized equipment (Bendick, 1980). In another study by Piliavin, Masters, and Corbett (1979), significant factors influencing errors in AFDC payments were discovered. The researchers examined over five thousand "AFDC cases reviewed by Wisconsin quality-control personnel during the calendar years 1975 and 1976" (Piliavin, Masters & Corbett, 1979). They concluded that errors were influenced significantly by workers’ attitudes and values; mechanisms which monitored the workers' actions; increasing specialization of workers' caseloads; the presence of support services for workers; the atmosphere conducive to job satisfaction; and "the appointment of supervisors expressly committed to controlling errors" (Piliavin, Masters & Corbett, 1979, p. 15). In another report, significant factors which contribute to error are discussed including national and state policies and procedures, client characteristics, demographic and economic characteristics, and local administrative practices and procedures (Kingson & Levin, 1984).

**STATE STRATEGIES TO REDUCE ERRORS**

State plans for establishing more effective AFDC programs and for lowering error rates have involved many different strategies and approaches. AFDC corrective action is a fairly new concept and is still in an experimental stage for some states. However, corrective action is extremely worthwhile, since the effort, attention, and time spent on corrective actions are directly related to lowering error rates (DHHS, Social Security Administration, 1985). Certain state strategies and studies have revealed several appropriate, beneficial methods for reducing error rates.

**South Dakota**

South Dakota's State Department of Social Services was the site of a year-long training program in 1976. In hopes of increasing the department's effectiveness, a group of faculty from the University of Chicago School of Social Service Administration provided training to supervisors and line staff. The training focused on the task-centered model for case management. The trainers used this model because of its specificity, explicitness, systematic quality, accountability, and short-term structure (Reid & Beard, 1980). The trainers began by offering a two-day workshop and giving a textbook to all workers. Next, three two-day workshops and extra reading materials were provided to all supervisors and line-staff who volunteered for the follow-up sessions. Finally, the trainers held a one-day session for all staff during which there were presentations and discussions. Throughout the training, some favorable and unfavorable conditions were discovered. The trainers developed a conducive learning environment by providing the staff with encouragement and incentives. However, much resistance still existed among some staff. The workers were resentful of outside "experts" developing a training program without their involvement in the planning process. Also, because of the geographical distance between the trainers and staff, frequent contact was impossible. Independent judges analyzed samples of case records from periods prior to and following the program. The results of the study demonstrated no evidence of a statistically significant training effect between pre and post comparisons.

From this study, the researchers provided recommendations for developing and implementing in-service training programs. These include assessing the interest and commitment of the staff, determining the staff’s level of understanding of the proposed training approach and concept, fitting the approach to the staff's needs by becoming informally familiar with the environment, and switching from a didactic role to a consultative role as soon as possible (Reid & Beard, 1980).

**West Virginia**

In the state program entitled, "Special Short-term Case Record Review," West Virginia sought to reduce its error rate and to increase worker accuracy. This program was implemented in 1984, the same year that California, Oregon, and Pennsylvania began similar programs. The state's administrative staff, with the cooperation of local AFDC coordinators, operated this one month project. First, the team developed computerized error prone profiles from previous quality control data. The team found three categories highly
related to agency errors—the WIN program, vehicles, and life insurance. Next, this team explained the importance of this project to the local workers by stressing how the impact could affect their jobs, future funding of the agency, and client well-being. Each office was mandated to review all active AFDC cases for the three error elements (DHHS, SSA, 1985). Statewide, 28,000 cases were reviewed. Overpayment was discovered in 938 cases which amounted to a one month savings of $97,000. In addition to these results, the team discovered problem areas with agency policies and also identified a need for further worker training. In order to transfer this project's procedures to other states, states must have the capacity to produce error prone profiles and must have a strong commitment from all levels of state staff (DHHS, SSA, OFA, 1985).

**District of Columbia**

In 1983, the District of Columbia implemented a corrective action plan called "Project CAP" to streamline management procedures and to reduce the error rate. Project CAP began in April, 1983 at the request of the Income Maintenance Administrator. The project involved five major factors: (1) mandatory recertification of four error prone categories; (2) client monthly reporting using selection of error prone cases by computer; (3) a quality assurance program to gauge the quality of caseload management in each local center; (4) management information systems to monitor local office progress and to ensure implementation of corrective action plans; and (5) missing data project to update existing files with missing names and Social Security numbers (DHHS, SSA, 1985). Error prone cases that were identified for monthly reporting included wage matches of more than $300, two-parent households, sixteen-year-old in the household, and cases overdue for recertification (DHHS, SSA, 1985). All tasks associated with the project were conducted by in-house staff. Each local office began recertification on all error prone cases and submitted monthly reports on the status of these cases. At the end of six months, Project CAP was completed. A total of 10,681 cases were reviewed. From this project, the monthly AFDC payments decreased from $7.07 million to $6.7 million, the caseload decreased from 24,500 to 22,000, and the error rate dropped nearly three percent. Project CAP was considered extremely successful and many of its effects may be long-lasting. Four important procedures that will remain from this project include accountability of local centers for the implementation and development of corrective action, institution of central office management controls, selective case actions, and error prone profiles (DHHS, SSA, 1985).

**Florida**

In 1984, Florida implemented a corrective action program entitled, "Selective Case Action Review System." During the six months that this program was in operation, workers were to attack high error rates and to develop a more effective AFDC program. The team responsible for this project and for training of local staff consisted of a representative from the Program Planning and Development Unit, a computer programmer from the Quality Control unit, and an executive panel with representatives from the State Office of Administration, Program Planning and Development, Quality Control and from district offices.

The workers sought to identify error prone cases through an AFDC quality control data processing system which was developed in 1980. Certain error prone cases were found to be: cases with more than four children, stepparent cases, cases overdue for redetermination, cases with no income present, and cases which had referrals to the fraud unit. Next, these error prone cases were recertified through home visits, Motor Vehicle Administration match, and a property match. Home visits were conducted in the five counties with the highest error rates. A computer match was also performed for all of these AFDC recipients with the Motor Vehicle data base. Finally, microfiche was obtained from the counties on real property information. Within the six months of this project, many cases were closed and thousands of dollars were saved. Through the home visits, 229 cases were closed and $44,526 was saved. The Motor Vehicle search resulted in 156 cases being closed and $32,350 saved. No data were available on the property match. The project team also discovered that the line workers needed further training on corrective action procedures. Specifically, workers were not sure what data should be collected, how to tabulate it, and how to evaluate it. In order for other states to utilize the same procedures as Florida, they must be able to develop error prone files, dedicate much time, and secure complete commitment from all staff levels (DHHS, SSA, 1985).
Massachusetts
In 1979, Massachusetts paid out the largest amount of dollars in error and had the second highest quality control error score (24.8%) in the nation. A two-part management reform was implemented consisting of reducing up specific types of error and standardizing the work of assistance payment workers, making them accountable to management standards.

Operation Perform, an enumeration campaign, was designed to ensure that a Social Security number was recorded for each AFDC recipient. Recipients who did not provide Social Security verification were terminated from assistance. Record-keeping systems were reorganized and standardized. A quality assurance system was developed to ensure that workers were in compliance with new procedural requirements as outlined in the new training program and worker handbooks. A priority redetermination system was instituted to identify error prone characteristics. Financial assistance workers were hired to replace social workers and performed clerical duties consisting of claims processing. Norms of efficiency and adherence to rules were reinforced by structural incentives and disincentives. "The experience . . . showed that large public agencies can be effective if given appropriate direction and support" (Brodkin & Lipsky, 1983, p. 16), according to Commissioner John Pratt. The extent to which administrative accuracy was improved and tax dollars saved was not reported.

Georgia
In an experimental design study conducted in 1981 in Chatham County, Georgia, three intervention strategies—minimum, incidental and intensive—were defined and compared for their effectiveness in reducing payment error (Cox, 1986). The minimum intervention utilized the intake interview at the welfare office only, the incidental intervention added a home visit during the final approval phase, and the intensive strategy added a third variable, a second home visit in the fourth month following case approval. In 1980, the year preceding the study, twenty per cent of all cases had at least one payment error with a mean dollar value of $163. The subsample, drawn to explore the cause of payment error, was selected via systematic random sampling.

Payment errors appear to be caused by workers' imperfect understanding and application of AFDC policy, clients' lack of knowledge of AFDC rules and regulations, and the willful withholding of eligibility information by AFDC recipients. Results of the study show that visiting AFDC applicants and recipients in their homes does not reliably reduce case payment errors. The study recommends supervisory checks on workers' case monitoring and paperwork and continued in-service training to reinforce the importance of correct income recording to alleviate the source of payment errors. Punishment of clients could destroy the rapport with AFDC workers and is unlikely to result in reduction of reporting errors.

Maryland
Data from two Maryland AFDC quality control samples are joined with data from two surveys of local administrative practices to examine administrative correlates of error (Kingson & Levin, 1984). Heavy workloads, increased workloads, a telephone system that routes reported changes directly to the caseworker, high worker turnover rates, and overdue redeterminations were hypothesized as correlated with increased AFDC error. Quality control samples were both randomly selected and representative of Maryland's AFDC caseload. Statistically meaningful inter-agency comparisons regarding the effect of agency practices on error rates were difficult to make due to the small sub-sample drawn from many local offices. However, the methodology does allow for the examination of whether specific practices contribute to the absence or presence of error on a statewide basis.

The major dependent variable was the overall modified case error rate, defined as ineligible or overpaid clients and excluding underpaid clients. Cross tabulations and simple correlations were used to identify variables correlated with error. Chi-squares were used as the basis for tests of statistical significance.

Major findings indicate that the use of checklists and similar resources that simplify procedures outlined in the comprehensive manual are associated with fifty percent less error and that certain agency procedures such as use of a "tickler" in conjunction with another control for follow-up and use of a message person other than the
worker to take calls from clients are associated with lower error rates. Lower AFDC staff turnover was also associated with less error. Data suggest that agency procedures, while having an impact on agency error, actually have more of an impact on client error. The following suggestions for changes in agency practices, found to correlate positively with reduced error rate, were made: (1) development of a telephone system with a message person who records changes of status and forwards them to the worker, (2) use of follow-up controls in conjunction with tickler files, (3) in-house and state training focusing on reducing earned income errors, and (4) a personnel system that encourages staff stability.

DISCUSSION AND SUMMARY
Review of the experiences of these seven states reveals certain strategies that are correlated with reduction in error rates. Following are suggested components of a model plan based on this review.

1. Development of Error Prone Profiles: Four of the seven studies cited identification of elements associated with case or payment errors as a successful error reduction strategy. Although these elements varied from state to state, some of the areas cited were cases with earned income, automobiles, life insurance, and stepparents.

2. Mandatory Recertification or Audit of Cases in Error Prone Categories: The states that developed error prone profiles implemented special projects to identify cases for special recertification or audit. Florida included matches with records of other institutions, such as property and motor vehicle records as part of its recertification process. A similar strategy is to implement a campaign to review case records for missing data, such as Social Security numbers or names. While these strategies would not be appropriate on an ongoing basis, they would be a good beginning to clear up errors in current caseloads, perhaps as a prelude to institution of monthly reporting for error prone cases.

3. Client Monthly Reporting: This strategy requires clients whose cases involve high error elements to report to the agency on a monthly basis any changes that might affect their case. This is usually done through use of a form which is mailed out to the client and must be completed and returned by a specific date to keep the case active. This method of tracking the error prone cases on an ongoing basis holds the client accountable for reporting changes.

4. Local Accountability: Two of the studies suggested development of management information systems and quality assurance systems to monitor progress on corrective action plans at the local office level and to assure that workers are complying with proper procedures. Part of a quality assurance program might include reorganization and standardization of record-keeping systems, a strategy recommended by the Massachusetts study.

The above strategies are derived from the experiences of several states. The following recommendations were made by only one state (Maryland), but seem well worth including in any error control plan.

5. Worker Use of Checklists and Simplified Resources: AFDC policy manuals are exceedingly complex and difficult to use. Worker resources such as checklists, interview guides, and desk guides that simplify policy and procedures can be a valuable asset in helping workers correctly apply policy.

6. Development of a Telephone System: The Maryland study recommends having a message person to take phone calls from clients, record reported changes, and forward these to the appropriate worker. This was found to have a significant impact on client error.

7. Personnel System That Encourages Staff Stability: Staff turnover is a serious problem in a program as complex as AFDC. Uncovered caseloads and the time necessary to train new workers increase the likelihood of errors. Staff should be considered a valuable resource and efforts should be made to reduce turnover.

This review noted two strategies that do not seem to be effective in reducing error. General casework training
unrelated to specific policy issues by outside experts does not seem to impact on error rates. Home visits during the initial approval stage or at a follow-up stage do not seem to reduce case payment errors.

Regardless of the type of error reduction plan to be followed, certain intraorganizational and interpersonal issues must be addressed if the plan is to succeed. One report (DHHS, SSA, 1985) recommends involvement and commitment of staff at all levels, with a special emphasis on commitment of upper level management, and consideration of how the changes required by the corrective action plan will effect staff, clients, other departments. When staff training is a component of the plan, staff should be instructed in a clear and honest fashion, the trainers should remain optimistic and flexible, the project should be thoroughly and meticulously planned, the trainers should allow adequate training time, and an evaluation should be implemented along with the project. Many of these recommendations were also emphasized in the South Dakota study.

Reviewed here are state strategies to reduce error rate in AFDC programs. For the most part, these efforts equate low case error rates with high AFDC program quality. It is of interest to note that the formula for determining error rate does not take into account underpayments to clients, but only overpayments and payments to ineligibles. Thus, the quality control efforts designed to reduce error rate, as measured by the federal government, are, in fact, focused on cost control. While underpayments to clients may be discovered and remedied through quality control programs, there is no federal incentive for states to direct efforts toward assuring that clients receive the full benefits to which they are entitled.

Brodkin and Lipsky (1983) address this issue in their evaluation of the Massachusetts quality control program. In Massachusetts, improvement in administrative accuracy resulted in part from the unacknowledged and often unrecognizable political decision to define accuracy in terms of program restrictiveness. The other vision of welfare—responding to need, respecting claimants and providing help in negotiating the system (all incorporated in state policy)—is submerged, diminished and dismissed by the administrative politics of quality control. (p. 30)

At present, AFDC program evaluation, at least at the state level, is directed primarily at quality control efforts to reduce error rates. However, accuracy and efficiency are not the only standards for judging program quality and effectiveness. Perhaps as states discover ways to reach and maintain federally mandated error rates, attention can be turned to such issues as client access to resources, nonpunitive methods for assisting clients to become as self-supporting as possible, research on effectiveness of various means available to reduce welfare dependency, and other issues that truly reflect program quality as well as fiscal accountability.

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