HOW NEW YORK CITY DRASTICALLY REDUCED WELFARE PAYMENT ERRORS

Georges Vernez
The Rand Corporation

Martin Burdick
New York City
Human Resources Administration

June 1986
Papers are issued by The Rand Corporation as a service to its professional staff. Their purpose is to facilitate the exchange of ideas among those who share the author's research interests; Papers are not reports prepared in fulfillment of Rand's contracts or grants. Views expressed in a Paper are the author's own and are not necessarily shared by Rand or its research sponsors.
HOW NEW YORK CITY DRASTICALLY REDUCED WELFARE PAYMENT ERRORS

Georges Vernez\textsuperscript{1}
The Rand Corporation

Martin Burdick\textsuperscript{2}
New York City
Human Resources Administration

INTRODUCTION

Over the years, fraud and abuse have been a pervasive feature of social welfare programs in the United States. Not without reason, administration of the Aid to Families with Dependent Children (AFDC), Food Stamps, and medicaid programs was perceived as lax, and sometimes wasteful. In 1973, erroneous payments made to welfare families exceeded 16 percent of total national welfare payments. In New York City, the error rate was even higher exceeding 27 cents for every dollar spent. Reportedly, ineligibles and overpayments cost taxpayers more than $200 million a year in that city alone.

In 1973, the federal government took a first, crucial, step to reduce welfare payment errors by allowing states to require welfare beneficiaries to submit verifying documentation about family income and composition. Until then, welfare eligibility was based primarily on a family's self-reported information. Within two short years of this action, New York City's welfare payment errors were nearly halved from 27.4 to 15.6 percent.

Following this initial leap, further reductions became more difficult and slower to achieve. But the pressure for improved performance did not abate. In subsequent years, "continuing waste" in

\textsuperscript{1}Dr. Vernez was respectively Deputy Administrator for Policy and Executive Deputy Administrator for Program Operations of the New York City Human Resources Administration from 1979 to 1985.

\textsuperscript{2}Mr. Burdick is currently Deputy Administrator responsible for Income Maintenance programs (AFDC, General Assistance, and foodstamp programs) at the New York City Human Resources Administration. He is retiring after 31 years of service in September, 1986.
welfare programs was often used to justify federal funding cuts. In 1979, the Reagan administration was in part elected on a platform which promised major improvements in welfare programs. The Republican administration subsequently implemented reductions in spending that were said could be covered by more efficient administration and the elimination of payments to the ineligibles and non-needy. Supplementing earlier regulatory, but until then largely unsuccessful efforts by the Department of Health and Human Services (HHS) to establish a maximum error rate target, Congress approved in 1979, the Michel amendment to the Social Security Act to require states to meet a maximum target of 4 percent error in the payment of AFDC benefits by federal fiscal year 1983. In New York City, this federal requirement was translated into a commitment to meet that target.

To date, New York City's error rate for its AFDC program is 3.6 percent, seven times lower than 12 years ago. Error rates no longer make headlines; but, the real improvements in the administration of social programs have gone largely unnoticed by the press and the general public. What has happened? This paper tells the story as viewed by two active participants in the New York City Human Resources Administration's successful efforts.

THE AFDC PAYMENT ERROR RATE AND ITS TRENDS

New York City's AFDC program is the largest in the country, serving more than 750,000 adults and children in 250,000 families. Every month about 9,000 cases are closed and 9,000 other cases are newly opened or reopened. Yearly welfare payments in excess of $1.2 billion are shared 50 percent by the federal government and 25 percent each by New York State and New York City.

3The concept of linking fiscal sanctions to failure to reduce welfare payment errors was established as early as 1973 by HHS. Its 1973 regulations provided for withdrawing federal funds for payments to ineligibles in excess of a 3 percent tolerance rate and for overpayments in excess of a 5 percent tolerance. The legality of this regulation was successfully challenged in court by fourteen states. The court found the 3 and 5 percent targets arbitrary and capricious and, thus, unenforceable.

4The New York City rate is for the latest available period extending from April 1985 to September 1985.
The AFDC payment error rate measures the percent of total welfare payments which are made to families actually ineligible for those benefits (ineligibility rate) and made in excess of the benefits to which they are entitled (overpayment rate). Welfare eligibility and payments are ruled by a set of complex and often changing rules and regulations promulgated by federal and state agencies, based on laws enacted by the federal and state legislatures. The federal government delegates administration of the AFDC program to the states. In turn 17 states, including New York State, further delegate the administration of the program to their respective counties and cities.⁵

Each state payment error rate is measured by a state administered Quality Control (QC) audit under general guidelines established in 1973 by the federal Department of Health and Human Services (HHS). The original purpose of the system was to yield information about the causes of errors and HHS expected states to develop a Corrective Action Plan (CAP) to reduce and, eventually, eliminate them.

Using a measuring instrument that is generally uniform across states, the state auditors make an independent determination of eligibility and benefits on a sample of families in the program. A representative sample is drawn every six months from the families under care at the time; every period, about 45,000 cases are reviewed under care nationally. For each case, the auditors make home visits, interview landlords, employers, school officials and make independent verification of the papers submitted by the beneficiaries. The state findings are in turn reviewed and audited by the HHS regional staff. Finally, central HHS compiles and publishes each state's and a national error rate every six months.

Even though the procedures and instruments for the measurement of errors are uniform, published states' payment error rates are not readily comparable because of variations among states (1) in the level of efforts made by the respective state auditors, (2) in the extent to which computer technology is used for cross-checks, and (3) in program

⁵Only nine of these 17 states—including New York State—require local financial participation in the program.
policies. For instance, New York pays separately a shelter allowance and a basic allowance, the latter intended to cover all other items of need. New Jersey, in contrast, provides a single flat allowance. Thus, a New York auditor would find an overpayment whenever the rent actually paid is lower than the shelter allowance paid, whereas his counterpart in New Jersey would never encounter such an error.

Moreover, the error rate is itself subject to error because it is based on a relatively small, albeit representative, sample of cases. If a state's error rate is measured at 8 percent, the "true" error rate is somewhere between 6 and 10 percent. Thus, an increase or decrease in a state error rate by plus or minus 2 percent is not necessarily indicative of an improvement or a worsening in the administration of the program.

Keeping these points in mind, we can now turn to Figure 1 which displays a real decrease in the welfare payment error rate in New York City. Since 1973, the City's welfare payment error rate has decreased seven-fold. Moreover, New York City began outperforming New York State in 1983 and may now be outperforming the nation, an achievement that most (including these writers) would have thought unlikely as recently as 1982.

As the payment error rate has decreased, its contributing factors have shifted. In earlier years, in excess of 65 percent of the payment error rate was attributable to failure of clients to report fully their status (e.g., income, family size, assets) at times of application or subsequently to report changes in that status (e.g., the return of an absent parent to the home or the departure of a family member from the home). To date these so-called "client" errors contribute about 50 percent of the total error rate.

---

6The last available welfare payment error rate for the nation was measured at 4.7 percent for the October 1983 to September 1984 period. During that same period New York City's rate was 5.4 percent.
Fig. 1—Welfare payment error rate in New York City: 1973–1985
TECHNIQUES USED TO REDUCE AFDC PAYMENT ERRORS

New York City's administrative efforts to reduce welfare errors can be divided into two stages. The first stage spans the years 1973 to 1980, during which the error rate was reduced from 27.4 to about 10 percent. This stage was marked by the establishment of centralized administrative controls including increasingly demanding client eligibility verification requirements and computerized verification of information submitted by clients against independent sources of information. The second stage spans the years 1981 to 1985, during which the error rate was further reduced down to 3.6 percent. This stage started with a comprehensive assessment of past efforts and focused on the implementation of decentralized means of error control.

Centralized Controls: 1973-1980

Pre-1973, federal regulations required states to determine a family's eligibility for the AFDC program exclusively based on that family's self-reported information. Under this self-declaration system, they were not permitted to verify the applicant's information with the exception of family income. Family size, expenses, relationship of family members, absence of a parent from the home, and assets declared by an applicant could not be verified in spite of the fact that eligibility and level of payments depended on the accuracy of this information. Recertification requirements of continued need for assistance were also minimal consisting of a one-page mail form ascertaining from the beneficiary whether assistance was still required and whether any changes had occurred in the family's income and composition.

In 1973, as HHS established its Quality Control System, it also eliminated the self-declaration system and permitted states to require applicants to submit supporting documentation about income, household expenses, presence in the home of family members, and the relationship of family members. New York City immediately required submission of this documentation from new applicants. In 1975, it established an

---

7For period extending from April to September 1985.
Office of Error Accountability to analyze the causes of errors and to recommend changes to improve performance. The initial and subsequent analyses indicated that most errors were due to beneficiaries' concealment of (1) earnings; (2) income from social insurance programs; (3) the presence in the home of a working parent; and (4) the departure of a family member for which welfare payments continued to be made. A tendency by recipients to exaggerate their household expenses, particularly payments for rent, was also identified.

Three primary techniques were implemented to address these errors:

- Collateral checks
- Periodic verification of client eligibility
- Post-audit of new applications and of specific items

**Collateral Checks.** The information provided by beneficiaries may either be incomplete, inaccurate, or fraudulent. Also, specific requirements (e.g., registration with the WIN program or school registration of children) may not have been met or may not have been recorded in the case record.

Computerized matching was the primary tool initially used to identify these errors. Matches were performed initially against the unemployment insurance, social security, and SSI files. Today more than 60 matches are made periodically, including matches against the State Wage Reporting System which contains earned income data for virtually every private employer in the state; vital statistics records, the city and state payroll files; unemployment insurance and wage reporting files of neighboring states and the records of several banks in the New York City area to check for "hidden" assets. Some of the computer matches required authorizing legislation (e.g., the wage reporting system) which had to be passed in spite of strong opposition from civil libertarians, welfare interests groups, and even occasionally from state administrators.

In addition to the above, periodic mass verifications were conducted to "clean up" the file of undecorated cases. The items checked and periodically updated included WIN registration; school attendance of children aged 16 to 21; and availability of a social security number on the file.
Periodic Verification. The family composition of beneficiaries and their economic and employment situation may change quite rapidly over time. Studies indicate that the majority of welfare families stay on welfare for a limited period of time and that families go in and out of poverty with some frequency. The system offers no positive incentive to beneficiaries to report changes that would make them ineligible or reduce their payment as soon as they occur. To capture changes and shorten the time between the occurrence of a case status change and the time it is reported to the agency, a centralized semi-annual recertification requirement was established in 1974. Based on its initial success, the frequency of face-to-face recertifications was increased to three times yearly in 1976. In addition, a semiannual mail recertification requirement was implemented the same year. Today, beneficiaries are required to report through in-person or mail contacts six times yearly. In 1981, Congress required and one year later New York City implemented monthly reporting for families with employment income or recent participation in the labor force (about 7 percent of the caseload) in New York City.

Finally, beginning in 1976, families with children in school were required to verify their child’s school registration at the beginning of each semester.

Post-Audit of New Applicants. Independent and centralized audits of all new applications were instituted in 1976. These audits checked for the presence of all of the necessary documentation in the case record and verified that the required collateral checks were actually made. This audit continued through 1983. It was discontinued when

---

8For instance, see Mary Bryna Sanger, Welfare of the Poor, Academic Press, 1979.
9To encourage prompt self-reporting of family changes, a computerized system was established to recoup overpayments by deductions against current benefits. New York State limits the amount of monthly recoupment to 10 percent of monthly welfare payments, limiting the effectiveness of this "incentive."
10The proportion of families with employment income in New York City is about half of that in the national caseload: 7 vs. 14 percent in 1981.
analysis showed that most errors were concentrated in cases active for some time rather than in cases recently accepted.

The above measures, implemented incrementally between 1973 and 1978, reduced the payment error rate from 27 percent to about 10 percent in 1980. These years also saw a 10 percent decline in the number of persons served from 836,982 in 1984 to 753,045 in 1980. By 1980, the computer match program was accounting for a cost avoidance of about $47 million annually.

Throughout this period, New York City reached out to involve the state and federal supervising agencies in planning and implementing specific error-control actions. A local error rate control planning committee eventually evolved into a State Corrective Action Committee when state staff was added to it. Over the years this Committee's membership was upgraded to the highest executive management levels in the New York City's Human Resources Administration (HRA) and New York State Department of Social Services (NYSDSS).

Also, Human Resources Administration executives were dispatched to cities with lower payment errors to observe and discuss with other welfare administrators and line staff how they controlled errors. While many ideas were brought back from these visits, tested, and if successful, adopted, the single most important and consistent observation was that staff in other jurisdictions were typically more knowledgeable than staff in New York City about their caseload, more knowledgeable about their respective local error rate, and more aware of their part in preventing errors. The apparent reason was that in most states each welfare case was assigned to a specified worker who was responsible for all transactions and changes related to that case during its "lifetime" (caseload system). In contrast, New York City assigned cases on a first-come-first-served basis to any worker available who would then retrieve the case file, implement the necessary change, refile the case, and possibly never see that client and file again (random assignment system). In addition, New York City's error control was centralized and predominantly used staff who did not have contact with beneficiaries. Line supervisors and workers played only a peripheral role.
From these contacts and observations evolved over time a conviction that the line staff had to become involved. A decision was made in 1979 to change the mode of administration of the New York City welfare system from a random assignment to a caseload system, in which responsibility and accountability for the handling of all activities for each of the 250,000 AFDC cases could be traced to a specific line worker. While at the time, cost (a study showed that staffing requirements could be reduced by 400) and service considerations (continuity of service, social services referral effectiveness, and increased worker's sensitivity to individual cases) weighed more heavily on this decision than concern about errors, it made possible a subsequent aggressive decentralization of error rate controls. Eventual implementation of the caseload system in the City's 40 welfare offices took four years.

Decentralized Controls: 1981-1985

In the early 1980s, two factors prompted a comprehensive reassessment of the efforts made to reduce the welfare payment error rate.

The first factor was a concern that the reduction in the AFDC error rate was reaching a plateau, fueled by the fact that the relative reduction in the error rate had declined from an average 2.7 percentage points annually from 1973 to 1975 to an average of 1.8 percentage points from 1976 to 1978, and to an average of less than one percentage point from 1978 to 1980. During the latter period, the payment error rate hovered at about 11 percent. The leadership operating the program was beginning to feel that everything that could be tried had been tried. The use of error rate profiles—based primarily on socio-demographic characteristics—to identify error prone cases on which staff could focus had been considered, but rejected as not likely to be effective.

The second factor was the passage, in 1980, of the Michel amendment to the Social Security Act which set a maximum target for each state's payment error rate in the AFDC program at 4 percent by 1983.\textsuperscript{11} In an

\textsuperscript{11}The amendment required each state to progress one-third of the way toward the goal in FFY81, another third in FFY82, reaching the goal in FFY83. In 1982, the Tax Equity and Fiscal Responsibility Act (TEFRA) further required reduction of the welfare payment error rate down to 3 percent in FFY84 and thereafter or be subject to fiscal disallowances.
October 1981 report, the New York State comptroller predicted that the State—primarily because of New York city's "high" error rate—might lose up to $102 million in federal funding and warned that the loss would have a severe impact on the City's plan to restore its financial stability. Issued at a time when the City was just recovering from its 1976 fiscal crisis and when significant personnel and service cutbacks were being made to balance the New York City budget, the report drew considerable press and public attention. The Mayor ordered a comprehensive assessment of the efforts made and required the development and implementation of a plan to eliminate welfare fraud and errors.

The comprehensive assessment was conducted by two consultants under contract with HRA, and by the Economic Development Council (EDC) of New York City, Inc., a business advisory group composed of executives from American Express, Citibank, Exxon, Metropolitan Life, and the Trans-Union Credit Information. Although all three groups worked independently, they united in praising HRA's efforts to reduce payment error rates. In the words of the EDC:

"HRA's efforts were impressive in scope; imaginative in applying a variety of "state-of-the-art" techniques; comprehensive in itself and its utilization of the experience of others in government and the private sector; and supported consistently and aggressively by HRA leadership and staff." One consultant added that New York City's "... computer matching and screening programs were among the most sophisticated we have seen."

The evaluators also concurred about the weaknesses of the error rate control system then in place:

---

14The two consultants were Urban Systems Research and Engineering, Inc., in Cambridge MA, and Maximus, Inc., in McLean VA.
A lack of integration between the centrally planned and centrally operated error rate reduction efforts and the day-to-day operations at the 40 decentralized Income Maintenance centers. This lack of integration caused cases to be erroneously reopened and reenforced a tendency on the part of the field staff to lack a conceptual understanding of the AFDC program. Moreover, no feedback about performance was provided to individual centers or to individual eligibility specialists. Even aggregate feedbacks were weak and training was poorly linked to the findings of successive measurement of the type of error made.

A lack of targeting on:

- cases likely to be in error (All cases received the same treatment regardless of the indication that any error may or may not be present.)
- centers identified as error prone
- workers identified as error prone

Focus by the HRA's office of quality control on the measurement of procedural errors instead of outcome errors consistent with the way the State measured payment errors.

In addition, EDC and Maximus stressed the value of incentives and rewards in motivating staff in the error rate reduction efforts. EDC further noted that on the strength of their respective experience in running credit and insurance services they had tended to vary over time the approaches used to control fraud and tailor them to the specific characteristics of population groupings. Urban Systems, drawing from the experience of states that had made above average progress in reducing errors suggested the use of home visits. It also noted that some states had reduced the level of effort made by the reviewers on sample cases. One state had reduced the average time spent on each case to find errors from an average of 26 hours down to 19 hours per case, a reminder that the state payment error rate ambiguously measures both its administrative efficiency and/or aggressivity in looking for errors.

Finally, EDC and Maximus concurred in their views that some policy changes (requiring State legislative action) would help reduce error rates, such as combining the shelter and the basic allowance into a flat
grant. In New York City, shelter allowance errors contribute from .3 to .4 percentage points (up to 10 percent) to the payment error rate.

Neither the consultants nor the private sector executives could estimate the impact on the payment error rate of adopting one or more of the recommendations. Available evaluative research contributed little to inform this question. Under these circumstances, it is not surprising that New York City chose to adopt most, if not all, of the recommendations made by the consultants and added one of its own:

- Developed (with the assistance of a consultant) a decentralized system increasing the role of field workers and supervisors in the error-reduction efforts combined with the development of a case error-prone profile.
- Expanded its computer matches and enhanced its utility by developing an on-line overnight capability.
- Set up a training program especially geared to correcting prevailing errors

The first, and the most significant, of these efforts is detailed below.

A Decentralized Error Rate Control System. The system eventually implemented has three complementary components designed to provide managers, supervisors, and eligibility specialists the means to focus on payment error prone cases:17

- An Enhanced Quality Assurance System;
- A Selective Case Action System; and
- A Performance Evaluation System.

Accountability was further enhanced by including error rate reduction targets in the program managers' evaluation contracts. Evaluations are performed in writing every six months and constitute the basis for managerial pay increases.

The Enhanced Quality Assurance System produces information identical to that produced by the official state Quality Control System. The results, however, are reliable at the level of each of the 37 Income Maintenance centers handling AFDC cases\textsuperscript{18} and each of the more than 500 undercare groups headed by a supervisor and containing five workers each. This approach enables targeting on: (1) error-prone cases; (2) error-prone centers; and (3) error-prone groups. Individual supervisors have the capability to further target on individual workers. To achieve this level of accountability, a sample of more than 6,300 cases is reviewed every six months. This contrasts sharply with the 650 cases reviewed by state auditors to derive the official New York City payment error rate for HHS.

To assist workers in the management of their caseload (on average each worker has an undercare caseload of 160 cases) and to target on error prone cases the Selective Case Action System separates error prone cases from non-error prone cases. In-person recertification interviews are required every four months for all error-prone cases (about 22 percent of the caseload). Other cases are recertified in person at a slightly less frequent interval (about every five months).

Initially, the cases were recertified with the assistance of four desk guides tailored to four different types of cases: (1) cases with reported earned income; (2) cases with reported unearned income; (3) cases with other than one adult in the grant; and (4) non-error prone cases. Each desk guide contains a checklist for verifying items that are likely to cause an error. The items vary as the frequency of error by types changes over time. At this time only two desk guides remain in use. The guides list the sources that can be used to verify each error prone eligibility factor such as earned income, income disregards, child care expenses, mandatory payroll deductions, utilities, living arrangements, and continued absence of the spouse. A Review Form assists the supervisor in reviewing all cases recertified and assures that all appropriate steps were taken in each case.

\textsuperscript{18}Three additional centers serve general assistance (i.e. singles and childless couples) beneficiaries exclusively, but are not incorporated into the new system.
The last component of the new system, the *Performance Evaluation System*, provides each undercare group feedback about whether it is performing within the payment error rate tolerance, close to tolerance, or clearly out of tolerance. A report is compiled for all groups and each income maintenance center and clearly posted for all to see. A center newsletter highlights both progress made and changes in the pattern of errors and a centrally issued circular distributed to all staff compares the performance of each income maintenance center to each other.

The decentralized control system was piloted from April 1983 to September 1983 in five Income Maintenance centers. In these centers the payment error rates decreased by 2.9 percentage points relative to the April "before" error rate while it increased by 1.1 percentage points in three control centers. The desk guide proved to be an effective tool for reducing error rates. A pre- and post-pilot measurement of staff attitudes toward sharing management objectives showed improvement in the pilot centers and no improvement in the control centers.

In September 1984, a decision was made to implement the system gradually in all 37 AFDC income maintenance centers. Seven additional centers were added into the system every two months and the expansion was completed on schedule in October 1985.

The pilot and the subsequent phased-in implementation had the immediate benefit of involving all managers and workers in the efforts to reduce errors. It made clear the commitment of executive management to reduce errors as a priority for the staff. Enhanced understanding of the type of errors most frequently made and how to avoid them became the focus of training of eligibility specialists and supervisors during implementation in all Income Maintenance centers. A system of recognition and awards make the staff feel proud about their role in reducing payment errors.

As a result of these efforts, maintenance of the centralized controls, and the implementation of on-line computer matches for new applicants, the payment error rate declined from 9.7 to 3.6 percent between 1981 and 1985. During that period, in part due to a severe economic recession, the AFDC caseload stabilized. The number of persons served in 1980 was 753,000 compared to 756,000 in 1985.
THE MANAGEMENT OF ERROR CONTROL

Legislators, administrators, and interested advocates and critics concerned with reduction of errors in the welfare program often ask:

- Does the threat of fiscal sanctions have any impact on the level of efforts undertaken?
- Is there a "best" technique?
- Do the administrative costs of reducing errors exceed the benefits?
- Must a reduction in errors be traded off against a reduction in service accessibility and/or lower service quality?

Threat of Fiscal Sanctions

Enactment of the Michel amendment in 1980 with its threat of fiscal sanctions for failure to meet a legislatively set target had a significant impact on the planning and actions of New York City's elected officials and welfare administrators. It was perceived as an additional threat to the success of the City's efforts to balance the local budget. In the midst of federal cutbacks in the funding of social programs, the political liability of inaction was perceived as unacceptable. Although there was skepticism about the feasibility of reducing errors to the 4 percent target by 1983, the amendment's "good faith" effort provision gave the rationale to take every possible step to meet it. Should the efforts fail to reach the target, the established track record would at the very least provide a solid basis for appealing a fiscal sanction and, if that failed, for pursuing litigation. On March 26, 1986, twenty-six states and the District of Columbia filed a lawsuit in Federal District Court challenging the penalties levied by HHS based on failure to meet the targeted error rate.\(^1\) Our impression is that without the "good faith" effort

\(^1\) The lawsuit brought by twenty-six states, including New York, claims that the Federal calculations do not fairly or accurately measure actual misspending because some mistakes are unavoidable in the AFDC and Medicaid programs, and because much of the responsibility for spending mistakes belongs to the Federal government, which mandates highly complex program requirements and then constantly changes them. (italics added) See New York Times, March 29, 1986, Sect. I, p. 40, column 3.
provision, local administrators would have seen little chance of
avoiding sanctions and might have diverted their efforts elsewhere.

Two other local factors played an important role in triggering the
sustained efforts begun in 1980 and which might explain why today New
York City's performance equals that of the nation and is better than
that of the rest of New York State. First, and most important, was
Mayor Edward I. Koch's emphasis on efficient administration and
intolerance for a "it can't be done" attitude. The second was the
unveiling in early 1981 of a major fraud scheme in the foodstamps
program which eventually was aired nationally as part of an ABC 20/20
story of abuses in the foodstamp program and brought a great deal of
adverse press coverage down on New York City. This incident, more than
any other during this period, helped motivate an all-out effort to
eliminate the vulnerability of the City to fraud in both the foodstamps
and welfare programs, including conspiracy fraud between welfare clients
and workers. These two factors set the stage for a sustained effort
over several years and allowed the institutionalization of a "new way"
of doing business.

A Best Technique?

A variety of techniques were used by New York City's administrators
in their efforts to reduce errors. Typically more than one technique
was introduced at a time while expanding existing ones. This practice
is not conducive to identifying a technique (e.g., computer matches) or
a group of techniques which is most effective. A key ingredient to
successful management of the welfare payment error rate was a continuous
analysis of the causes of errors and a continuous evaluation of the
effectiveness of the implemented control measures. In addition, three
general observations are suggested by the New York City experience: one
about leadership; one about use of technology; and one about the
implementation process.

---

Both the HRA and New York City Inspectors General made
assessments of the foodstamps and welfare programs' vulnerability to
fraud. Nearly 90 percent of foodstamp beneficiaries are also welfare
beneficiaries.
Since 1973, reduction in the payment error rate has been a top priority for New York City program administrators. It has remained a top priority through at least one change in City Administration and several changes in the program's administrators. Resources necessary to analyze the causes of errors and to effect actions aimed at reducing the payment error rate were made available because both the City's Chief Executive and program administrators were in full agreement on goals: increase efficiency, eliminate fraud and abuse, and improve service.

In addition, the program leadership was generally receptive to change and was aggressive in its use of new technology, particularly computers. Constant reminders of the importance attributed to reducing errors were provided to the staff by the frequent introduction of new techniques; expansion of already implemented techniques; and semi-annual highlighting of progress made in mayoral press releases and in the highly visible Mayor's Management Report.

To support its efforts the agency designed and implemented a multi-component computer system that is mission-oriented and adjustable to change. The system comprises varied data bases and software capabilities facilitating many applications including automated check printing, computer matches with other data files, on-line screen display, equalization of workers' caseloads, identification of error prone cases, and analysis of caseload trends and characteristics. One weakness of such a system, however, is that the system can only be modified by a small core of professionals who are familiar with its special design, making every change time-consuming.

At this writing, the City's operation is still on the cutting edge of what is possible to do with further use of computer technology. Today, the on-line information available to a worker is limited to previous welfare history, last reported information on earnings and receipt of unemployment benefits, and ownership of a new vehicle. In the future, the City ought to be able to extend availability of on-line information to include vital statistics (i.e., birth, death, divorce), receipt of Social Security, veteran's pensions, railroad retirement, workmen's compensation, payments of utilities, and court orders for support payments. With this information available on-line, the
eligibility worker, like a credit manager, would be in a position to make an eligibility and payment decision both more rapidly and accurately.

The agency has moved incrementally, carefully planning the implementation of each new action. Project-oriented, the agency made frequent use of pilots to test new ideas, evaluate each step for impact and resource requirements, and sharpen the design to achieve greater efficiency before full-scale adoption.

Once a decision was made to implement a specific action, it was introduced gradually throughout the system involving more than 7,200 employees and 37 AFDC offices. Gradual implementation of each new action—usually by groups of 4-6 offices at a time—made possible reliance on a relatively small group of expert staff to assure uniformity of implementation, to monitor progress, and whenever modifications were desirable, to go back and modify the design in those offices where it already had been implemented. This approach has an advantage for both staff and beneficiaries in that neither is overwhelmed by changes.

An argument might be made that this project-oriented gradual implementation approach was too cautious and that the payment error rate could have been reduced at a faster pace—after all it took more than 10 years to move from a 27 to below a 4 percent error rate. Consider, however, that while these administrative changes were taking place, the agency had to maintain timely delivery of more than 350,000 checks every two weeks and had additionally to implement frequent changes in the program rules and regulations required by yearly federal and state legislative changes made to the policies guiding the program.

**Administrative Costs**

As the responsibility for error control was distributed across all line workers, supervisors, and managers, it became increasingly difficult to separate the administrative costs of these functions from those of all other functions. At the same time that error control techniques were implemented, parallel efforts were being made to increase productivity through computerization of costly manual operations and elimination of redundant activities.
These activities, combined, resulted in a 26 percent gain in productivity over the past 10 years. In 1985, there were 7,350 staff in 40 offices servicing 918,500 AFDC and General Assistance beneficiaries compared to 9,959 staff in 40 offices to serve 991,000 beneficiaries in 1975. The average number of beneficiaries per staff person was increased from 99 in 1975 to 125 in 1985.

Accessibility and Quality of Service

The question of whether a decision to focus on error rate reduction leads to erosion in the accessibility and quality of service to welfare beneficiaries is important. Throughout the last decade, state and local legislators, advocates, even the New York State Department of Social Services (NYSDSS) frequently voiced their concern that such a trade-off was taking place. On balance, however, the weight of the evidence suggests that this trade-off did not take place; and that more efficient and more effective administration of the program did go hand-in-hand.

The underpayment error rate—a measure of welfare payments made below the amount a family is entitled to—decreased from 2.9 percent in 1975 to 1.2 percent in 1985. Three other major indicators of service quality remained constant throughout the past decade: the proportion of rejected applications remained constant at about 30 percent; the proportion of applications rejected in error also remained constant at a low 2.5 percent; and the proportion of cases processed within a mandated 30-day time period also remained at 100 percent.

Even more importantly, two major service enhancements were implemented which measurably increased beneficiaries' satisfaction with services. First, to assure service continuity, increase workers' sensitivity to individual cases, as well as assist in error control, each undercare case is now assigned a specific eligibility specialist who can be reached by telephone should any financial problem arise. All transactions in a case are handled by the same worker whom the beneficiary comes to know and depend on. A 1982 survey indicated that 97 percent of beneficiaries surveyed after the change took place preferred the new caseload system to the old random assignment system.
Second, to reduce fraud and loss of mail through the postal system, assure timeliness of payments, and eliminate the printing of more than 700,000 welfare and foodstamps checks every two weeks, an Electronic Payment Transfer File (EPTF) system was developed, piloted, and eventually implemented city-wide. The system, the first of its kind in the nation, was two years in development. It was pilot tested with 10,000 families in one district over another two-year period. During that period 375,000 transactions were completed with only one identifiable forgery attempt. An attitude survey of beneficiaries completed in 1983 indicated that the new system was overwhelmingly preferred to the mail system. The new system was phased in city-wide starting in September 1984 and is now fully implemented.

In the midst of these service enhancements, the advocates' attention and criticisms shifted to the problem of cases closed for failure to meet the frequent and demanding welfare eligibility verification requirements, many of which are reopened within a short period of time. This phenomenon called "churning" affects about 6,200 families (2.5 percent of the AFDC caseload) every month, of which 45 percent have their case reopened within 30 days and another 20 percent reopened within 60 days.\footnote{New York State Department of Social Services, "Administrative Closings of New York City Public Assistance Cases," April 1984, p. 23. About 25 percent of cases closed in a given month do not reopen within the following six months.} These families continue to be financially eligible for the program, but do not meet the request to verify their continuing eligibility on time.

There is no question that the increased frequency and type of eligibility verification requirements--both direct and indirect--has over the years resulted in a doubling in the number of closings due to failure to comply with administrative requirements: from 3,300 cases monthly in 1975 to 6,300 in 1984. The bulk of this increase, however, took place between 1975 and 1977 and since then the number of cases closed for administrative reasons has remained relatively constant.
Even more pertinent is that this increase primarily reflects a shift in the reasons for closing; it does not reflect an increase in the total number of AFDC cases closed which has remained relatively constant throughout those years at 8,000 to 9,000 cases monthly.\(^2\) Also, since 1977 the proportion of cases closed as a percent of the total caseload has remained constant at about 5.5 percent, a percentage that is lower than for the rest of New York State.\(^3\) In other words, New York City closes proportionately fewer cases every month than the rest of New York State.

Nevertheless, the hardships experienced by those who fail to comply, and find themselves without resources, even for a short period of time, could not be ignored. This problem was addressed in two ways. First, if the failure to comply is corrected within 60 days, welfare payments are made retroactive to the date of case closings. The family does not lose any benefits, although the payments are deferred. Second, effective measures to reduce errors made in closing cases have been implemented. Since 1983, when this type of error was first measured, the administrative closing error rate has decreased from 25.0 to less than 2.9 percent in early 1986.

**CONCLUDING REMARKS**

The New York City Human Resources Administration experience suggests that public assistance programs can be administered efficiently and, on the whole, sensitively. The "know how" needed to address both purposes is generally the same. In its successful efforts, the agency made extensive and continuous use of analysis and evaluation and of advanced information technology. Project-oriented, it proceeded incrementally, carefully planning each new action and making extensive use of pilots to test new techniques and refine their design. Citywide implementation of successful pilots was gradually phased in to assure uniformity of implementation and to avoid overwhelming staff and

\(^2\)New York City Human Resources Administration, "Dependency: Economic and Social Data for New York City," Summer 1985, p. 4.
\(^3\)New York State Department of Social Services, op. cit., p. 16.
beneficiaries. Clarity of priorities and sustained executive commitment provided an environment receptive to change.

New York's experience holds another important lesson for other human services organizations: case management is a key ingredient for effective service delivery and for accountability. There is irony in this lesson. In 1971, the City changed its administrative mode from a case management to a random assignment system of handling cases. This change--then combined with the separation of income maintenance and social services functions--gained the agency flexibility to reallocate staff across locations to meet fluctuations in demand, and the removal of a maximum ceiling on the number of cases (60 cases) that could be assigned to each worker. The results were significant gains in efficiency and savings in staffing requirements. The price paid was a loss in the ability to hold individual workers and line supervisors accountable. But this did not become fully apparent until much later. Effective accountability for individual case management depends on timely and accurate flow of information from the field staff to managers. This capability was not available in 1971 and did not become available until much later as reported in this paper.

In light of our experience, the use of advanced information technology has promising potential to help resolve another enduring problem of social services delivery: the effective coordination of multiple income maintenance and social services that may be provided to an individual family by several different providers. Advanced information technology makes possible on-line exchanges of information about services needed, services provided (e.g. frequency, location), case actions (e.g. imminent suspension of service), and about identity of service providers involved in the case. Actual coordination among service providers could then take place as needed through telephone or face-to-face case conferencing. The NYC Human Resources Administration took a modest step in this direction when it began to inform its child protective services (CPS) workers of the impending termination of welfare benefits to cases known to them. CPS workers can now seek to remedy the problem(s) that may have caused the initiation of a welfare closing action and if appropriate prevent the closing from being implemented, thereby avoiding added financial stresses on these
families. Expansion of this approach, although not without problems to assure effective protection of privacy rights and appropriate allocation of case decisionmaking responsibilities, has great potential to help resolve the service coordination problem many have sought to address to date with little success.

It seems appropriate to conclude on a note of caution. In all endeavors, achievements are fragile. Further reducing or even maintaining the payment error rate at the level achieved in New York City will take continued and focused executive and staff attention. Relaxation of this attention is likely to show in an increased payment error rate, and relatively rapidly at that. Also, much still remains to be done to enhance income maintenance services. The speed with which eligibility decisions are made can be improved as can the fair and equitable treatment of all welfare beneficiaries. It is to these issues that greater attention now needs to be given.