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UNITED STATES GENERAL ACCOUNTING OFFICE  
REGIONAL OFFICE  
26 FEDERAL PLAZA  
NEW YORK NEW YORK 10007

NOV 19 1976

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Mr William Toby  
Acting Regional Commissioner  
Social and Rehabilitation Service  
Region II  
Department of Health, Education,  
and Welfare  
26 Federal Plaza  
New York, New York 10007

Dear Mr Toby

We recently completed a survey of the Emergency Assistance to Needy Families with Children (EAF) program in New York City. We found that the New York City Department of Social Services (NYCDSS) received Federal reimbursement for administrative costs which should have been disallowed because they were based on ineligible cases.

The EAF program was established by the 1967 amendments to the Social Security Act. Its purpose is to provide financial assistance and social services to needy families with children to meet emergency needs when a crisis occurs. The rate of Federal financial participation is 50 percent of the expenditures for the program. Expenditures can include money payments and services provided to individuals and the administrative costs associated with providing assistance.

To participate in this program each State must specify, within the scope of Federal policy, the emergency needs that will be met. The program, therefore, is not intended to be used routinely as a substitute for normal assistance under other on-going programs.

In June 1975, the HEW Audit Agency, Region II, reported that from December 1971 through September 1974 the NYCDSS had improperly reclassified Home Relief (no Federal participation) cases as EAF cases. As a result the NYCDSS overstated its EAF claims by \$34 million, of which \$17 million was the Federal share.

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In August 1975, the Regional Commissioner Social and Rehabilitation Service, (SRS) informed the New York State Department of Social Services that he was disallowing the \$17 million claimed in error. In September 1975, the NYSDSS requested reconsideration of this action. This matter is still in reconsideration.

In June 1976, the HEW Audit Agency reported that the NYCDSS also reclassified and claimed Home Relief expenditures under the EAF program for the period October 1, 1974 through March 31, 1975. These claims were also disallowed by SRS. During the period April 1975 through September 1975, NYCDSS did not claim the payments for reclassified cases but did use the cases to compute administrative costs claimed.

From December 1971 through September 1975, the NYCDSS used the reclassified Home Relief cases to compute related EAF administrative expenditure claims. The HEW Audit Agency did not question, nor did SRS disallow any of these administrative costs. We believe that the administrative costs associated with the reclassified cases should have been disallowed.

For the period February 1974 through September 1975, the NYCDSS claimed \$3,617,390 for administrative costs associated with reclassified cases of which \$1,808,695 was the Federal share. We did not compute the ineligible administrative costs for the period December 1971 through January 1974.

We discussed this matter with your associates who agreed with our conclusion. They also said that SRS and the State had limited resources which prevented the timely computation of the amount of ineligible EAF administrative claims for the period December 1971 through January 1974. They believed that speedier action would result if the HEW Audit Agency computed the amount.

We later met with HEW Audit Agency officials who said they were starting an overall administrative cost review. They agreed that as part of that review they would compute the amount of ineligible EAF administrative costs claimed by the NYCDSS from December 1971 through January 1974.

We recommend that you recover (1) the identified \$1.8 million in ineligible EAF administrative costs that are based on disallowed EAF claims and (2) the amounts to be identified by the HEW Audit Agency for the period December 1971 through January 1974.

The following Federal, State, and local officials have been sent a copy of this letter

Mrs. Bernice L. Bernstein  
Regional Director, Region II  
U S Department of Health, Education, and Welfare

Mr. Bernard M. Luger, Regional Audit Director  
U S Department of Health, Education, and Welfare

Mr. Philip Toia, Commissioner  
New York State Department of Social Services

Mr. J. Henry Smith, Administrator  
Human Resources Administration  
City of New York

Mr. Felix J. Majka  
Assistant Director, Audit Coordination  
HEW Audit Agency  
Washington, D C

Please advise us on what you have done or plan to do

Sincerely yours,

 George J. Anthony

Francis X. Fee  
Regional Manager