



DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

Victoria L. Gruber
Executive Director

April 1, 2019

Gregory A. Hook, CPA
Legislative Auditor

Senator Nancy J. King, Chair
Senate Budget and Taxation Committee
Miller Senate Office Building, 3 West Wing
11 Bladen Street
Annapolis, Maryland 21401

Delegate Maggie McIntosh, Chair
House Appropriations Committee
House Office Building, Room 121
6 Bladen Street
Annapolis, Maryland 21401

Dear Senator King and Delegate McIntosh:

The Office of Legislative Audits (OLA) has conducted a review of the actions taken by the Department of Human Services (DHS) – Family Investment Administration (FIA) to resolve the four repeat findings in our April 9, 2015 audit report. This is the second year that a requirement regarding repeat audit findings in this report has been included in the JCR for DHS. This review was conducted in accordance with a requirement specified in the April 2018 *Joint Chairmen's Report* (JCR), page 112. The JCR required that, prior to the release of \$250,000 of its administrative appropriation for fiscal year 2019, DHS report the corrective action with respect to all repeat audit findings on or before November 1, 2018. The JCR language further provided that OLA submit a report to the budget committees listing each repeat audit finding along with an assessment of the corrective action taken by DHS for each finding. The OLA report is required to be submitted to allow 45 days for the budget committees to review and release the funds prior to the end of the fiscal year.

The April 9, 2015 audit report of FIA contained four repeat audit findings (Findings 1, 3, 4, and 5) that were addressed by four recommendations. DHS provided a report to OLA, dated November 21, 2018, detailing the corrective actions that it had taken with respect to the repeat findings (**Exhibit 1**). The DHS status report indicated that corrective action had been completed to address Findings 1, 3, and 4, and that corrective actions were ongoing for Finding 5.

We reviewed the FIA status report and related documentation. In this regard, Finding 3 was previously determined to be resolved during our April 2017 review in response to the April 2016 JCR. The status of the remaining findings (1, 4, and 5) were determined as part of our recently completed fiscal compliance audit of FIA dated March 21, 2019. We determined that Finding 1 had been resolved, Finding 4 was in progress, and that FIA had not taken sufficient actions to correct Finding 5 (**Exhibit 2**). Our assessment of the two repeat findings that had not been resolved is included in **Exhibit 3**.

After discussing our review results, and consistent with its response to our March 21, 2019 fiscal compliance audit report, DHS disagreed with our conclusions on the implementation status of Finding 4 but agreed with the conclusions for the remaining 3 repeat audit findings. We wish to acknowledge the cooperation extended to us during the review by FIA and its willingness to address the audit issues and implement appropriate corrective action.

We trust our response satisfactorily addresses the JCR requirement. Please contact me if you need additional information.

Sincerely,



Gregory A. Hook, CPA
Legislative Auditor

cc: Senator Craig J. Zucker, Co-Chair, Joint Audit Committee
Delegate Shelly L. Hettelman, Co-Chair, Joint Audit Committee
Joint Audit Committee Members and Staff
Senator Thomas V. Mike Miller, Jr., President of the Senate
Delegate Michael E. Busch, Speaker of the House of Delegates
Governor Lawrence J. Hogan, Jr.
Comptroller Peter V.R. Franchot
Treasurer Nancy K. Kopp
Attorney General Brian E. Frosh
Honorable David R. Brinkley, Secretary Department of Budget and Management
Honorable Lourdes R. Padilla, Secretary Department of Human Services
Kevin J. Carson, Inspector General, Department of Human Services
Keonna M. Wiley, Assistant Inspector General, Department of Human Services
Joan Peacock, Manager, Audit Compliance Unit, Department of Budget and Management
Victoria L. Gruber, Executive Director, Department of Legislative Services
Tonya D. Zimmerman, Policy Analyst, Department of Legislative Services

Exhibit 1 to April 1, 2019 Letter to Joint Chairmen



Larry Hogan, Governor | Boyd K. Rutherford, Lt. Governor | Lourdes R. Padilla, Secretary

November 21, 2018

Thomas J. Barnickel III, CPA
Legislative Auditor
State of Maryland
Office of Legislative Audits
State Office Building, Room 1202
301 West Preston Street
Baltimore, Maryland 21201

Dear Mr. Barnickel:

In response to your letter dated June 26, 2018, we are providing the enclosed status report detailing the corrective actions that have been taken with respect to the four repeat findings (1c, 3a, 4a and 5b) noted in the April 9, 2015 Department of Human Services Family Investment Administration (FIA) audit report.

The Department takes audit findings seriously and is committed to resolving the findings identified in the audit report. If there are any questions, please do not hesitate to contact Kevin J. Carson, Inspector General at 443-378-4060 or via email at Kevin.carson@maryland.gov.

Sincerely,


Lourdes R. Padilla
Secretary

cc: Senator Craig J. Zucker, Co-Chair, Joint Audit Committee
Delegate C. William Frick, Co-Chair, Joint Audit Committee
Joint Audit Committee Members
Ms. Joan Peacock, Manager, Audit Compliance Unit, DBM
Ms. Victoria L. Gruber, Executive Director, Department of Legislative Services
Ms. Anne P. Wagner, Policy Analyst, Department of Legislative Services
Mr. Stephen M. Ross, Policy Analyst, Department of Legislative Services
Ms. Hannah E. Dier, Policy Analyst, Department of Legislative Services
Mr. Craig F. Eichler, Chief of Staff, DHS
Mr. Gregory James, Deputy Secretary for Operations, DHS
Ms. Randi Walters, Deputy Secretary for Programs, DHS
Ms. Samantha Blizzard, Special Assistant, Office of the Secretary, DHS
Mr. Kevin J. Carson, Inspector General, DHS
Ms. Keonna Wiley, Assistant Inspector General, DHS
Ms. Netsanet Kibret, Executive Director, FIA, DHS
Mr. Stafford Chipungu, Chief Financial Officer, DHS



311 W. Saratoga Street, Baltimore, MD 21201-3500 | Tel: 1-800-332-6347 | TTY: 1-800-735-2258 | www.dhs.maryland.gov

The FIA status report included excerpts of certain FIA policies and procedures which OLA did not include in this exhibit and OLA removed the names of certain DHS employees, which were included in the original status report.

Exhibit 1 to April 1, 2019 Letter to Joint Chairmen

DHS FIA Update 11-1-18 (Findings 1, 3, 4 & 5)

Number	Findings	Recommendations	Actions Taken	Implementation Date
1	FIA lacked documentation that required computer matches were performed and alerts were adequately resolved.	c) ensure that local departments investigate and resolve unverified or missing recipient social security numbers, including those noted above, on a timely basis.	<p>Family Investment Administration (FIA) receives the missing Social Security Numbers (SSNs) data query from the Client Automated Resource & Eligibility System (CARES) on a monthly basis and monitors the completion of the missing SSNs. FIA reviews the file and creates a Google Sheet for the list of recipient cases then shares it with the Local Department of Social Services (LDSS) Directors and Deputy/Assistant Directors to be assigned to designated supervisors and case managers for processing. The LDSS Deputy/Assistant Directors monitors the completion of the assigned task. The LDSS Case Managers also complete the tasks (includes number of cases per day) and review for accuracy. LDSS Case Managers complete the task in CARES after running clearances and verifying the information per policy.</p> <p>Additionally, FIA also conducts a second level review by sampling 10% of the cases, sends a reminder mid-month, and reports on the progress made to the FIA Executive. While FIA continues to reduce the number of missing SSNs, it should be noted the following groups require special monitoring to ensure timely updates once their SSNs are received: (1) Newborns and (2) Recently admitted Asylees and Refugees. The following groups will not have SSNs entered on CARES and will continue to be counted as missing: (1) Foster Care children and (2) Ineligible immigrants without SSNs who do not receive benefits (parents of citizen children).</p>	Ongoing

Exhibit 1 to April 1, 2019 Letter to Joint Chairmen

Number	Findings	Recommendations	Actions Taken	Implementation Date
3	FIA did not ensure that adequate documentation was maintained to support applicant eligibility and the validity of payments made for energy assistance programs.	a) Obtain and maintain all required documentation to support critical energy assistance application data.	<p>It is important to note that the Office of Legislative Audits' April 5, 2017 letter indicated that this finding (Finding 3) was resolved.</p> <p>As of September 2018, The Office of Home Energy Programs (OHEP) continues to execute enhanced monitoring protocols that include continuous monitoring of Local Administering Agency document processing and retention related to eligibility and payments. The performance of all agencies monitored by OHEP in Fiscal Year (FY) 2018 was deemed satisfactory with regard to document acquisition and maintenance for eligibility determination and payments. The electronic maintenance of all documents has been implemented in 19 of the 20 OHEP Local Administering Agencies. Specifically, OHEP provided a waiver for the Enterprise Content Management System (ECMS) deployment requirements for the Baltimore City Mayor's Office of Human Services until staffing and training levels are addressed in FY 2019.</p>	Completed as of 04/05/2017

Exhibit 1 to April 1, 2019 Letter to Joint Chairmen

Number	Findings	Recommendations	Actions Taken	Implementation Date
4	FIA's monitoring of contract costs and deliverables for certain contracts was not sufficient.	a) Obtain adequate documentation, such as time and payroll records, to verify the accuracy and propriety of contract billings.	<p>The Maryland Office of Refugees and Asylees (MORA) continued its new monitoring practices throughout Federal Fiscal Year (FFY) 2017 and FFY 2018. Each year, the office develops an internal monitoring plan to ensure that all contracts are monitored. Each review includes a written report summarizing the findings and required corrective actions. Where necessary, vendors submit corrective action plans which are reviewed for completeness and subsequently approved by program staff. A recent (2018) audit by the Office of Legislative Audits (OLA) found NO violations within MORA. MORA also developed an invoice documentation process in coordination with the Department of Budget and Management (DBM). The protocol was put in place in 2016 and its main objectives include: (1) to ensure that funds are spent according to the contract budget, (2) to ensure that all costs are allowable and allocable, and (3) to ensure that the vendor has documentation to support reported expenses.</p> <p>For all other contracts, FIA developed an invoice and monitoring protocol that standardized invoice documentation requirements and monitoring practices. Invoice documentation requirements include time and effort report to ensure that billed labor costs are consistent with contract budgets. Vendors are also required to submit receipts and/or invoices to support reported expenditures in all other budget categories including, but not limited to rent, supplies, staff travel, utilities, staff training, direct assistance, and more. Invoice supporting documents are reviewed before each invoice can be submitted to accounts payable. The protocol that we submitted was implemented in phases. It was piloted with programs in MORA in 2016 and it was expanded to include the Bureau of Special Grants in SFY 2017. In SFY 2018, the protocol was slightly revised to encompass all invoicees within Family Investment.</p>	Completed as of FY 2018

Exhibit 1 to April 1, 2019 Letter to Joint Chairmen

Number	Findings	Recommendations	Actions Taken	Implementation Date
5	FIA lacked procedures and documentation to ensure that Temporary Disability Assistance Program payments were made only to eligible recipients, and that federal funds were recovered.	b) TDAP cases are closed in a timely manner once SSA renders its final decision regarding a recipient's application for federal benefits.	<p>The Family Investment Administration (FIA) central office provides notification to the local departments of the Temporary Disability Assistance Program (TDAP) recipients who are receiving benefits and are not pursuing the Social Security Administration (SSA) application or specific corrections and/or case closing actions requested. FIA Central will monitor and ensure that errors discovered during the quality control review of TDAP cases are corrected by the Local Department of Social Services (LDSS) in a timely manner.</p> <p>In 2016, the Department of Human Services (DHS) centralized the fiscal-related activities in order to improve the collection of the funds. Action Transmittal (AT) 16-12 issued on 01/29/2016 outlines the process for FIA to follow for the Interim Assistance Reimbursement (IAR) form (DHS/FIA 340 form) for customers who are denied federal benefits. CARES Fiscal receives the notification of SSA's decision timely for cases that are reported through the Government to Government Services Online system. We will continue efforts between FIA and CARES Fiscal to identify loopholes and develop modernization strategies to ensure the TDAP cases are closed in a timely manner once DHS is aware that SSA has rendered its final decision. Once the final decision has been rendered by SSA, FIA will meet with CARES Fiscal to identify strategies to ensure that the local departments take the required action on TDAP cases. In addition, FIA will meet with Fiscal and Systems to identify situations that impact SSA's receipt of the IAR form and to develop modernization strategies that close these loopholes.</p>	Ongoing

Exhibit 2 to April 1, 2019 Letter to Joint Chairmen

Status of Repeat Findings in OLA's April 9, 2015 Audit Report on the Family Investment Administration (FIA) of the Department of Human Resources¹

Prior Recommendations Pertaining to Repeat Findings	Status Based on OLA Review
Computer Matches 1. We recommend that FIA c. ensure that local departments investigate and resolve unverified or missing recipient social security numbers, including those noted above, on a timely basis.	Resolved
Energy Assistance Programs 3. We recommend that FIA ensure that LAAs a. Obtain and maintain all required documentation to support critical energy assistance application data.	Resolved
Contract Monitoring 4. We recommend that FIA a. obtain adequate documentation, such as time and payroll records, to verify the accuracy and propriety of contract billings.	In Progress
Temporary Disability Assistance Program 5. We recommend that FIA establish procedures to ensure that b. TDAP cases are closed in a timely manner once SSA renders its final decision regarding a recipient's application for federal benefits.	Not Resolved

¹ Chapter 205, Laws of Maryland 2017, effective July 1, 2017, changed the name of the Department of Human Resources to the Department of Human Services (DHS).

Exhibit 3 to April 1, 2019 Letter to Joint Chairmen

OLA's Assessments Regarding Repeat Findings That Were Not Resolved

Prior Report Recommendation – Finding 4

We recommend that FIA

- a. obtain adequate documentation, such as time and payroll records, to verify the accuracy and propriety of contract billings (repeat).**

Status: In Progress

In our March 21, 2019 audit report, we noted that FIA still did not always obtain adequate documentation to verify the accuracy and propriety of contract billings. Specifically, our test of 15 invoices totaling \$14.7 million disclosed that, for 12 invoices totaling \$14.6 million, FIA did not obtain documentation that agreed-upon deliverables were received and amounts invoiced were proper. These 12 invoices were paid during fiscal years 2015 through 2018 and were associated with five FIA contracts and agreements. During our current review of the status of the repeat audit findings FIA management advised us that they implemented a new contract monitoring document in February 2018 which would be used as a guideline for new contracts. Training on the new guidelines will be conducted sometime in spring 2019 in preparation for a formal implementation effective July, 1, 2019 for fiscal year 2020 contracts. Consequently, we deemed FIA's implementation of its corrective action to be in progress.

In response to our March 21, 2019 audit report, FIA disagreed with our finding and stated that it obtained certain documentation to verify the accuracy of the billings. However, FIA was unable to provide us with the required activity reports or other documentation to adequately support the propriety of the amounts invoiced.

Prior Report Recommendation – Finding 5

We recommend that

- b. TDAP cases are closed in a timely manner once SSA renders its final decision regarding a recipient's application for federal benefits (repeat).**

Status: Not Resolved

In our March 21, 2019 audit report, we noted that Temporary Disability Assistance Program (TDAP) cases were not closed in a timely manner. TDAP is a State-funded program that provides assistance to low-income disabled adults who are ineligible for other categories of assistance and who are applying for federal Supplemental Security Income or Social Security Disability Income. TDAP benefits should cease when the federal Social Security Administration (SSA) renders a final decision regarding a recipient's application for federal benefits. Our test of 25 cases for which a final decision was rendered by SSA, disclosed that FIA did not close 13 cases for 1 to 8 months after the SSA decisions were rendered. During that time, TDAP benefits totaling \$12,515 were paid to these individuals in violation of the FIA aforementioned policy.

