

Audit Report

**Department of Human Resources
Family Investment Administration**

April 2015



OFFICE OF LEGISLATIVE AUDITS
DEPARTMENT OF LEGISLATIVE SERVICES
MARYLAND GENERAL ASSEMBLY

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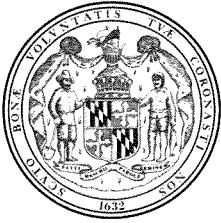
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DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

Karl S. Aro
Executive Director

April 9, 2015

Thomas J. Barnickel III, CPA
Legislative Auditor

Senator Guy J. Guzzone, Co-Chair, Joint Audit Committee
Delegate Craig J. Zucker, Co-Chair, Joint Audit Committee
Members of Joint Audit Committee
Annapolis, Maryland

Ladies and Gentlemen:

We have conducted a fiscal compliance audit of the Family Investment Administration (FIA) of the Department of Human Resources (DHR) for the period beginning July 1, 2010 and ending November 24, 2013. FIA oversees a number of public assistance programs that are administered statewide by the 24 local departments of social services, including the Temporary Cash Assistance and the home energy assistance programs, which are State and federally funded, and the Supplemental Nutrition Assistance Program (formerly food stamp program), which is entirely federally funded. Payments made during fiscal year 2013 for programs under FIA oversight totaled approximately \$1.4 billion.

Our audit disclosed certain deficiencies related to FIA's administration of these assistance programs. FIA lacked documentation that computer matches, designed to help ensure recipient eligibility and to detect potential fraud, had been conducted as required, and that match results had been adequately resolved. For example, FIA had identified approximately 10,500 instances of unverified or missing social security numbers relating to public assistance cases that, as of January 2014, had been unresolved for more than a year. Valid social security numbers are essential for assessing recipient eligibility.

In addition, certain periodic quality assurance reviews of public assistance cases were not always performed by local departments of social services, as required. These reviews help FIA ensure that the local departments comply with legal and regulatory requirements, including eligibility requirements for various assistance programs such as the Supplemental Nutrition Assistance Program and Temporary Cash Assistance. Furthermore, documentation supporting critical data submitted by applicants for energy assistance was not always maintained.

Procedures used to monitor contractors engaged to provide certain assistance to FIA and local departments of social services were not always effective in ensuring costs were supported and required reports were obtained. Finally, FIA lacked procedures and documentation to ensure that all State-funded Temporary Disability Assistance payments were proper and federal funds were recovered, when applicable.

An executive summary of our findings can be found on page 5. DHR's response to this audit, on behalf of FIA, is included as an appendix to this report. We wish to acknowledge the cooperation extended to us during the course of this audit by FIA.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Thomas J. Barnickel III". The signature is fluid and cursive, with a large initial "T" and a stylized "B".

Thomas J. Barnickel III, CPA
Legislative Auditor

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Executive Summary

Legislative Audit Report on the Department of Human Resources Family Investment Administration (FIA) April 2015

- **FIA lacked documentation to evidence that it had performed certain required computer matches designed to help ensure recipients are eligible for assistance benefits and to help detect potential fraud. In addition, the results of computer matches and related alerts were not always investigated and resolved in a timely and adequate manner. For example, as of January 2014, FIA had identified approximately 10,500 instances of unverified or missing social security numbers relating to public assistance cases which had been outstanding for more than a year without being adequately addressed (Finding 1).**

FIA should ensure that documentation is maintained showing all computer matches are performed at required intervals, and that the results of computer matches are fully addressed in a timely manner.

- **FIA did not ensure that local departments of social services conducted all required quality assurance reviews of public assistance cases. These reviews help FIA monitor local department compliance with legal and regulatory requirements, including recipient eligibility for various assistance programs including the Supplemental Nutrition Assistance Program (SNAP) and Temporary Cash Assistance. Our examination of reviews of SNAP cases required for one month disclosed that most local departments did not conduct the number of reviews required, and one did not conduct any reviews (Finding 2).**

FIA should use available reports to ensure that local departments complete the required number of quality assurance reviews and should take corrective action to address non-compliance.

- **Documentation to support critical data required from applicants for energy assistance program benefits, such as proof of residency and current utility bills, was not always maintained by Local Administering Agencies which processed program applications. Energy assistance program benefits totaled \$125 million during fiscal year 2013 (Finding 3).**

FIA should ensure that Local Administering Agencies obtain and maintain adequate supporting documentation for critical application data.

- **Procedures for monitoring contract costs and deliverables for certain contracts totaling \$22.6 million were not sufficient. For example, documentation was not obtained to support the propriety of the contract costs and certain required status reports were not received (Finding 4).**

FIA should obtain appropriate documentation to support all contract costs and deliverables.

- **Critical application documentation was not always on file and overpayments occurred for certain Temporary Disability Assistance Program (TDAP) cases we examined. Furthermore, FIA did not always receive federal reimbursement for TDAP payments for which it was eligible. TDAP benefits, which are entirely State funded, totaled approximately \$43 million during fiscal year 2013 (Finding 5).**

FIA should take the recommendation actions to improve its procedures and documentation for TDAP applications, payments, and reimbursements.

Background Information

Agency Responsibilities

The Family Investment Administration (FIA) is a unit of the Department of Human Resources (DHR) and oversees a number of public assistance programs that are administered statewide by the 24 local departments of social services.¹ FIA administers three major programs: the Temporary Cash Assistance Program (TCA) and home energy assistance programs, which are funded by both State and federal funds, and the Supplemental Nutrition Assistance Program (SNAP), formerly the food stamp program, which is entirely federally funded.

Local departments of social services are responsible for recording recipient and benefit data in DHR's automated benefits system, the Clients' Automated Resource and Eligibility System (CARES). In addition to TCA and SNAP data, CARES includes data for several smaller assistance programs, as well as a database of Medicaid recipients. The Medicaid recipient database serves as the basis for Medicaid benefits processed on a separate automated benefits system (MMIS II) maintained by the Department of Health and Mental Hygiene. CARES includes Medicaid recipient data because most Medicaid recipients originally apply for those benefits at a local department of social services where the eligibility determination is made. Home energy assistance program automated records are separately maintained.

According to DHR's records, during fiscal year 2013, CARES included, on average, approximately 1.3 million monthly recipient records, including 755,000 for SNAP, 456,000 for Medicaid, 67,000 for TCA, and 24,000 in other assistance programs.² Payments made during fiscal year 2013 for programs under FIA jurisdiction totaled approximately \$1.4 billion, consisting primarily of \$1.2 billion for SNAP, \$142 million for TCA, and \$125 million for home energy assistance programs. In addition, Medicaid payments made by the Department of Health and Mental Hygiene during fiscal year 2013 totaled approximately \$6.9 billion.

¹Local departments of social services administer a number of programs for FIA and other units of DHR. The local departments are audited separately during our audits of DHR – Local Department Operations.

²Many recipients receive assistance from more than one program.

Status of Findings From Preceding Audit Report

Our audit included a review to determine the status of the eight findings contained in our preceding audit report on FIA dated February 9, 2011. We determined that FIA satisfactorily addressed four of these findings. The remaining four findings are repeated in this report.

Findings and Recommendations

Computer Matches

Background

The Family Investment Administration (FIA), with the assistance of the Department of Human Resources' (DHR) Office of the Inspector General and the Office of Technology for Human Services, periodically performs certain computer matches and related data verification procedures to help ensure recipients are eligible for public assistance and medical assistance benefits and to help detect potential fraud.

Computer matches are performed by comparing assistance recipient data in the Client's Automated Resource and Eligibility System (CARES) with outside data sources, such as Social Security Administration (SSA) records, prisoner records from the State's Department of Public Safety and Correctional Services, and new hire registry data from the National Directory of New Hires. Computer matches are also performed by comparing CARES benefits or income data with similar data from other state or federal government agencies via the Public Assistance Reporting Information System (PARIS).

The results (hits) of these computer matches, which represent potential discrepancies or errors, are generally referred to the applicable local department of social services for investigation and resolution via "system alerts" within CARES. System alerts are also generated when a recipient's social security number (SSN) has not been obtained from the recipient or has not been verified through the matching process with SSA records.

The public assistance programs associated with these matching and verification procedures include Temporary Cash Assistance (TCA) and the Supplemental Nutrition Assistance Program (SNAP) for which payments totaled approximately \$1.3 billion in fiscal year 2013. The matches also cover recipient eligibility for the medical assistance program (Medicaid) administered by the Department of Health and Mental Hygiene (DHMH) – Medical Care Programs Administration, which had expenditures totaling approximately \$6.9 billion for the same period.

Finding 1

FIA lacked documentation that required computer matches were performed and alerts were adequately resolved.

Analysis

FIA lacked documentation that all computer matches were performed as required, and did not adequately resolve system alerts, including some that were not recorded in CARES. Specifically, our review of documentation on file for three types of computer matches required by FIA (SSN, PARIS, and New Hire matches) identified the following conditions:

- FIA could not provide documentation that it conducted all required computer matches of CARES recipient and/or benefit data since July 2010. Specifically, FIA could not provide documentation of SSN matches prior to September 2013, PARIS matches prior to December 2012, and certain New Hire matches prior to October 2012. FIA policy requires that PARIS matches be conducted quarterly and New Hire and SSN matches be conducted monthly. FIA advised that the matches were conducted but related documentation was not maintained.
- System alerts resulting from the matches were not always recorded in CARES, and FIA did not always investigate why the alerts were not recorded. For example, our review of the results of two New Hire matches conducted for the months of May and November 2013 disclosed that, although the matches identified 254,650 and 265,443 hits, only 4,779 and 7,071 corresponding alerts, respectively, were recorded in CARES. In certain cases, alerts are appropriately not recorded in CARES because system filter criteria automatically identify cases for which an alert is not required, such as an inactive case. However, FIA did not document that it verified this had occurred for the results we examined, a procedure which we believe to be warranted based on the volume of unrecorded alerts.
- Although FIA had implemented certain steps to ensure timely resolution of missing or invalid SSNs, many cases remained unresolved for extended periods. For example, as of January 2014, there were approximately 18,000 unresolved system alerts identifying an active or pending case with an unverified or missing SSN.³ These alerts had remained unresolved for more than six months, of which more than 10,500 had been outstanding longer than a year.

³Multiple system alerts may be generated for one recipient if the recipient is eligible for more than one public assistance program. The number of alerts reported in this finding excludes cases for which DHMH was solely responsible; that is, the applications were processed by local health departments exclusively for medical-related benefit programs.

Federal and State regulations require the disclosure of SSNs by recipients during the benefits eligibility determination process. If a recipient does not have a SSN, State regulations allow the recipient to provide evidence that one has been applied for in order to begin receiving benefits. However, FIA was not ensuring that a valid number was subsequently obtained. Furthermore, there was a lack of documentation that FIA had determined that any of these outstanding alerts related to individuals for which a SSN was not required, such as for a child in foster care or a newborn. A similar condition was commented upon in our two preceding audit reports.

Recommendation 1

We recommend that FIA

- a. ensure documentation is maintained showing that all computer matches are performed at the required intervals and that the results are investigated;**
- b. determine the specific reasons and the appropriateness of certain match results not being recorded in CARES as system alerts; and**
- c. ensure that local departments investigate and resolve unverified or missing recipient social security numbers, including those noted above, on a timely basis (repeat).**

Quality Assurance Programs

Finding 2

Certain quality assurance reviews were not always conducted as required.

Analysis

Quality assurance reviews of public assistance cases were not always conducted as required by the local departments of social services, and FIA lacked documentation that this noncompliance was adequately addressed. Under its Pre-Review Program (PRP), FIA requires independent personnel at local departments, prior to the payment of benefits, to review 10 percent of newly approved SNAP applications and 15 percent of completed SNAP redeterminations each month for propriety. The PRP for SNAP also includes reviews of eligibility criteria for other assistance programs including TCA and Medicaid. The PRP helps FIA ensure local department compliance with the program's legal and regulatory requirements, including eligibility criteria.

FIA has access to monthly reports showing the percentage of SNAP cases that have received a PRP review by the local departments; however, there was no evidence that FIA used these reports to ensure that the local departments were meeting the PRP requirements established by FIA. Our review of 39 reports generated for the month of September 2013, one for each local department district

office, disclosed that 17 offices did not meet the review requirement for newly approved applications, including 10 offices that conducted reviews of less than 5 percent of the cases. Additionally, 28 offices did not meet the requirement for completed redeterminations for the month, including 17 offices that conducted reviews of fewer than 7 percent of the cases. One office did not perform any PRP reviews for either newly approved applications or redeterminations in September 2013. Although FIA advised that it follows up with the local departments regarding these missing reviews, there was no documentation specifying what action was taken to address noncompliance by those local departments.

FIA's records indicated that, for the reviews that were performed during that month, the SNAP applications and redeterminations disclosed a pre-review error rate of 14 percent and a related TCA pre-review error rate of 23 percent. An error disclosed during the PRP review does not necessarily mean that the application or redetermination should not have been approved. Nevertheless, the failure to conduct PRP reviews could, for example, allow approved applications for ineligible recipients to go undetected.

Conducting PRP reviews is an important part of FIA's quality assurance program since processing errors can result in payments to ineligible recipients and, in the case of SNAP, federal sanctions. In the past, Maryland's SNAP payment error rate has exceeded the national performance measure established by the United States Department of Agriculture and, accordingly, certain federal financial sanctions have been imposed. Maryland's SNAP payment error rate has improved. The fiscal year 2013 rate of 2.12 percent is below the national performance measure of 3.20 percent.

Recommendation 2

We recommend that FIA

- a. use the aforementioned monthly reports to ensure that PRP reviews are performed as required by the local departments, and**
- b. maintain documentation specifying the steps taken to address noncompliance on the part of local departments.**

Energy Assistance Programs

Finding 3

FIA did not ensure that adequate documentation was maintained to support applicant eligibility and the validity of payments made for energy assistance programs.

Analysis

FIA did not ensure that documentation to support certain critical data required from applicants for energy assistance program benefits was always maintained by designated Local Administering Agencies (LAA), which were responsible for processing program applications. Energy assistance benefit payments totaling \$125 million were made to utility companies during fiscal year 2013 for approximately 220,000 households.

Our test of 10 applications processed by two LAAs for energy assistance benefits totaling approximately \$24,000 disclosed a number of deficiencies. Specifically, 5 of the applications did not include required documentation, such as a valid driver's license or current lease agreement, to support the applicant's identity or proof of residency. Additionally, required documentation supporting utility services, such as a current billing statement, was not on file for 2 applicants. Without this documentation, the LAA could not support the applicant's current energy usage or amounts past due, which are necessary to properly calculate amounts for bill payment assistance. Furthermore, 4 of the applications, including 2 without required documentation, did not include a certifier's signature to indicate a supervisor's review of the application for program eligibility. A similar condition was commented upon in our preceding audit report. Finally, 2 of the 10 applications examined were approved 55 and 59 days past the 45-day requirement established in State regulations for processing program applications.

FIA's Office of Home Energy Programs (OHEP) is responsible for administering, through LAAs, the State's Electric Universal Service Program and the Maryland Energy Assistance Program, both of which provide eligible recipients with assistance to help pay current and past due home energy bills. LAAs may be community action agencies contracted by OHEP or local departments of social services. Program benefits for eligible individuals are based primarily on income level and energy usage, and are disbursed directly to utility companies for approved applicants.

Recommendation 3

We recommend that FIA ensure that LAAs

- a. obtain and maintain all required documentation to support critical energy assistance application data (repeat), and**
- b. approve or deny completed applications within the required time frame.**

Contract Monitoring

Finding 4

FIA's monitoring of contract costs and deliverables for certain contracts was not sufficient.

Analysis

FIA did not adequately monitor contract costs and deliverables for certain contracts we reviewed. These contracts, some of which were with State or local government entities, were designed to assist FIA and local departments of social services by providing, for example, training to recipients. Our review of six contracts disclosed four contracts, totaling \$22.6 million, for which monitoring procedures needed to be improved.

For three contracts, FIA did not sufficiently verify billed costs. For example, payments were made on one contract without receiving adequate documentation to support the accuracy and propriety of salary and fringe benefit costs incurred. Specifically, FIA paid invoices totaling \$2.7 million during the period from January through November 2013 for one \$13.3 million contract which provided nutrition education and training relating to SNAP. Salary and fringe benefit costs ranged from 68 percent to 75 percent of the amounts invoiced by the contractor. Although reports were received from the contractor showing total salary costs by employee classification, these reports lacked details such as the number of hours incurred, and the dates the work was conducted. A similar condition regarding a lack of documentation supporting billed costs was commented upon in our two preceding audit reports.

For the other contract reviewed, with a base term from September 2011 to August 2012, valued at \$302,000, and a one year renewal option valued at \$332,000, FIA did not receive contractor-required quarterly reports of specific economic benefits resulting from the contract (detailing job creation and state taxes generated from the program). The purpose of this contract was to obtain and repair used vehicles for distribution to benefit recipients to help them obtain or maintain employment.

Recommendation 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); and**
- b. ensure that required contract deliverables, such as economic benefit reports, are received.**

Temporary Disability Assistance Program

Finding 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.

Analysis

FIA lacked procedures and documentation to ensure that Temporary Disability Assistance Program (TDAP) payments were made only to eligible recipients and that federal reimbursements due were received. TDAP is a State-funded program which provides assistance to low-income disabled adults who are ineligible for other categories of assistance and who are applying for federal Supplemental Security Income (SSI) or Social Security Disability Income (SSDI). According to DHR records, TDAP payments totaled approximately \$43 million during fiscal year 2013, and the average monthly number of recipients totaled approximately 19,600. Our review of 22 TDAP recipients who received payments during our audit period disclosed the following conditions:

- FIA was unable to provide certain critical documentation for 12 recipients, such as the application itself, medical forms, and properly completed Interim Assistance Reimbursement (IAR) forms. IAR forms are required to be filed with SSA so that FIA may receive federal reimbursement, when applicable, for TDAP benefits paid. As of the time of our review, a total of \$76,025 had been paid to these 12 recipients from November 2008 to June 2014. It is FIA's policy to retain documentation for a period of three years after a case is closed and, as a result, since these 12 recipients were active during the period we reviewed, documentation should have been maintained.
- FIA did not always immediately close cases for which a final decision was rendered by SSA, either approved or denied, regarding the individual's application for federal benefits. We noted that, for 8 of these 22 cases, a final decision had been rendered by SSA, but the case was not closed for 3 to 19 months thereafter. During that time, TDAP benefits totaling \$14,400 were paid to these individuals. TDAP benefits should cease when SSA renders a final decision regarding a recipient's application for federal benefits. Any

TDAP payments made after the decision would not be federally reimbursable. A similar condition was commented upon in our preceding audit report.

- Of the 22 TDAP cases tested, in 11 instances, the individual was subsequently approved for SSI benefits and, therefore, FIA was eligible for federal reimbursement of TDAP payments made. Our test revealed, however, that FIA did not receive reimbursements totaling \$6,465 for 3 individuals because of delays in submitting the required IAR forms. Specifically, FIA paid \$29,960 but only received federal reimbursements of \$23,495.

TDAP benefits are paid to eligible individuals on a temporary basis pending approval or denial by the Social Security Administration (SSA) for federal benefits. For those individuals who are later approved for SSI benefits, FIA is entitled to be reimbursed for the TDAP payments made during the period between SSI application and approval. (This reimbursement is not available for individuals subsequently approved for SSDI.) FIA has responsibility for administering this program in which eligible individuals receive up to \$185 per month, although eligibility is initially determined at the local departments of social services.

Recommendation 5

We recommend that FIA establish procedures to ensure that

- a. all documentation required to establish recipient eligibility is received and maintained prior to making TDAP payments,**
- b. TDAP cases are closed in a timely manner once SSA renders its final decision regarding a recipient's application for federal benefits (repeat), and**
- c. IAR forms are appropriately filed and all reimbursable TDAP payments are received.**

Audit Scope, Objectives, and Methodology

We have conducted a fiscal compliance audit of the Family Investment Administration (FIA) of the Department of Human Resources (DHR) for the period beginning July 1, 2010 and ending November 24, 2013. The audit was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

As prescribed by the State Government Article, Section 2-1221 of the Annotated Code of Maryland, the objectives of this audit were to examine FIA's financial transactions, records and internal control, and to evaluate its compliance with applicable State laws, rules, and regulations.

In planning and conducting our audit, we focused on the major financial-related areas of operations based on assessments of significance and risk. The areas addressed by the audit included the quality assurance processes used by FIA to monitor the local departments of social services' administration of the Supplemental Nutrition Assistance Program and Temporary Cash Assistance, and FIA's administration of the home energy assistance programs, the Temporary Disability Assistance Programs, and contracts. We also determined the status of the findings included in our preceding audit report.

To accomplish our audit objectives, our audit procedures included inquiries of appropriate personnel, inspections of documents and records, observations of FIA's operations, and tests of transactions. We also obtained data extracted from the Clients' Automated Resource and Eligibility System (CARES) and automated records relating to energy assistance programs for purposes of testing selected attributes relating to recipient eligibility, program payments, and FIA's monitoring efforts. We performed various tests of the relevant data and determined that the data were sufficiently reliable for the purposes the data were used during the audit. Finally, we performed other auditing procedures that we considered necessary to achieve our audit objectives. The reliability of data used in this report for background or informational purposes was not assessed.

Our audit did not include certain support services provided to FIA by DHR's Office of the Secretary. These support services (such as cash receipts and payroll processing, purchasing, maintenance of accounting records, and related fiscal functions) are included within the scope of our audit of the DHR Office of the Secretary. In addition, our audit did not include an evaluation of internal controls

over compliance with federal laws and regulations for federal financial assistance programs (such as the Supplemental Nutrition Assistance Program) and an assessment of FIA's compliance with those laws and regulations because the State of Maryland engages an independent accounting firm to annually audit such programs administered by State agencies, including FIA.

FIA's management is responsible for establishing and maintaining effective internal control. Internal control is a process designed to provide reasonable assurance that objectives pertaining to the reliability of financial records, effectiveness and efficiency of operations including safeguarding of assets, and compliance with applicable laws, rules, and regulations are achieved.

Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected. Also, projections of any evaluation of internal control to future periods are subject to the risk that conditions may change or compliance with policies and procedures may deteriorate.

Our reports are designed to assist the Maryland General Assembly in exercising its legislative oversight function and to provide constructive recommendations for improving State operations. As a result, our reports generally do not address activities we reviewed that are functioning properly.

This report includes findings related to conditions that we consider to be significant deficiencies in the design or operation of internal control that could adversely affect FIA's ability to maintain reliable financial records, operate effectively and efficiently, and/or comply with applicable laws, rules, and regulations. Our report also includes findings regarding significant instances of noncompliance with applicable laws, rules, or regulations. Other less significant findings were communicated to FIA that did not warrant inclusion in this report.

The response from DHR, on behalf of FIA, to our findings and recommendations is included as an appendix to this report. As prescribed in the State Government Article, Section 2-1224 of the Annotated Code of Maryland, we will advise DHR regarding the results of our review of its response.



Maryland's Human Services Agency

Department of Human Resources | Lawrence J. Hogan, Jr., Governor | Boyd K. Rutherford, Lt. Governor | Sam Malhotra, Secretary

APPENDIX

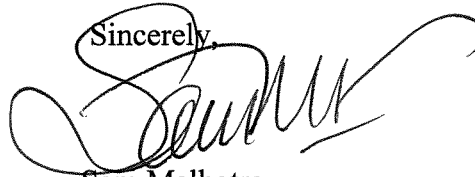
April 8, 2015

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

Dear Mr. Barnickel:

Please find enclosed the Department of Human Resources' (DHR) responses to the draft Legislative Audit Report on the Department of Human Resources - Family Investment Administration for the period covering July 1, 2010 and ending November 24, 2013.

If there are any questions regarding these responses, please contact the Inspector General, William E. Johnson, Jr. of my staff at 443-378-4060 or william.johnson1@maryland.gov.

Sincerely,

Sam Malhotra
Secretary

Enclosures:

cc:

William E. Johnson Jr., Inspector General, DHR
Rosemary W. Malone, Executive Director, FIA

Department of Human Resources
Family Investment Administration Audit
Response to Draft Audit Report
July 1, 2010 - November 24, 2013

Finding 1

FIA lacked documentation that required computer matches were performed and alerts were adequately resolved.

Recommendation 1

We recommend that FIA

- a. ensure documentation is maintained showing that all computer matches are performed at the required intervals and that the results are investigated;
- b. determine the specific reasons and the appropriateness of certain match results not being recorded in CARES as system alerts; and
- c. ensure that local departments investigate and resolve unverified or missing recipient social security numbers, including those noted above, on a timely basis (repeat).

Department's Response

Recommendation a.

We agree with this recommendation.

DHR's practice had been to retain three quarters of match data. However, in response to OLA's audit request, the CARES was modified in December 2014 to retain four years of raw PARIS data files.

Recommendation b.

We agree with reservations.

FIA is confident in the parameters set for determining the New Hires matches that generate systems alerts. We base the parameters on filter criteria that automatically triage matches and determine those that generate or do not generate alerts.

We agree that it is prudent practice to ensure that documentation exists to support alerts that are not recorded in CARES. Consequently, we have requested the CARES system vendor to generate a report, for future matches, that will outline specific reasons and appropriateness why certain match results were not recorded in CARES as system alerts. We will review the aforementioned report for propriety.

Recommendation c.

We agree with this recommendation.

The FIA Bureau of Information Analysis will expand the existing strategies it uses for certain Medical Assistance cases that have missing SSNs. Specifically, each office will receive a weekly MISSING SSNs GENERATOR V file that will identify the cases in all programs with missing SSNs, including the cases identified by the auditors, and will allow the DHR/FIA Office of Operations to monitor the entry of the SSNs for those cases.

Finding 2

Certain quality assurance reviews were not always conducted as required.

Recommendation 2

We recommend that FIA

- a. use the aforementioned monthly reports to ensure that PRP reviews are performed as required by the local departments, and
- b. maintain documentation specifying the steps taken to address noncompliance on the part of local departments.

Department's Response**Recommendations a. and b.**

Although we agree with the auditors recommendation that some local departments did not meet their pre-review targets, the finding represents a low level of risk. Our federal Food Supplement Program payment error rate remains below the national average, we received a bonus for the most improved payment error rate during the audit period, and posted the lowest error rate in the Department's history in 2012.

In addition, FIA's Bureau of Program Evaluation has begun monitoring the monthly Pre-review compliance for all local offices. We compare the number of reviews completed in each office to the number of approved applications and completed redeterminations to calculate the compliance rate for the prior month.

Improvements in the automated Pre-review process will enable local offices to monitor their own daily compliance with the requirements. In Fall 2015, FIA's Office of Operations will launch PIRAMID Pre-review Direct, an online, web-based enhancement, so that local offices can select samples of cases to pre-review and directly calculate the number of reviews needed on a daily, weekly and monthly basis.

Whereas the Bureau of Program Evaluation used the email system in the past to communicate with the local offices regarding compliance, beginning in January 2015, BPE started generating an official memo and emailing that to the local leadership. These memos are saved to the shared directory for BPE in the Central office reviewing the completion rates for each office. BPE sends a memo to the Family Investment Assistant Directors for offices that have not met the 10% of Applications and 15% of Redeterminations review requirement. Should an LDSS not meet compliance for two months in a row, then the Deputy Executive Director for Operations contacts the LDSS Director.

Finding 3

FIA did not ensure that adequate documentation was maintained to support applicant eligibility and the validity of payments made for energy assistance programs.

Recommendation 3

We recommend that FIA ensure that LAAs

- a.** obtain and maintain all required documentation to support critical energy assistance application data (repeat), and
- b.** approve or deny completed applications within the required time frame.

Department's Response

Recommendation a.

We agree with the recommendation.

DHR has taken the following steps to ensure that all of our case records include all of the required verification documents. In 2014, we expanded access to our document imaging system to include the LAAs. The imaging system creates searchable, electronic case files, improving efficiency and helps us avoid redundant requests for identity and other verification and loss of paper documentation. As verification documents are entered into the document imaging system the issue of case records without documents should be completely resolved because permanent documents such as social security cards will be part of the permanent record and documents required annually, such as utility bills, will be scanned into the record at application.

Additionally, the local offices identified in the audit have direct, online access to the utility company billing records as well as communication through dedicated phone numbers supplied by the utility companies. We also note that some of the supporting documentation for records sampled by OLA was lost due to flooding of the storage area where the applications were filed.

Recommendation b.

We agree with the recommendation.

We have developed the Local Processing Time Report in response to a Joint Chairmen's Report request. The report helps the Local Administering Agencies (LAAs) to manage application timeliness. The OHEP Central office also uses this report to monitor the progress of each LAA and to identify when and where we need to provide technical assistance and additional oversight. Furthermore, in FY 2015, the Department increased staffing for those LAAs receiving the highest volume of applications to provide support during the first six months of the fiscal year when the largest number of applications are received. All of these efforts led to an average improvement of 13% in timeliness compliance rates when compared to FY 2014.

Finding 4**FIA's monitoring of contract costs and deliverables for certain contracts was not sufficient.****Recommendation 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); and
- b. ensure that required contract deliverables, such as economic benefit reports, are received.

Department Response**Recommendation a.**

We agree with reservations.

The U.S. Department of Agriculture, Food and Nutrition Service (FNS) provides grant funding to Maryland for nutrition education activities. The federal grant pays for the services provided by the University of Maryland. FIA adheres to FNS Program Guidance on salary and benefits documentation, which permits states to use their university partners' hourly documentation procedures for program activity reporting.

Nonetheless, FIA is committed to implementing controls that will further improve our operations. Therefore, FIA will conduct periodic onsite reviews of documentation, such as time and payroll records, to further verify the accuracy and propriety of contract billing as recommended.

Recommendation b.

We agree that we did not receive quarterly reports during the audit period for our Transportation Assistance Program. We now collect the reports and will document the employment statistics and economic benefit data from them into our quarterly contract monitoring reports.

Finding 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.

Recommendation 5

We recommend that FIA establish procedures to ensure that

- a. all documentation required to establish recipient eligibility is received and maintained prior to making TDAP payments,
- b. TDAP cases are closed in a timely manner once SSA renders its final decision regarding a recipient's application for federal benefits (repeat), and
- c. IAR forms are appropriately filed and all reimbursable TDAP payments are received.

Department Response

Recommendations a and b.

We agree with the recommendations.

FIA has guidance and training in place, instructing case managers to use several different electronic tools (CARES, SOLQ, SDX, Document Imaging/Scanning) to capture and maintain eligibility verification documents for TDAP Cases. We reinforce these policy requirements in basic case manager training as well as "refreshers." We seek to improve access to this training via the Cornerstone training portal (known as "The Hub") maintained by the Maryland Department of Budget and Management, and establishing regular refresher training available to staff in an "on-demand," self-directed model.

Beginning in February 2015, FIA's Bureau of Disability Services Operations (BDSO) reviews a sample of TDAP cases every month to identify cases that were improperly approved, recipients who are no longer eligible and recipients who have not followed the eligibility requirement to seek Federal disability benefits. The Office of Policy Research and Training provided training to the BDSO staff on the requirements that all recipients must meet in order to receive TDAP benefits. The training included technical tools such as CARES, SOLQ and SDX that can be used to conduct the reviews. FIA's Bureau of Information Analysis constructed a database to allow BDSO to complete the reviews and analyze the results. BDSO conducts an average of 200

reviews per week, and reports the findings to each local office electronically. BDSO also follows up on the corrective action needed to ensure it is completed.

Recommendation c.

We acknowledge these findings and are making changes to ensure fiscal documentation such as the interim assistance reimbursement (IAR) forms remain in the electronic case files, and to improve coordination between the FIA eligibility case managers and local fiscal staff to maximize IAR revenue.

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