

Audit Report

Department of Human Services Family Investment Administration

October 2022



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DEPARTMENT OF LEGISLATIVE SERVICES
MARYLAND GENERAL ASSEMBLY

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DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

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October 21, 2022

Senator Clarence K. Lam, M.D., Senate Chair, Joint Audit and Evaluation Committee
Delegate Mark S. Chang, House Chair, Joint Audit and Evaluation Committee
Members of Joint Audit and Evaluation Committee
Annapolis, Maryland

Ladies and Gentlemen:

We have conducted a fiscal compliance audit of the Department of Human Services (DHS) – Family Investment Administration (FIA) for the period beginning May 1, 2017 and ending May 31, 2021. FIA oversees a number of public assistance programs which help vulnerable Marylanders buy food, pay energy bills, and obtain medical assistance. These programs are administered statewide by the 24 local departments of social services (LDSSs) and include Supplemental Nutrition Assistance Program (SNAP), Temporary Cash Assistance (TCA), Temporary Disability Assistance Program (TDAP), and the home energy assistance programs. According to DHS' records, payments made during fiscal year 2021 for programs under FIA's oversight totaled approximately \$2.3 billion. These fiscal year 2021 expenditures were significantly greater than FIA's expenditures in the past due to an influx of federal funds related to the COVID-19 pandemic.

Our audit disclosed that FIA inadvertently disabled a system control resulting in SNAP benefits being awarded to applicants whose income exceeded the federally-established income thresholds. The programming change was not readily detected until March 2021 when FIA noted the issue as part of the implementation of its new automated system. Additionally, FIA allowed numerous recipients to continue receiving TCA benefits beyond the five years allowed by federal and State regulations. According to FIA records, as of May 2021 there were 3,273 recipients receiving benefits for more than five years. While federal and State regulations provide for an exemption from the five-year limit in cases of hardship, we noted that FIA allowed extended benefits without issuing an exemption.

We also noted that FIA did not conduct comprehensive quality assurance reviews of TCA cases to ensure that eligibility determinations and related benefits were proper. Quality assurance reviews, when conducted properly, are important to help FIA ensure the LDSSs are complying with the legal and regulatory requirements of each program.

In addition, we noted that FIA did not ensure the LDSSs maintained application documentation to support the propriety of eligibility determinations and other requirements for SNAP, TCA, and TDAP. For example, we tested 60 TCA cases and requested FIA to provide supporting documentation; however, FIA could not provide us with numerous documents including 26 Social Security Number verifications. We also found that FIA did not always determine whether TCA applicants received unemployment income, as required by federal regulations. FIA management advised it was unaware of the requirement to verify unemployment income during the first three months TCA benefits were issued.

Although FIA had established computer matches designed to help ensure recipient eligibility and to detect potential fraud, it did not ensure that the resultant alerts were recorded timely and that timely and appropriate actions were taken. For example, our test of 46 alerts based on FIA benefits or income data with similar data from other states or federal government agencies via the Public Assistance Reporting Information System (PARIS) disclosed that for 43 alerts the LDSSs did not take timely or appropriate actions.

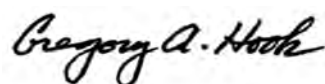
Our audit also disclosed that FIA made significant modifications to an existing contract relating to TCA and TDAP that increased vendor compensation without formally determining the practicality or appropriateness of conducting a new contract procurement.

Finally, our audit included a review to determine the status of the eight findings contained in our preceding audit report. We determined that FIA satisfactorily addressed three of these eight findings. The remaining five findings are repeated in this report.

DHS' response to this audit, on behalf of FIA, is included as an appendix to this report. In accordance with State law, we have reviewed the response and, while FIA agrees with certain recommendations in this report, we identified numerous instances in which statements in the response conflict with or disagree with the report findings. In each instance, we reviewed and reassessed our audit documentation, and reaffirmed the validity of our finding. In accordance with generally accepted government auditing standards, we have included "auditor's comments" within DHS' response to explain our position. Finally, for the remaining findings and recommendations we have concluded that the corrective actions identified are sufficient to address those issues.

We wish to acknowledge the cooperation extended to us during the audit by FIA. We also wish to acknowledge DHS' and FIA's willingness to address the audit issues and implement appropriate corrective actions.

Respectfully submitted,

A handwritten signature in black ink that reads "Gregory A. Hook". The signature is written in a cursive, flowing style.

Gregory A. Hook, CPA
Legislative Auditor

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* Denotes item repeated in full or part from preceding audit report

Background Information

Agency Responsibilities

The Family Investment Administration (FIA) is a unit of the Department of Human Services (DHS) and oversees a number of public assistance programs that are administered statewide by the 24 local departments of social services (LDSSs).¹ While the LDSSs are responsible for the daily operations, State law requires FIA to supervise the public assistance activities of the LDSSs. FIA administers three major public assistance programs: the Temporary Cash Assistance Program (TCA) and the home energy assistance programs, both of which are funded by State and federal funds, and the Supplemental Nutrition Assistance Program (SNAP), which is entirely funded by federal funds.

According to DHS' records, during fiscal year 2021, programs under FIA's jurisdiction included, on average, approximately 1.3 million monthly recipient records² for which payments totaled approximately \$2.3 billion (as detailed in Figure 1 on the following page). For both the SNAP and TCA programs, there was a significant increase in recipients and expenditures in fiscal year 2021, compared to fiscal year 2020. This was largely attributable to the impact of the COVID-19 pandemic. In addition, 57,924 medical assistance (Medicaid) recipients were approved for eligibility through LDSSs to receive health-related benefits through the Maryland Department of Health (MDH) during fiscal year 2021.

¹ LDSSs administer a number of programs for FIA as well as other units of DHS. The LDSSs are audited separately during our audits of DHS – Local Department Operations.

² Many recipients receive assistance from more than one program.

Figure 1
Fiscal Years 2020 and 2021
Public Assistance Program Recipient and Expenditure Data

Program	Fiscal Year 2020		Fiscal Year 2021	
	Average Monthly Recipients	Expenditures (In Millions)	Average Monthly Recipients	Expenditures (In Millions)
SNAP	648,705	\$1,107	816,579	\$1,963
TCA	45,541	122	62,552	202
Home Energy Assistance	192,072	106	212,845	126
Temporary Disability Assistance	12,929	33	10,465	38
Other Assistance Programs	211,388	12	213,930	8
Totals	1,110,635¹	\$1,380	1,316,351¹	\$2,337

Source: DHS records

¹- Totals include individual recipients enrolled in one or more programs.

LDSSs are responsible for ensuring applicants meet all financial and technical eligibility factors, and recording recipient and benefit data for TCA, SNAP, and Temporary Disability Assistance Program (TDAP) in DHS' automated benefits system, the Clients' Automated Resource and Eligibility System (CARES). CARES also includes data for several other assistance programs, as well as a Medicaid database for certain recipients who originally applied for Medicaid through the LDSSs. This Medicaid recipient database serves as the basis for Medicaid benefits, which are processed on a separate automated benefits system (MMIS II) maintained by MDH. Home energy assistance programs automated records are not included in CARES and are maintained by FIA in a separate computer system.

CARES Replacement by Eligibility and Enrollment System

In November 2021, FIA fully implemented the Eligibility and Enrollment (E&E) System a web based application which replaced CARES. This system evaluates new applications, interim changes to existing applications, as well as the recertification process for eligible recipients. E&E is part of the Maryland Total Human Services Integrated Network (MD THINK) which is a cloud-based platform that will allow multiple State agencies to share and manage data in one convenient place. Since CARES was the automated benefits system in effect during our audit period, our audit scope included CARES rather than the recently implemented E&E System.

The scope of our next audit of the FIA will include an assessment of the E&E System.

COVID-19 Policy Changes

Due to the COVID-19 pandemic, certain federal and State requirements related to FIA's assistance programs were modified. For example, for SNAP and for TCA, FIA received federal waivers so that recipients did not need to comply with work requirements. We took these changes into consideration during the course of our audit.

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 dated March 21, 2019. As disclosed in Figure 2 on the following page, we determined that FIA satisfactorily addressed three of these findings. The remaining five findings are repeated in this report.

Figure 2
Status of Preceding Findings

Preceding Finding	Finding Description	Implementation Status
Finding 1	The Family Investment Administration (FIA) allowed certain recipients to continue to receive Temporary Cash Assistance benefits beyond the five-year federal and State limit at an estimated annual cost of at least \$6.6 million.	Repeated (Current Finding 2)
Finding 2	FIA did not ensure that the local departments of social service (LDSSs) conducted timely and appropriate follow-up on certain computer match alerts, including attempts to recover improper payments. Our review disclosed that the LDSSs did not take appropriate action for 29 of the 31 alerts tested.	Repeated (Current Finding 7)
Finding 3	FIA did not ensure that all social security number alerts were recorded in its computer system for follow-up purposes, and the alerts that were recorded were not dispositioned for extended periods.	Repeated (Current Finding 6)
Finding 4	FIA did not take adequate follow-up action when LDSSs failed to conduct the required number of quality assurance reviews and did not ensure that errors were corrected. Certain reviews conducted by FIA were not comprehensive.	Not repeated
Finding 5	FIA did not obtain required documentation from recipients, resulting in the failure to recover certain federal reimbursements; and did not close certain cases timely, allowing improper benefits to be issued.	Not repeated
Finding 6	FIA did not adequately monitor costs and deliverables for certain contracts and agreements related to its public assistance programs.	Repeated (Current Finding 9)
Finding 7	FIA did not verify that certain grant funds were spent as intended.	Repeated (Current Finding 10)
Finding 8	FIA did not periodically review and adequately restrict user access to its Office of Home Energy Programs computer system, resulting in several hundred employees with unnecessary access to recipients' personally identifiable information.	Not repeated

Findings and Recommendations

Supplemental Nutrition Assistance Program

Background

The Supplemental Nutrition Assistance Program (SNAP) helps low-income households buy food. Applicants must meet certain financial (such as income not exceeding federal thresholds) and technical requirements (such as Maryland Resident, US Citizen, or Qualified Immigrant). Generally, the amount of benefits is based on household size and income. Specifically, a household may not exceed both a gross and a separate net income threshold, with the exception of households with qualifying elderly or disabled individuals which only need to meet the net income threshold, or households that are categorically eligible due to qualification for another means tested program. According to Department of Human Services (DHS) records, during fiscal year 2021, SNAP benefit payments totaled approximately \$1.96 billion.

Annually, the United States Department of Agriculture (USDA) monitors SNAP using a calculated error rate. The error rate is a key indicator of payment accuracy, measuring a state's ability to determine a household's eligibility for SNAP and issue benefits in the correct amount. Errors include incorrect amounts paid to an eligible client, payments made to a client incorrectly determined as eligible, and payment for which insufficient or no documentation was found. According to the USDA, the nationwide error rate for federal fiscal year 2019 (the most recent calculated) was 7.36 percent and Maryland was ranked 20th with an error rate of 8.43 percent. High error rates are significant because USDA sanctions high-error states (\$43.5 million in sanctions were assessed on 12 high-error states during fiscal year 2019). Due to issues with data collection related to the COVID-19 pandemic, the USDA could not establish error rates for federal fiscal years 2020 and 2021 (see Exhibit 1 – SNAP Quality Control Error Rate Announcements for Federal Fiscal Year 2020 and 2021).

Finding 1

The Family Investment Administration (FIA) inadvertently disabled a critical system control resulting in SNAP benefits being awarded to applicants whose income exceeded the federally-established income thresholds.

Analysis

The Family Investment Administration (FIA) inadvertently disabled a critical system control resulting in SNAP benefits being awarded to applicants whose income exceeded the federally-established income thresholds. FIA advised that in April 2020, as part of changes to SNAP in response to the COVID-19 pandemic, it inadvertently disabled a system control within its automated benefits system that

limited SNAP benefits to individuals who met appropriate income thresholds set by the federal government. The programming change was not readily detected until March 2021 when FIA noted the issue as part of the implementation of its new automated system. FIA advised that it notified the USDA of the error when the issue was identified, and in August 2021, USDA requested FIA to provide additional information to quantify the number of applicants and total benefits improperly issued. As of August 2022, FIA could not provide documentation that they responded to this request.

Our analysis of SNAP data for April 2021 obtained from FIA disclosed that 86,479 of the 465,038 households that received SNAP benefits had gross and/or net income that exceeded the maximum threshold limits. Although recipients could be exempt from the SNAP income thresholds (such as, when a household included a qualifying elderly or disabled individuals), FIA was unable to determine if the aforementioned 86,479 households qualified for an exemption. We provided FIA with eight applications that received a total of \$8,938 in monthly SNAP benefits and FIA confirmed that the aforementioned eight applicants did not have a documented income exemption. While FIA informed us that it reestablished the system income thresholds in November 2021, we noted that as of February 2022, six of the aforementioned eight applicants continued to receive benefits.

FIA management advised us that they do not intend on implementing any collection actions for the payments made in error. Specifically, they referred to a notice on the USDA website that indicated collection action during the COVID pandemic had been suspended (see Exhibit 2 – Temporary Suspension of Claims Collections Guidance). However, the suspension of such activity expired in March 2022 and FIA has not attempted to take subsequent collection actions. FIA management advised that they interpret the website notice as a permanent waiver to collect any overpayment that occurred during this period, although the notice specifically does not address the issue of the waiver being deemed permanent. However, they could not provide clarifying documentation from the USDA to support these assertions.

If in the future the federal government determines that reimbursement of amounts improperly paid will be required, the State may have to fund that request. In addition, the lack of controls over critical programming changes and resulting overpayments could have a significant impact on the State's error rate and result in sanctions if similar conditions occur in the future (as noted above, the USDA could not establish the error rate during this period).

Recommendation 1

We recommend that FIA

- a. establish sufficient procedures to ensure critical programming changes are subject to independent review and approval,**
- b. respond to federal granting agency requests for overpayment information, and**
- c. collect the overpayments noted above unless written guidance is obtained from the USDA stating that reimbursement of amounts improperly paid will not be required.**

Temporary Cash Assistance

Background

Maryland's Temporary Cash Assistance (TCA) program, provides cash assistance to families with dependent children when available resources do not fully address the family's needs. Eligible families must meet financial and technical requirements and develop a plan for independence with their case manager. Generally, the amount of benefits a family may receive is based on their household size and income.

According to DHS records, during fiscal year 2021, TCA benefit payments totaled approximately \$202.1 million.

Finding 2

FIA allowed numerous recipients to continue receiving TCA benefits beyond the five years allowed by federal and State regulations.

Analysis

FIA allowed numerous recipients to continue receiving TCA benefits beyond the five years allowed by federal and State regulations. Federal and State regulations limit each TCA recipient's benefits to a five-year lifetime period, unless the recipient was granted a hardship exemption by the Family Investment Program Supervisor and approved by the Director of the LDSS, or their designee; for example, because of domestic abuse. State regulations require the recipient's case manager at the LDSSs to document the applicable reason(s) for any hardship exemption before making a recommendation to the Family Investment Program Supervisor and Director of the LDSS or designee to extend the TCA benefits. In addition, the case manager is required to develop a plan, designed to achieve recipient independence, within 60 days after the hardship exemption is granted.

According to FIA records, as of May 2021 there were 3,273 recipients receiving benefits beyond the 5-year period, which totaled approximately \$2.1 million

monthly. We tested 15 recipients³ from 6 different LDSSs who, as of September 2021, had received benefits beyond the five-year period. Our test disclosed that FIA did not have documentation of a hardship exemption for 9 of these recipients receiving TCA benefits from 4 to 12 years beyond the five-year limit totaling approximately \$797,000. These 9 recipients included 2 individuals for whom the respective case manager recommended not to grant a hardship exemption, so it was unclear who authorized these long-term exemptions and the basis for the exemptions (i.e., why the case managers' recommendations were ignored). For example, 1 of these recipients without a hardship exemption had continuously received TCA benefits for 12 years beyond the 5-year limit, which totaled \$150,826 over that period of time. We also noted that 13 of these recipients lacked a plan designed to achieve recipient independence.

This condition was caused in part because FIA's automated system did not automatically terminate TCA benefits from recipients after the five-year lifetime period. In addition to violating State regulations, to the extent that these TCA benefits are determined to be improper, FIA may need to reimburse the federal government for the related federal fund expenditures.

A similar condition was commented upon in our preceding audit report. The Department's response, on behalf of FIA, indicated that FIA was working with IT developers to build enhanced technology features to prevent an automatic extension without a hardship exemption and independence plan. However, we were advised by FIA management that as of September 1, 2022, the aforementioned technology features have not been implemented.

Recommendation 2

We recommend that FIA

- a. comply with existing federal and State regulations by terminating TCA benefits to all recipients after five years unless a documented hardship exemption and related independence plan is prepared and approved, as required (repeat);**
- b. determine the extent of improper payments and, in conjunction with the federal granting agency, develop a plan to address any amounts improperly recovered from the federal granting agency, and notify the General Assembly budget committees and the Department of Budget and Management of the extent of State payments made in violation of the aforementioned State regulations (repeat); and**
- c. collect overpayments identified in accordance with its policy.**

³ We selected the recipients for testing based on the materiality of payments made to them.

Quality Assurance Reviews

Finding 3

FIA did not conduct comprehensive quality assurance reviews of TCA cases to ensure that eligibility determinations and related benefits were proper. In addition, FIA did not ensure that errors identified through the Temporary Disability Assistance Program (TDAP) quality assurance reviews were corrected timely.

Analysis

FIA did not conduct comprehensive quality assurance reviews of TCA cases to ensure that eligibility determinations and related benefits were proper. In addition, FIA did not ensure that errors identified through the TDAP quality assurance reviews were corrected timely.

- FIA did not conduct comprehensive quality assurance reviews of TCA cases to ensure that eligibility determinations and related benefits were proper. Specifically, our test of 10 of the 1,494 “reviews” performed between July 2019 and May 2021 by FIA staff, disclosed that the applicable reviewer did not review the cases to ensure the eligibility determinations were proper and the amount of the benefit was accurate. Rather, they only documented improper payments that had been previously identified and corrected by the case manager.
- TDAP quality assurance reviews did not ensure that identified errors were corrected timely. Our test of 10 TDAP quality assurance cases reviewed during January 2020 and January 2021 disclosed that 4 cases were not corrected timely. The reviews of these cases concluded that TDAP payments should stop immediately for various reasons, such as the recipient being deceased, but payments continued for 5 to 9 months after the reviews. During that time, TDAP benefits totaling \$9,300 were issued.

The aforementioned findings were caused, in part, because certain FIA quality assurance staff advised us they were unaware of the related policies and procedures; and our review disclosed that those policies and procedures were not always comprehensive. For example, the TCA quality assurance policies and procedures did not include guidance on how to review a payment for accuracy. Quality assurance reviews, when conducted properly, are important to help FIA ensure the LDSSs are complying with the legal and regulatory requirements of each program, including eligibility criteria and aid in identifying errors such as payments to ineligible recipients.

Recommendation 3

We recommend that FIA

- a. develop comprehensive quality assurance policies to be used by all quality assurance staff and conduct quality assurance reviews of TCA cases to ensure that eligibility determinations and related benefits were proper,**
- b. ensure that errors identified during the TDAP quality assurance reviews are corrected timely, and**
- c. collect overpayments identified in accordance with its policy.**

SNAP, TCA, and TDAP Eligibility

Finding 4

FIA did not ensure that the Local Department of Social Services (LDSSs) maintained application documentation to support the propriety of SNAP, TCA, and TDAP eligibility determinations and other requirements.

Analysis

FIA did not ensure that the LDSSs maintained application documentation to support the propriety of SNAP, TCA, and TDAP eligibility determinations and other requirements. State regulations require an individual applying for benefits to submit an application, the LDSS to perform certain verifications of eligibility requirements (such as Social Security Number and Income Verifications), and other requirements (such as development of a Family Independence Plan). FIA policy required the LDSS to scan into its electronic document management system all customer documents, including paper applications and verifications conducted by LDSS staff.

We tested 60 TCA, 30 SNAP, and 10 TDAP cases, approved during fiscal years 2020 and 2021, and requested FIA to provide us with the supporting documentation scanned into the system⁴. FIA advised us that certain documents were not scanned in the system by the LDSS as required, and therefore, they would need to obtain the documents from the LDSS. Despite our repeated requests over a 5-month period, ultimately FIA could not provide us with a significant number of documents needed to support eligibility determinations. See Figure 3 below for a summary of the missing documentation associated with the aforementioned cases (certain cases were missing multiple documents).

⁴ FIA did not provide us direct access to the document management system.

Figure 3
Missing Documentation Noted During OLA Casefile Review

Type of Document	Number of Missing Documents*		
	TCA	SNAP	TDAP
Number of Casefiles Reviewed:	60	30	10
<u>Eligibility Documents</u>			
Application	5	5	N/A
Social Security Number / Immigration Verification	26	8	N/A
Criminal Record Verification	52	25	N/A
Substance Abuse Screening	44	N/A	N/A
Income Verification	22	4	N/A
Physicians Medical Report	N/A	N/A	3
<u>Other Required Documents</u>			
Family Independence Plan	44	N/A	N/A
Child Support Agreement	32	N/A	N/A

N/A attribute not applicable or not tested for selected cases.

* Some cases were missing several documents so the numbers total more than the number of cases tested.

The average monthly payment for the aforementioned TCA, SNAP, and TDAP cases with missing documentation was \$1,382, \$1,638, and \$243 respectively. Our recent audit report of the DHS Local Department Operations dated March 30, 2022 noted that the DHS Office of the Inspector General identified similar conditions during its audits of the LDSS.

Recommendation 4

We recommend that FIA

- a. ensure that the LDSSs scan all documentation as required to support the propriety of eligibility determinations, and**
- b. obtain the missing documents noted in our finding and take corrective action for any unsupported eligibility determinations or other program requirements.**

Finding 5

FIA did not always determine whether TCA applicants received unemployment income, as required by federal regulations.

Analysis

FIA did not always determine whether TCA applicants received unemployment income⁵ as required. Federal regulations require a verification of unemployment income at the time of application and for each of the first three months benefits are received, as this may impact applicant eligibility and the TCA benefits. Our test of 30 TCA applications approved during fiscal years 2020 and 2021 disclosed that FIA could not document that it performed a verification of unemployment income for 15 applications and could only document it verified unemployment benefits for the initial application but not the subsequent three months for the other 15 applications. We obtained unemployment income records for these 30 individuals from the Maryland Department of Labor's Division of Unemployment Insurance and noted that two recipients received \$9,613 in unemployment income during the first three months TCA benefits were issued, which may have resulted in overpayment of TCA benefits.

FIA management advised it was not aware of the requirement to verify unemployment income during the first three months TCA benefits were issued. However, the federal single audit for fiscal year 2019 (issued in December 2019) identified this issue and reported it to Maryland Department of Human Services (DHS). In response to that finding, DHS concurred that it did not have a process to perform a monthly verification of unemployment compensation and agreed to develop a process to correct this finding. According to FIA records, 26,100 and 11,000 TCA applications were approved during fiscal years 2020 and 2021, respectively.

Recommendation 5

We recommend that FIA

- a. verify unemployment compensation as required by federal regulations and maintain documentation of the related results;**
- b. identify and record unemployment income for TCA recipients, including those noted above, and take appropriate corrective action; and**
- c. collect overpayments identified in accordance with its policy.**

⁵ Our review was focused on regular unemployment benefits and excluded pandemic unemployment benefits which is not counted towards income for TCA.

Follow-up on Computer Matches

Background

FIA periodically performs certain computer matches and related data verification procedures to help ensure recipients are eligible for public and medical assistance benefits and detect potential fraud. The computer matches compare recipient assistance data in CARES with outside data sources, such as federal 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 of these matches are generally referred to the applicable LDSSs for investigation and resolution (referred to as being "dispositioned") via "system alerts" recorded in CARES. A CARES system alert indicator is also generated when a recipient's social security number (SSN) has not been obtained from the recipient or has not been verified through FIA's matching process with SSA records.

Finding 6

FIA did not ensure that all social security number alerts were recorded in CARES for follow-up purposes.

Analysis

FIA did not ensure that all social security number (SSN) alerts were recorded in CARES for follow-up purposes. As a result, there is a lack of assurance that all the alerts for active public assistance cases were properly recorded, investigated, and dispositioned. FIA periodically compares recipient SSNs with SSA records and identifies recipients whose SSNs were not verified as accurate, as well as recipients with missing SSNs. The results of these SSN matches are subject to filtering techniques to eliminate certain match results (such as inactive recipients), and the final results are to be recorded in CARES by FIA as system alerts for LDSS investigation.

Our December 2021 review of the results of SSN matches conducted for the month of May 2021 disclosed that 188 of the 681 new match results were not recorded as alerts in CARES. FIA could not readily explain why these alerts were not in the system.

Federal and State regulations require the disclosure of SSNs by recipients during the benefits eligibility determination process, except for certain situations (such as a

child in foster care or a newborn under one year of age). 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 and thus these recipients were able to obtain benefits properly for a certain period. In cases in which the recipient does not provide the needed SSN, the case manager is to follow the appropriate program policy. For example, the case manager may need to subsequently remove the individual from TCA if SSA did not accept the SSN application because the family did not provide evidence of age, identity, or citizenship needed to apply for a SSN.

A similar condition was commented upon in our preceding audit report. The Department's response, on behalf of FIA, to our prior report, indicated that FIA agreed to establish procedures to ensure that all SSN match results were recorded in CARES. However, as noted above, these procedures were not sufficiently comprehensive to ensure all alerts were recorded in the system.

Recommendation 6

We recommend that FIA ensure all SSN match alerts are properly recorded in the system for follow up (repeat).

Finding 7

FIA did not ensure that the LDSSs conducted timely and appropriate follow-up on PARIS alerts. Our review disclosed that the LDSSs did not take timely or appropriate action for 43 of the 46 alerts we tested.

Analysis

FIA did not ensure that the LDSSs conducted timely and appropriate follow-up on system alerts resulting from PARIS matches. According to FIA procedures, the PARIS alerts were to be investigated by LDSS staff who were also responsible for processing any needed adjustments in CARES (such as, to record previously unrecorded income which could affect the benefit payment). Management from FIA and one LDSS informed us that supervisory personnel did not verify the propriety of the follow-up efforts to ensure they were performed and performed timely. According to CARES generated reports, there were 7,148 PARIS alerts in December 2019 and 22,312 alerts in March 2021.

Our test of 46 alerts resulting from the December 2019 and March 2021 matches of CARES data with similar data from PARIS disclosed that the LDSSs did not take timely or appropriate follow-up action for 43 alerts (or record such follow-up action in CARES).

- For 26 alerts, the LDSS did not take timely action to investigate and disposition the alerts. Specifically, alerts were dispositioned 61 to 177 days after the system due date.
- For 29 alerts, related to 23 households receiving concurrent benefits in another state, the LDSSs did not perform appropriate follow-up. Specifically, system notes indicate that alerts were dispositioned when the case manager reached out to the other state, but did not include any conclusion as to what actions were taken such as closing the case in one state and recouping improper payments.
- For 8 alerts, related to unreported federal income, there were no case notes to support what action was taken or any indication that the unreported income was added to the system.

In addition, our review of the 17,103 PARIS alerts that the LDSSs had recorded as being investigated and dispositioned in March 2021 disclosed that 843 of these alerts were dispositioned on average 87 days (ranging from 61 to 259 days) after the alerts were generated. While range of days till dispositioning is lower than noted in our prior audit report, additional efforts are still needed to comply with FIA policy which requires that alerts be dispositioned within 20 days from the date generated.

Recommendation 7

We recommend that FIA monitor LDSSs PARIS alert activity to ensure that the LDSSs

- conduct timely and appropriate follow-up of PARIS alerts (repeat), and**
- update the system and case notes for unreported income identified by the PARIS reports (repeat).**

Energy Assistance Programs

FIA's Office of Home Energy Programs administers two energy assistance programs.

- **Maryland Energy Assistance Program (MEAP)** is a federally funded program that provides low-income Maryland residents financial assistance with bill payment, natural gas arrearage, and crises for a variety of heat and electric customers. Annually, the federal government approves Maryland's Low Income Home Energy Assistance Plan (LIHEAP) (referred to as a State Plan) which includes the rates and guidelines for the program.

- **Electrical Universal Service Program (EUSP)** is a State funded⁶ program that provides financial assistance to help low-income Maryland residents with home electric bills.

Local administering agencies (LAAs) primarily process applications for these programs and determine applicant eligibility. The 20 LAAs in the State are comprised of 9 LDSSs and 11 local community action agencies. Once approved, payments are generally made by FIA directly to energy suppliers (such as utility companies) on the customer's behalf. FIA pays the energy suppliers for each consumer in advance based on their income and historical energy usage.

Finding 8

FIA did not conduct monitoring reviews of certain LAAs in accordance with its policy and did not always execute agreements with energy suppliers.

Analysis

FIA did not conduct monitoring reviews of certain LAAs in accordance with its policy and did not always execute agreements with energy suppliers. According to FIA records, during fiscal year 2021, energy assistance payments totaled \$125.6 million. Our review disclosed the following:

- FIA did not conduct the required number of monitoring reviews, and the reviews that were done were not performed in accordance with FIA's *Operations Manual*. Specifically, the *Manual* requires a review of 8 LAAs to be completed each year with at least one review of each of the 20 LAAs every 3 years. The reviews are to include at least 25 cases to ensure applications were adequately documented (such as verification of cases that report zero income). The *Manual* further requires FIA to issue a final report to the LAA at the conclusion of each review and a corrective action plan (CAP) for all reports with one or more material weaknesses (as defined by the *Manual*).

For example, during the three-year period ending June 2021, FIA did not conduct the required monitoring reviews for 3 of the 20 LAAs which accounted for \$40.9 million of the \$130.4 million in benefits issued during fiscal year 2021. In addition, FIA did not review case files or issue a final report for 11 of the reviews conducted during fiscal year 2021.

⁶ EUSP is funded by a combination of sources: (1) a ratepayer surcharge on electric bills; (2) an allocation of revenue from the Regional Greenhouse Gas Initiative carbon dioxide emission allowance auctions (budgeted through the Strategic Energy Investment Fund); and (3) when available, if needed, LIHEAP.

Furthermore, during the three-year period ending June 2020, FIA did not execute a CAP for 3 of the 6 monitoring reports we reviewed that contained a material weakness.

- As of September 2021, FIA did not have a current energy agreement, with 4 of 15 energy suppliers we tested that received payments totaling \$12.9 million in fiscal year 2021. At the time of our testing, 3 of the 4 agreements had been expired between a month (August 2021) and 28 months (April 2019), and FIA was unable to provide any prior agreement with 1 energy supplier. FIA's *Manual* requires energy suppliers to sign an agreement to participate in this program.

Recommendation 8

We recommend that FIA

- a. conduct all the required monitoring reviews and execute a CAP for reports that contain a material weakness, including those noted above; and**
- b. ensure a current agreement is executed with energy suppliers, as required.**

Contract Monitoring

Finding 9

FIA did not adequately administer certain contracts and agreements related to its public assistance programs.

Analysis

FIA did not adequately administer certain contracts and agreements related to its public assistance programs. FIA was responsible for monitoring contracts and agreements related to its public assistance programs including those procured by DHS (centralized) and those procured by the LDSS. We noted several issues during our review of FIA procedures and controls over centralized contracts and agreements and FIA's monitoring of the LDSS contracts and agreements.

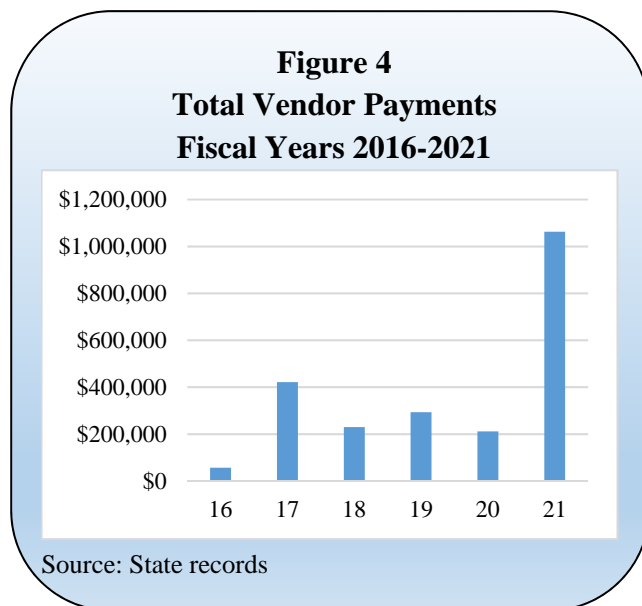
Centralized Contracts

According to FIA records, during our audit period, there were 287 centralized contracts and agreements valued at \$292.4 million. We tested 15 invoices totaling \$10.3 million from 5 of these centralized contracts and agreements totaling \$70.7 million and noted the following:

- FIA did not obtain documentation to support deliverables were received and amounts invoiced were proper for 9 invoices totaling \$5.6 million related to three contracts totaling \$39.4 million, as required by its policy. For example, FIA did

not obtain documentation to support actual expenditures for payroll totaling \$3.5 million out of \$4.9 million tested for the food supplement nutrition education program. FIA's *Contract Monitoring and Invoice Protocol* requires supporting documentation to be submitted and reviewed prior to payment of invoices. A similar condition regarding a lack of documentation supporting billed costs has been commented upon in our four preceding audit reports dating back to November 2007.

- FIA made significant modifications to vendor payment terms of an existing contract, to assist TCA and TDAP recipients in obtaining federal benefits, without formally determining the practicality or appropriateness of conducting a new contract procurement. The original contract was procured in June 2015 and had a total contract price of \$19.9 million covering the five-year period ending May 31, 2020. Under the terms of the original contract, the vendor was to be paid for each case for which the vendor successfully obtained approved federal benefits. In September 2020, FIA modified the contract payment terms through May 2022 so the vendor was paid based on reported effort in screening individuals to obtain federal benefits regardless of whether they successfully obtained benefits. For example, we noted one vendor invoice paid under the modified contract totaled \$189,695, which under the original contract terms would have been \$1,698.



Although the contract modification was approved by the Board of Public Works, the potential for significantly greater vendor payments in relation to work performed was not explained. As noted in Figure 4, this contract modification has significantly increased the amount paid to the vendor, although FIA could not readily document enhanced vendor performance or outcomes (such as obtaining additional federal benefits for FIA clients).

LDSS contracts

FIA did not have an established process to oversee and approve LDSS contracts and agreements with State and local entities for public assistance programs and did not

maintain a record of certain agreements. We reviewed the FIA listing of contracts and tested five agreements totaling \$26.4 million related to four LDSS. Based on our review and testing, we noted the following:

- FIA did not have a record of contracts and agreements procured by two significant LDSSs, which together represent 40 percent of FIA benefits issued within the State. Specifically, our review of FIA's records which included 51 active contracts and agreements valued at \$20.6 million, did not include any contracts and agreements procured by these two LDSSs. Accordingly, FIA was unable to monitor the related activity.
- Our test of five contracts and agreements relating to four LDSSs valued at \$26.4 million disclosed that none were monitored by FIA and two totaling \$7.8 million were approved by FIA between six and nine months after the execution of the contract and agreement. Additionally, FIA did not review invoices, on a test basis, to ensure payments were in accordance with the contract or agreement.

A similar condition was commented upon in our preceding audit report. FIA management advised us that it currently does not believe FIA is responsible for monitoring LDSS contracts and agreements. This current position is contrary to the Department's response on FIA's behalf to our prior report that FIA established a Contract Compliance Office to monitor the LDSS contracts. State law requires FIA to supervise LDSSs public assistance activities. Accordingly, since these contracts and agreements are for public assistance services, we continue to believe FIA should have procedures in place to ensure the services are being provided as intended.

Recommendation 9

We recommend that FIA

- a. obtain adequate documentation, including payroll records, timesheets, and receipts, to verify the accuracy of billings, as required by policy (repeat);**
- b. ensure contract modifications are adequately supported and justified, and consider competitively procuring new contracts when significant changes to the terms of the contract are required; and**
- c. in conjunction with DHS, formally determine which entity is responsible for LDSS contract oversight and establish processes to oversee and approve LDSS public assistance contracts and agreements to ensure that the related invoices are consistent with the agreements and that the agreed-upon services are received (repeat).**

Grants Management

Finding 10

FIA did not obtain supporting documentation to support grant funds were spent as intended.

Analysis

FIA did not obtain supporting documentation to support grant funds were spent as intended. FIA's Office of Grants Management provides funding to a network of community and faith based organizations, LDSSs, and other State and local agencies. According to State records, during fiscal years 2020 and 2021, FIA made grant payments totaling approximately \$52.4 million to 578 grantees. Our test of eight fiscal year 2020 and 2021 payments totaling approximately \$12.1 million to four grantees under three grant programs, such as, the Emergency Food Assistance Program, disclosed that FIA did not verify that certain grant funds related to three grantees were spent as intended.

Specifically, the grant agreements required grantees to submit quarterly reports detailing the number of individuals and/or families served, as well as annual independent financial audit reports. For all eight of the disbursements we tested, FIA had obtained the independent audit reports and the related quarterly reports, but did not obtain documentation (such as, timesheets and receipts) to support charges of those served related to five disbursements to three grantees with grants totaling \$2.1 million. FIA did obtain this type of information for three of the tested disbursements and used the information provided to assess the propriety of payments made.

A similar condition was commented upon in four prior audit reports (our most recent audit report of FIA and three preceding audit reports of the DHS – Office of the Secretary⁷) dating back to January 2011. In its response on behalf of FIA, the Department agreed with our recommendation in the most recent report issued in March 2019 and FIA's 2018 written policies (the most current available during our audit) required grantees to submit supporting documentation. However, as noted above, FIA did not include the documentation requirement in its grant agreements and still did not obtain the documentation that would be useful in determining the appropriateness of grantee disbursements.

⁷ An organizational change effective July 1, 2015, transferred the Office of Grants Management and the responsibility for monitoring these grants to FIA.

Recommendation 10

We recommend that FIA

- a. independently verify, at least on a test basis, that grant funds are spent as intended by obtaining and reviewing documentation to support the propriety of payments (repeat); and**
- b. ensure grant agreements include provisions to submit supporting documentation in accordance with its written policies.**

Audit Scope, Objectives, and Methodology

We have conducted a fiscal compliance audit of the Department of Human Services (DHS) – Family Investment Administration (FIA) for the period beginning May 1, 2017 and ending May 31, 2021. 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 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 (SNAP), Temporary Cash Assistance, and the Temporary Disability Assistance Program; FIA's administration of the home energy assistance programs and the Temporary Disability Assistance Program; contracts; grants; and criminal or unethical employee conduct. We also determined the status of the findings contained in our preceding audit report.

Our audit did not include certain support services provided to FIA by DHS – Office of the Secretary. These support services (such as payroll, purchasing, maintenance of accounting records, and related fiscal functions) are included within the scope of our audit of the DHS – Office of the Secretary.

Our audit also did not include an evaluation of internal controls over compliance with federal laws and regulations for federal financial assistance programs 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. We did review certain aspects of the federal SNAP program because of the potential impact on the annual error rate, which could result in sanctions.

Our assessment of internal controls was based on agency procedures and controls in place at the time of our fieldwork. Our tests of transactions and other auditing procedures were generally focused on the transactions occurring during our audit period of May 1, 2017 to May 31, 2021, but may include transactions before or after this period as we considered necessary to achieve our audit objectives.

To accomplish our audit objectives, our audit procedures included inquiries of appropriate personnel, inspections of documents and records, tests of transactions, and to the extent practicable, observations of FIA operations. Generally, transactions were selected for testing based on auditor judgment, which primarily considers risk, the timing or dollar amount of the transaction, or the significance of the transaction to the area of operation reviewed. As a matter of course, we do not normally use sampling in our tests, so unless otherwise specifically indicated, neither statistical nor non-statistical audit sampling was used to select the transactions tested. Therefore, unless sampling is specifically indicated in a finding, the results from any tests conducted or disclosed by us cannot be used to project those results to the entire population from which the test items were selected.

We also performed various data extracts of pertinent information from the State's Financial Management Information System (such as revenue and expenditure data). The extracts are performed as part of ongoing internal processes established by the Office of Legislative Audits and were subject to various tests to determine data reliability. We determined that the data extracted from these sources were sufficiently reliable for the purposes the data were used during this audit. We also extracted data from the Clients' Automated Resource and Eligibility System 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.

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. As provided in *Government Auditing Standards*, there are five components of internal control: control environment, risk assessment, control activities, information and communication, and monitoring. Each of the five components, when significant to the audit

objectives, and as applicable to FIA, were considered by us during the course of this audit.

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 relating 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 DHS that did not warrant inclusion in this report.

The response from DHS, 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 DHS regarding the results of our review of its response.

Exhibit 1

SNAP Quality Control Error Rate Announcements for Federal Fiscal Year 2020 and 2021



United States Department of Agriculture

Food and
Nutrition
Service

1320 Braddock Place
Alexandria, VA
22314

DATE: February 19, 2021

SUBJECT: Supplemental Nutrition Assistance Program (SNAP) – Quality Control (QC) Error Rate Announcements for Fiscal Year (FY) 2020 and FY 2021

TO: All SNAP State Agencies
All Food and Nutrition Service Regional SNAP Directors

Issuing Agency/Office:	FNS/SNAP
Title of Document:	Supplemental Nutrition Assistance Program (SNAP) – Quality Control (QC) Error Rate Announcements for Fiscal Year (FY) 2020 and FY 2021
Document ID:	
Z-RIN:	
Date of Issuance:	February 19, 2021
Replaces:	N/A
Summary:	Informs SNAP State Agencies that USDA will not issue payment error rates, national and State by State, for fiscal years 2020 and 2021 due to flexibilities provided to States by Section 4603(a)(2) of the Continuing Appropriations Act, 2021 and Other Extensions Act .
Disclaimer:	The contents of this guidance document do not have the force and effect of law and are not meant to bind the public or FNS in any way. This document is intended only to provide clarity to the public regarding existing requirements under the law or agency policies.

The Food and Nutrition Service (FNS) would like to thank all of its State agency partners and stakeholders for their patience as the agency assessed its statutory requirements in light of the QC flexibilities provided to States by Section 4603(a)(2) of the [Continuing Appropriations Act, 2021 and Other Extensions Act](#). FNS has completed this review and has determined that the agency cannot establish National and State level payment error rates for Fiscal Year 2020 and 2021.

Section 16(c)(2) of the Food and Nutrition Act of 2008, as amended,¹ defines “overpayment error rate” and “underpayment error rate” in terms of the value of

All SNAP State Agencies

¹ 7 U.S.C. 2025(c)(2)

all allotments issued in a fiscal year. Flexibilities provided by appropriations legislation as well as the FNS-issued blanket approval dated [April 30, 2020](#), however, provided State agencies the option to suspend certain QC regulatory requirements from March 2020 until June 30, 2021² in response to the COVID-19 public health emergency. As a result of States opting to suspend the QC regulatory requirements, FNS has only five months of validated data for FY 2020, covering October 2019 through February 2020, and expects to have only three months of validated data for FY 2021, covering July 2021 through September 2021. Because of incomplete data sets that do not reflect the full fiscal year value of allotments issued by States, FNS cannot determine underpayment and overpayment error rates. FNS therefore has determined the agency cannot establish National and State level payment error rates for Fiscal Year 2020 and 2021, and as such, cannot assess liability amounts for those Federal Fiscal Years.

During the suspension of certain QC regulatory requirements, FNS has encouraged State agencies to continue conducting QC case reviews, as the data collected provides insight into the effectiveness of certification and recertification processes needed to ensure payment accuracy. FNS is aware State agencies may elect to continue conducting QC case reviews for payment accuracy and program improvement purposes despite opting to suspend the QC requirements. FNS applauds these efforts and remains available to coordinate Federal reviews of State agencies' case reviews during the suspension period in order to provide technical assistance for our mutual responsibility to preserve program integrity. Additionally, FNS continues to provide support for State agencies to enter case reviews conducted for payment accuracy purposes into the automated QC system for State agencies (SNAP-QCS) during the suspension. FNS and State agencies share a responsibility to ensure proper stewardship of taxpayer dollars, and the agency stands by to assist State agencies with their payment accuracy responsibilities.

FNS looks forward to working with our partners to resume normal operations in July 2021 when all regulatory requirements for QC case reviews will be in effect. If you have any questions or need additional information, please contact your FNS Regional Office.

Pursuant to the Congressional Review Act and Executive Order 13891, the Office of Information and Regulatory Affairs has designated this document as not major and not significant.

Signed

Jessica Shahin
Associate Administrator
Supplemental Nutrition Assistance Program
All SNAP State Agencies

² While the Continuing Appropriations Act, 2021 and Other Extensions Act (P.L. 116-159) provided the option to suspend certain QC regulatory requirements through September 30, 2021, the Consolidated Appropriations Act, 2021 (P.L. 116-260) reduced the suspension period to through June 30, 2021.

Exhibit 2 - Temporary Suspension of Claims Collections Guidance

Temporary Suspension of Claims Collections Guidance

PROGRAMS FNS DISASTER ASSISTANCE FNS RESPONDS TO COVID-19 SNAP COVID-19 WAIVERS CLAIMS
TEMPORARY SUSPENSION OF CLAIMS COLLECTIONS

EO Guidance Document

FNS-GD-2020-0127

Resource Type

Auditor's Note: FIA management advised that the extension expired in March 2022

Policy Memos

Guidance Documents

Resource Materials

 [Policy Memo](#) (200.87 KB) See pages 2 through 5 for Policy Memo.

FNS will allow state agencies to suspend SNAP regulations at [7 CFR 273.18\(d\)](#) by allowing flexibility in the time frame for establishing or disposing of new claims. States are also permitted to suspend SNAP regulations at [7 CFR 273.18\(e\)\(1\)](#) and [\(e\)\(5\)](#) by not requiring collection of active recoupment of SNAP overpayments, delaying collection on newly established overpayments, and not considering any payments delayed due to this suspension to be delinquent.

2021

May Extensions

[Maryland](#)

[Massachusetts](#)

[North Carolina](#)

April Extensions

[Maryland](#)

[Massachusetts](#)

[New Jersey](#)

[North Carolina](#)

Exhibit 2 - Temporary Suspension of Claims Collections Guidance (Policy Memo)



United States Department of Agriculture

Food and Nutrition
Service

1320 Braddock Place
Alexandria, VA
22314

Date: April 13, 2020

RE: Supplemental Nutrition Assistance Program (SNAP) – Temporary
Waiver of Claims Collection Activities Due to Novel Coronavirus
(COVID-19) – Blanket Approval

Dear SNAP State agencies,

As authorized by SNAP regulations at 7 CFR 272.3(c)(1)(i), the Food and Nutrition Service (FNS) will allow State agencies to suspend:

- SNAP regulations at 7 CFR 273.18(d) by allowing flexibility in the time frame for establishing or disposing of new claims.
- SNAP regulations at 7 CFR 273.18(e)(1) and (e)(5) by not requiring collection of active recoupment of SNAP overpayments, delaying collection on newly established overpayments, and not considering any payments delayed due to this suspension to be delinquent.

Under the authority of 7 CFR 272.3(c)(1)(i), FNS may authorize temporary waivers to deviate from specific regulatory provisions when they cannot be implemented due to extraordinary temporary situations. FNS has received multiple requests from State agencies for these flexibilities and has determined that approval is appropriate due to the COVID-19 Public Health Emergency.

These flexibilities are available through May 31, 2020. This waiver is contingent upon a State agency's compliance with the conditions and evaluation requirements detailed in the attached enclosures, which are due 45 days after expiration (July 15, 2020).¹

If the State agency elects to implement these flexibilities, it must notify its respective FNS Regional Office who will acknowledge receipt. State responses will be relayed to the FNS State Administration Branch.

FNS is ready to provide technical assistance to State agencies as they seek to maintain operations and serve clients during the current Public Health Emergency. If you have any questions or need additional information, please contact your respective Regional Office representative.

Sincerely,

4/13/2020

X Ronald K. Ward

Ronald K. Ward

Director, Program Accountability and Administrati...

Signed by: Department of Agriculture

Enclosure

USDA is an Equal Opportunity Provider, Employer and Lender

TEMPORARY WAIVER OF TIME FRAME FOR ESTABLISHING NEW CLAIMS

- 1. Regulatory citation:** 7 CFR 273.18(d)
- 2. Regulatory requirements:** Supplemental Nutrition Assistance Program (SNAP) regulations at 7 CFR 273.18(d) require State agencies to establish a claim before the last day of the quarter following the quarter in which the overpayment or trafficking incident was discovered and ensure that no less than 90 percent of all claim referrals are either established or disposed of according to this time frame.
- 3. Description of alternative procedures:** State agencies are allowed flexibility in the time frame for establishing or disposing of new claims.
- 4. Action and reason for approval or denial:** Under the authority of 7 CFR 272.3(c)(1)(i), FNS may authorize temporary waivers to deviate from specific regulatory provisions when they cannot be implemented due to extraordinary temporary situations. FNS has determined that approval of these flexibilities is appropriate due to the COVID-19 Public Health Emergency. FNS is approving the flexibility for a period of 3 months, effective March 1, 2020, through May 31, 2020.
- 5. Conditions of approval:** FNS is approving this flexibility subject to the following conditions:
 - State agencies will meet the regulatory deadline when possible and will only exercise this flexibility when it is not possible to do so.
 - If the State agency elects to implement these flexibilities, it must notify its respective FNS Regional Office who will acknowledge receipt. State responses will be relayed to the FNS State Administration Branch.
- 6. Evaluation Data Requirements:** The State agency must provide to FNS the data and analysis listed below required for evaluation of this waiver:
 - The number of households and aggregate dollar amount of newly established claims affected by this adjustment
- 7. Expiration date:** May 31, 2020
- 8. Quality control procedures:** A temporary delay in the establishment or disposition of some claims should have no impact on quality control procedures.

TEMPORARY WAIVER OF CLAIMS COLLECTION ACTION

1. **Regulatory citation:** 7 CFR 273.18(e)(1) and 7 CFR(e)(5)
2. **Regulatory requirements:** Supplemental Nutrition Assistance Program (SNAP) regulations at 7 CFR 273.18(e)(1) require State agencies to begin collection action on claims unless it is not cost effective.

SNAP regulations at 7 CFR 273.18(e)(5) require State agencies to consider a claim delinquent if the claim has not been paid by the due date and a satisfactory payment arrangement has not been made; or if a payment arrangement has been established and a scheduled payment has not been made by the due date.
3. **Description of alternative procedures:** State agencies may temporarily suspend collection of active claims, delay collection action on newly established claims, and delay delinquency determination.
4. **Action and reason for approval or denial:** Under the authority of 7 CFR 272.3(c)(1)(i), FNS may authorize temporary waivers to deviate from specific regulatory provisions when they cannot be implemented due to extraordinary temporary situations. FNS has determined that approval of these flexibilities is appropriate due to the COVID-19 Public Health Emergency. FNS is approving the adjustment for a period of 3 months, effective March 1, 2020, through May 31, 2020.
5. **Conditions of approval:** FNS is approving this adjustment subject to the following conditions:
 - The State agency will not consider payments delayed due to this suspension to be delinquent.
 - SNAP claims suspended under this waiver must not be subject to the accrual of interest during the suspension period.
 - Households remain liable for their outstanding debts and the State agency will restart collection activity and delinquency determinations at the end of the suspension period.
 - If the State agency elects to implement these flexibilities, it must notify its respective FNS Regional Office who will acknowledge receipt. State responses will be relayed to the FNS State Administration Branch.
6. **Evaluation Data Requirements:** The State agency must provide to FNS the data and analysis listed below required for evaluation of this adjustment:
 - The number of households and aggregate dollar amount of active claims affected by this adjustment
 - An estimated number of households and aggregate dollar amount of claims that would have been newly established from March 1, 2020, through May 31, 2020, that will be deferred until the suspension period ends.
7. **Expiration date:** May 31, 2020

Enclosure

Page 3

8. **Quality control procedures:** A temporary claims suspension should have no impact on quality control procedures.

APPENDIX



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

October 11, 2022

Mr. Gregory A. Hook
Legislative Auditor
Office of Legislative Audits
The Warehouse at Camden Yards,
351 West Camden Street, Suite 400,
Baltimore, Maryland 21201

Dear Mr. Hook:

Enclosed is the Department of Human Services' (DHS) response to the draft Legislative Audit Report on the Family Investment Administration (FIA) for the period beginning May 1, 2017 and ending May 31, 2021.

If there are any questions regarding the response, please contact the Inspector General, Marva Sutherland at 443-378-4060 or marva.sutherland@maryland.gov.

Sincerely,

A handwritten signature in blue ink that reads "Lourdes R. Padilla".

Lourdes R. Padilla
Secretary

Enclosures:

cc:

Gregory James, Deputy Secretary for MD THINK & Operations
Daniel Wait, Acting Deputy Secretary of Administration
Timothy Schuster, Special Assistant to the Secretary
La Sherra Ayala, Executive Director, Family Investment Administration
Marva M. Sutherland, Inspector General
Stafford Chipungu, Chief Financial Officer
Shelly-Ann Dyer, Assistant Inspector General for Audits
William C. Niner, Director, Bureau of Audit Compliance & Reporting, FIA



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

**Department of Human Services
Family Investment Administration**

Agency Response Form

Supplemental Nutrition Assistance Program

Finding 1

The Family Investment Administration (FIA) inadvertently disabled a critical system control resulting in SNAP benefits being awarded to applicants whose income exceeded the federally-established income thresholds.

We recommend that FIA

- a. establish sufficient procedures to ensure critical programming changes are subject to independent review and approval,**
- b. respond to federal granting agency requests for overpayment information, and**
- c. collect the overpayments noted above unless written guidance is obtained from the USDA stating that reimbursement of amounts improperly paid will not be required.**

Agency Response			
Analysis			
Please provide additional comments as deemed necessary.	FIA observed a federally approved waiver to suspend SNAP overpayment collection. FIA has no outstanding items relating to this matter.		
Recommendation 1a	Agree	Estimated Completion Date:	December 2022
Please provide details of corrective action or explain disagreement.	FIA concurs with the recommendation. The E&E system is following the eligibility guidelines as required by federal and state regulations. To ensure that all guidelines are met, FIA's Operations and Policy teams along with the MD THINK team attend a daily Scrum Call to discuss the progress of projects under development. The projects are analyzed, developed, and tested by the MD THINK team. Validation of each project is completed independently by the FIA team. A critical part of the validation is regression testing which ensures that the introduction of new features have not inadvertently interfered with critical system controls.		
Recommendation 1b	Agree	Estimated Completion Date:	Completed
Please provide details of corrective action or explain disagreement.	FIA concurs with the recommendation. The original request from our federal partner was received in August 2021 and FIA responded in the same month. FNS required a Post-Conversion Clean-Up Plan as a deliverable for E&E rollout. An element of our plan provided that our conversion process produced Work Items for cases where eligibility was different in E&E than what was converted, e.g. household is overscale		

**Department of Human Services
Family Investment Administration**

Agency Response Form

	income based on the determination in E&E. Case Managers were required to review the Assigned Conversion Work Items and take the appropriate case actions. FNS evaluated and accepted our Post-Conversion Clean-Up Plan with no additional comments. Maryland resumed Quality Control (QC) Reviews effective July 2021 in an effort to identify and correct SNAP payment errors. Maryland also completed a project to close SNAP cases that were identified as ineligible. Collection activities are in progress and ongoing. FIA subsequently followed up with our federal partner. FNS has required no additional information at the time.		
Recommendation 1c	Disagree	Estimated Completion Date:	N/A
Please provide details of corrective action or explain disagreement.	FIA disagrees with the recommendation. The overpayments noted above occurred during the pandemic period in which the State had a federal waiver to suspend Quality Control reviews. FIA does not plan a retroactive review, accordingly. FIA will pursue overpayments identified as part of its ongoing payment accuracy reviews.		

Auditor's Comment: FIA's response reiterates the position included in our analysis that it interprets the USDA website notice as a permanent waiver. As stated in our analysis, and based on our interpretation of the website's plain language, the suspension of collection action expired in March 2022 and there was no clear intent that the language was a permanent waiver on collections. Since FIA could not provide clarifying documentation from the USDA to support its position, we continue to recommend that FIA either collect the noted overpayments or obtain written guidance from the USDA that the reimbursements of amounts improperly paid will not be required.

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Temporary Cash Assistance

Finding 2

FIA allowed numerous recipients to continue receiving TCA benefits beyond the five years allowed by federal and State regulations.

We recommend that FIA

- a. comply with existing federal and State regulations by terminating TCA benefits to all recipients after five years unless a documented hardship exemption and related independence plan is prepared and approved, as required (repeat);**
- b. determine the extent of improper payments and, in conjunction with the federal granting agency, develop a plan to address any amounts improperly recovered from the federal granting agency, and notify the General Assembly budget committees and the Department of Budget and Management of the extent of State payments made in violation of the aforementioned State regulations (repeat); and**
- c. collect overpayments identified in accordance with its policy.**

Agency Response			
Analysis			
Please provide additional comments as deemed necessary.	FIA does not deem this to be a widespread issue. After conducting a follow-up review of the cases cited by the auditor, we confirmed that the recipients were eligible to receive TCA benefits based on hardship, with the exception of 3 cases which are being assessed for further action accordingly.		
Recommendation 2a	Agree	Estimated Completion Date:	March 2023
Please provide details of corrective action or explain disagreement.	FIA concurs with the recommendation. Effective March 2022, FIA resumed the process for reviewing cases reaching the 60 month or greater time limit. With this new process, the FIA reporting team provides a monthly report showing all cases approaching the time limit. The report is shared with local departments of social services with instructions to review each case to determine if a hardship exemption should be established and ensure an updated independence plan is completed. An FIA Headquarters team member samples the cases to confirm that the cases were closed after the 60 month time limit or has a hardship exemption in place. FIA is updating the E&E system to create an alert for case managers that will automatically flag cases at 60 months with no hardship documentation.		
Recommendation 2b	Disagree	Estimated Completion Date:	N/A

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Please provide details of corrective action or explain disagreement.	<p>FIA disagrees with the recommendation. After conducting a follow-up review of the cases cited by the auditor, we confirmed that the recipients were eligible to receive TCA benefits based on hardship, with the exception of 3 cases which are being assessed for further action accordingly. However, the evidence of hardship was not always consistently documented in the case file. For example, medical documentation was in the case file to identify a disability which meets the criteria for a hardship, but the hardship form was not completed by the local department. FIA has taken measures to ensure the documentation for hardship is adequately included in the case file. A report of cases that exceeded the 60-month time limit was compiled and shared with the locals including instructions to assess the recipient's situation, document the hardship, and upload the documentation into E&E via the Enterprise Content Management System (ECMS).</p> <p>Effective March 2022, FIA resumed the process for reviewing cases reaching the 60 month or greater time limit. With this new process, the FIA reporting team provides a monthly report showing all cases approaching the time limit. The report is shared with local departments of social services with instructions to review each case to determine if a hardship exemption should be established. An FIA Headquarters team member samples the cases to confirm that the cases were closed after the 60-month time limit or has a hardship exemption in place. FIA will also be conducting annual refresher training on the 60-month TCA policy.</p>
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Auditor's Comment: FIA disagrees with our recommendation 2b but indicates in its response that it conducted a follow-up review of the 15 recipients we tested. FIA reported that 3 of the 15 cases were being assessed for further action and implied that another 6 cases lacked documentation of the hardship exemption. Since 9 of the 15 cases we cited were deemed by FIA to be non-compliant or potentially non-compliant with federal regulations, it is unclear the basis for FIA's comment that the broader problems identified in the finding were not widespread, and required further action to identify the extent of the problems, developing a plan to recover the improper payments, and notifying control agencies.

Recommendation 2c	Agree	Estimated Completion Date:	January 2023
Please provide details of corrective action or explain disagreement.	FIA concurs with the recommendation. FIA agrees to collect overpayments identified in accordance with our policy.		

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Quality Assurance Reviews

Finding 3

FIA did not conduct comprehensive quality assurance reviews of TCA cases to ensure that eligibility determinations and related benefits were proper. In addition, FIA did not ensure that errors identified through the Temporary Disability Assistance Program (TDAP) quality assurance reviews were corrected timely.

We recommend that FIA

- a. develop comprehensive quality assurance policies to be used by all quality assurance staff and conduct quality assurance reviews of TCA cases to ensure that eligibility determinations and related benefits were proper,**
- b. ensure that errors identified during the TDAP quality assurance reviews are corrected timely, and**
- c. collect overpayments identified in accordance with its policy.**

Agency Response			
Analysis			
Please provide additional comments as deemed necessary.			
Recommendation 3a	Agree	Estimated Completion Date:	December 2022
Please provide details of corrective action or explain disagreement.	FIA concurs with the recommendation. FIA will continue to take the appropriate actions to ensure that our quality assurance policies are comprehensive and that all staff conducting such reviews are trained to ensure that eligibility determinations and related benefits are correctly determined. In the calendar year 2020, FIA had planned to take a broader approach to address TCA payment errors, including payments issued to individuals participating in the program beyond the 60-month timeline. FIA worked with the University of Maryland School of Social Work to develop an evidence-based strategy for sampling TCA cases for payment accuracy. FIA chose the Stratified Simple Random Sample. This methodology is valid statewide with statistical weighting while also providing accuracy rate by jurisdiction. The percentage of cases sampled for each jurisdiction will be determined by the number of unique cases in each jurisdiction. Consistent with national trends, quality assurance reviews, including the TCA payment error reviews,		

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	were temporarily suspended due to the COVID-19 Public Health Emergency.		
Recommendation 3b	Agree	Estimated Completion Date:	December 2022
Please provide details of corrective action or explain disagreement.	FIA concurs with the recommendation. FIA will ensure that payment errors identified during the TDAP reviews are shared with the LDSSs for timely corrections.		
Recommendation 3c	Agree	Estimated Completion Date:	December 2022
Please provide details of corrective action or explain disagreement.	FIA concurs with the recommendation. FIA will follow pre-existing processes to recoup overpayments identified as part of the payment error reviews.		

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SNAP, TCA, and TDAP Eligibility

Finding 4

FIA did not ensure that the Local Department of Social Services (LDSSs) maintained application documentation to support the propriety of SNAP, TCA, and TDAP eligibility determinations and other requirements.

We recommend that FIA

- a. ensure that the LDSSs scan all documentation as required to support the propriety of eligibility determinations, and,**
- b. obtain the missing documents noted in our finding and take corrective action for any unsupported eligibility determinations or other program requirements.**

Agency Response			
Analysis			
Please provide additional comments as deemed necessary.			
Recommendation 4a	Agree	Estimated Completion Date:	January 2023
Please provide details of corrective action or explain disagreement.	FIA concurs with the recommendation. FIA will review and update existing policy manuals to establish clear case file documentation requirements for each program and develop a standard process for document repository. After the manuals have been updated, FIA will conduct a statewide training on case file documentation. After the initial training, we will conduct an annual refresher training on the subject to reiterate the importance of proper case file documentation.		
Recommendation 4b	Agree	Estimated Completion Date:	January 2023
Please provide details of corrective action or explain disagreement.	FIA concurs with the recommendation. FIA will obtain the required missing documents identified in the audit and take corrective action for any unsupported eligibility determinations or other program requirements.		

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Finding 5

FIA did not always determine whether TCA applicants received unemployment income, as required by federal regulations.

We recommend that FIA

- a. verify unemployment compensation as required by federal regulations and maintain documentation of the related results;**
- b. identify and record unemployment income for TCA recipients, including those noted above, and take appropriate corrective action; and**
- c. collect overpayments identified in accordance with its policy.**

Agency Response	
Analysis	
Please provide additional comments as deemed necessary.	No concerns with the factual accuracy, except that FIA's management was aware of the requirement to verify unemployment income during the first three months TCA benefits are issued, accordingly.

Auditor's Comment: FIA's assertion that FIA management was aware of the requirement to verify unemployment income during the first three months of TCA benefits is inconsistent with information provided to us during our fieldwork. Specifically, we had multiple meetings with FIA management officials in which we were informed that FIA management was unaware of such a requirement; a condition which appears to be consistent with our test results.

Recommendation 5a	Agree	Estimated Completion Date:	December 2022
Please provide details of corrective action or explain disagreement.	FIA concurs with the concept of verifying Unemployment Income Benefits (UI) as it is already a standard practice. UI benefits are verified at application, redetermination, and when a customer submits an interim change. While regular Unemployment Insurance (UI) payments are considered unearned income for the purpose of determining TCA eligibility, Pandemic Unemployment benefits including Pandemic Unemployment Assistance (PUA), Federal Pandemic Unemployment Compensation (FPUC), Pandemic Emergency Unemployment Compensation (PEUC), and Mixed Earner Unemployment Compensation Program (MEUC) were excluded from April 2020 - September 2021. Required information was not always available to DHS FIA to verify UI due to the delays in processing UI claims at the onset of the COVID-19 pandemic at the claims processing state agency		

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	<p>as noted in publicly available information. As such, it is conceivable that a household may have applied and received TCA while their UI benefits were pending and would have continued to receive TCA until redeterminations resumed if they did not report a change in household circumstances.</p> <p>Normal practice dictates that FIA eligibility workers verify UI payments at application, 3 consecutive months after application, redetermination, and when a recipient reports a change in household circumstances. However, observing a federally approved COVID-19 waiver, FIA suspended redeterminations from April 2020 until December 2021, which means that the three-month UI payment monitoring after redeterminations was also waived. Our normal practice resumed in January 2022.</p> <p>FIA will be conducting refresher training for all FIA case managers on verifying UI payments in accordance with standard practices. FIA is also continuing to work with the development team for E&E to create UI Review alerts for case managers after E&E has been integrated with the Beacon system (Maryland Department of Labor's UI benefit management system).</p>
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Auditor's Comment: Although FIA agrees with Recommendation 5a, the subsequent comments are inconsistent with our test results and certain other information was not relevant to our finding. Specifically, FIA states that it verified unemployment income (UI) when an individual applied for benefits and the three consecutive months after application; however, as noted in our analysis, for 15 of 30 applications tested, there was no documented verification when the TCA applicant applied for benefits and for 30 of 30 applications, there was no documentation for the three months after the initial application. In an apparent attempt to explain those test results, FIA stated that UI information was not always available to verify the benefits; however, FIA had no documentation supporting this assertion or its applicability to the specific items tested.

FIA also stated that various types of pandemic unemployment were not considered income for TCA purposes and therefore, did not need to be verified. As stated in our report, our review was focused on regular unemployment benefits and excluded pandemic unemployment benefits. Lastly, FIA states that the three-month payment monitoring after redeterminations was suspended in accordance with a federal waiver; however, our testing was focused on initial applications not redeterminations and accordingly, the waiver and related suspension were not applicable.

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Recommendation 5b	Agree	Estimated Completion Date:	December 2022
Please provide details of corrective action or explain disagreement.	FIA concurs with the recommendation. As FIA resumes the established TCA payment accuracy reviews, overpayments will be pursued when we identify incidents where a customer failed to report a change in household circumstance including receipt of UI. We will also follow-up on the specific cases identified in the audit and take appropriate action if traditional UI (not Pandemic UI) benefits were issued and were not reported to the agency.		
Recommendation 5c	Agree	Estimated Completion Date:	Completed
Please provide details of corrective action or explain disagreement.	FIA concurs with the recommendation. FIA will collect overpayments identified in accordance with our policy on overpayments. Specifically, FIA will pursue overpayments identified as part of its ongoing payment accuracy reviews.		

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Follow-up on Computer Matches

Finding 6
FIA did not ensure that all social security number alerts were recorded in the Clients' Automated Resource and Eligibility System (CARES) for follow-up purposes.

We recommend that FIA ensure all SSN match alerts are properly recorded in the system for follow up (repeat).

Agency Response			
Analysis			
Please provide additional comments as deemed necessary.	This is factually accurate; however, this issue was directly related to CARES, the legacy eligibility system which has now been retired and replaced by the E&E system.		
Recommendation 6	Agree	Estimated Completion Date:	Completed
Please provide details of corrective action or explain disagreement.	FIA concurs with the recommendation. The CARES legacy system has since been replaced with the E&E system and we have enhanced our procedures to ensure that all SSN match results are properly recorded in E&E. E&E has adequate controls and enhancements to ensure that all SSN match results are properly recorded in the system and Work Item alerts are generated to case managers. FIA continues to provide on-going training to remind staff to properly narrate all case actions in E&E.		

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Finding 7

FIA did not ensure that the LDSSs conducted timely and appropriate follow-up on the Public Assistance Reporting Information System (PARIS) alerts. Our review disclosed that the LDSSs did not take timely or appropriate action for 43 of the 46 alerts we tested.

We recommend that FIA monitor LDSSs PARIS alert activity to ensure that the LDSSs

- a. conduct timely and appropriate follow-up of PARIS alerts (repeat), and**
- b. update the system and case notes for unreported income identified by the PARIS reports (repeat).**

Agency Response			
Analysis			
Please provide additional comments as deemed necessary.	<p>No concerns with the factual accuracy. However, it is important to note that due to the COVID-19 national pandemic health emergency the collection of overpayments was placed on hold. The federal overpayment flexibilities waiver expired on March 31, 2022, with normal overpayment activities resuming. Prior to COVID-19, the FIA Bureau of Program Evaluation (now the Bureau of Audit Compliance & Reporting (BACR) completed a monthly review of the system generated PARIS report for overdue alerts and communicated results in a memorandum to each Local Department of Social Services (LDSS). BACR conducted a third layer of monitoring by sampling cases within the monthly overdue alerts tracking sheet submitted to the LDSSs. This review helped ensure alerts were dispositioned in the eligibility system (previously CARES, now E&E). It is important to note that based on the analysis, the 844 PARIS alerts noted are less than 5% of the total PARIS alerts that were dispositioned beyond the 20 day time period. Furthermore, PARIS alerts that go beyond the 20 day time limit generally have external factors, beyond the control of FIA, that cause the alert to be dispositioned past the time limit (i.e. waiting on out-of-state confirmation).</p>		
Recommendation 7a	Agree	Estimated Completion Date:	January 2023
Please provide details of corrective action or explain disagreement.	<p>FIA concurs with this recommendation. The LDSSs are responsible for processing their PARIS alerts, determining the months of overpayments, and updating the eligibility system (previously CARES, now E&E) to establish the overpayment and/or close the case. FIA's BACR will resume completing a monthly review of the system generated PARIS report for overdue alerts and communicate results in a memorandum</p>		

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	to each LDSS. A third layer of monitoring will be done by sampling cases within the monthly overdue alerts tracking sheet submitted to the LDSSs. However, it is important to note that due to the COVID-19 national pandemic health emergency, the monitoring of PARIS alerts and the collection of overpayments were placed on hold. The overpayment flexibilities waiver expired on March 31, 2022, with normal overpayment activities resuming.		
Recommendation 7b	Agree	Estimated Completion Date:	January 2023
Please provide details of corrective action or explain disagreement.	FIA concurs with this recommendation. The LDSSs are responsible for completing updates of the eligibility system (previously CARES, now E&E) to follow-up on discovered unreported income. FIA monitors improper Temporary Cash Assistance (TCA) and Supplemental Nutrition Assistance Program (SNAP) benefit payments resulting in payment errors. BACR alerts LDSSs monthly of benefit error groups (BEGs) in need of processing within six months of formal written communication. However, it is important to note that due to the COVID-19 national pandemic health emergency the monitoring of BEGs and the collection of overpayments were put on hold. The overpayment flexibilities waiver expired on March 31, 2022, with normal overpayment activities resuming. However, FIA anticipates that it will be current with PARIS alerts by January 2023.		

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Energy Assistance Programs

Finding 8

FIA did not conduct monitoring reviews of certain LAAs in accordance with its policy and did not always execute agreements with energy suppliers.

We recommend that FIA

- a. conduct all the required monitoring reviews and execute a CAP for reports that contain a material weakness, including those noted above; and**
- b. ensure a current agreement is executed with energy suppliers, as required.**

Agency Response			
Analysis			
Please provide additional comments as deemed necessary.			
Recommendation 8a	Agree	Estimated Completion Date:	Completed
Please provide details of corrective action or explain disagreement.	FIA concurs with the recommendation. Since this audit was conducted, the FIA's Office of Home Energy Programs (OHEP) has hired a dedicated position for Quality Assurance. This position has since completed required monitoring reviews in accordance with our own Operations Manual and has completed all year end close out monitoring. This position was previously vacant. To ensure continuity of service during the pandemic, priority was given to ensuring remaining staff focused on benefit remittance. Moving forward corrective action plans (CAPs) will be executed and enforced for any material weakness identified during an internal monitoring review.		
Recommendation 8b	Agree	Estimated Completion Date:	Completed
Please provide details of corrective action or explain disagreement.	FIA concurs with the recommendation. FIA has since hired a staff member to ensure all agreements are current, valid, and signed. OHEP has also inventoried and corrected all previous agreements that may have been missing a signature or were otherwise deemed incomplete. This project was completed in December 2021 and the dedicated staff will be responsible for ensuring compliance on an on-going basis.		

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Contract Monitoring

Finding 9

FIA did not adequately administer certain contracts and agreements related to its public assistance programs.

We recommend that FIA

- a. obtain adequate documentation, including payroll records, timesheets, and receipts, to verify the accuracy of billings, as required by policy (repeat);**
- b. ensure contract modifications are adequately supported and justified, and consider competitively procuring new contracts when significant changes to the terms of the contract are required; and**
- c. in conjunction with DHS, formally determine which entity is responsible for LDSS contract oversight and establish processes to oversee and approve LDSS public assistance contracts and agreements to ensure that the related invoices are consistent with the agreements and that the agreed-upon services are received (repeat).**

Agency Response	
Analysis	
Please provide additional comments as deemed necessary.	<p>While a portion of this analysis and recommendation is factually accurate, we deem our process to be sufficient.</p> <p>Centralized Contracts</p> <p>FIA has shared with the auditors that each contract is unique and monitored differently based on its size and scope of services. As such, invoice documentations for contracts under certain offices (i.e. Maryland Office for Refugees and Asylees, SNAP Employment and Training Programs) are fully reviewed before payments are issued. For most emergency food contracts, the administration reviews the invoices on test basis and during contract monitoring visits. During the audit, OLA auditors acknowledged that invoice verifications existed for certain invoices.</p> <p>LDSS Contracts</p> <p>FIA has established a process for reviewing LDSS contracts related to public assistance programs administration. The five contracts that FIA did not have on record were executed before the newly established review process was established in 2019. In addition to FIA review, each contract in the amount of \$25,000 or greater is reviewed by the DHS</p>

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	Office of Procurement, the State Office of Procurement, and the Board of Public Works (BPW).		
Recommendation 9a	Disagree	Estimated Completion Date:	N/A
Please provide details of corrective action or explain disagreement.	FIA disagrees with this recommendation as each contract is unique and monitored differently based on its size and scope of service. As noted, invoice documentations for contracts under certain offices (i.e. Maryland Office for Refugees and Asylees, SNAP Employment and Training Programs) are fully reviewed before payments are issued. However, for most emergency food contracts, the administration reviews the invoices on test basis and during contract monitoring.		

Auditor's Comment: We concluded that FIA's assertion in its response to the Analysis and Recommendation 9a that each contract is to be monitored differently is inconsistent with FIA's *Contract Monitoring and Invoice Protocol* which states that, "Through the protocol, we seek to establish consistency in how FIA contracts are monitored and technical assistance is provided. The protocol will be used to ensure that invoices are received, reviewed, and paid in accordance with legislative requirements and internal policies."

Despite numerous requests by OLA during the audit, FIA was unable to provide relevant documentation to support the accuracy of billings, nor were such documents provided in response to the audit report. Furthermore, while FIA maintains that it has an established process for reviewing LDSS contracts, we continue to believe that this process is inadequate. For example, as noted in our analysis, FIA had no record of contracts for two significant LDSSs from which 40 percent of FIA benefits were issued.

Recommendation 9b	Disagree	Estimated Completion Date:	N/A
Please provide details of corrective action or explain disagreement.	FIA disagrees with the finding regarding its adherence to contract modification requirements. The audit conclusion is subjective and not based on specific state or federal rules. The contract referred in the report underwent a multistep review process which included a review by the State Office of Procurement and the Board of Public Works. Based on our expertise of delivering public assistance, the changes to the cost structure of the contract were just and fair and did not violate a specific law or regulatory requirement.		

Auditor's Comment: FIA's response to Recommendation 9b states that the finding's conclusion was subjective. However, it does not address the objective facts in our analysis that 1) the modifications were made without the formal determination of the

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practicality or appropriateness of conducting a new procurement and 2) that the Board of Public Works was not advised of the potential for FIA making greater vendor payments in relation to the work provided.

Furthermore, FIA's assertion that the modification was "just and fair" was not supported with evidence of the methodology for deciding on the updated pricing, which would be a key element in validating such an assertion.

Recommendation 9c	Agree	Estimated Completion Date:	January 2023
Please provide details of corrective action or explain disagreement.	FIA concurs with the recommendation. Following the prior audit finding, FIA developed a three-pronged strategy to address this concern. The strategy included the provision of period training to local contract managers who are responsible for drafting scopes of work, reviewing invoices, processing invoices, and monitoring contracts. It also included a plan to develop a central team to provide oversight of local contracts and ongoing technical assistance. Two of the three prongs including technical assistance and ongoing training have been implemented. Over the last two years, we have committed most personnel resources to the COVID-19 response. We are committed to revisiting the possibility of establishing the local contract oversight role as we transition to post-pandemic normalcy.		

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Grants Management

Finding 10

FIA did not obtain supporting documentation to support grant funds were spent as intended.

We recommend that FIA

- a. independently verify, at least on a test basis, that grant funds are spent as intended by obtaining and reviewing documentation to support the propriety of payments (repeat); and**
- b. ensure grant agreements include provisions to submit supporting documentation in accordance with its written policies.**

Agency Response			
Analysis			
Please provide additional comments as deemed necessary.	Independent verification on a test basis is the current method used. As noted in the audit analysis, the audit disclosed that FIA obtained and reviewed documentation to support propriety of payments for 3 of the 8 disbursements reviewed which is evident of our test-based review. FIA respectfully requests that this condition be considered a discussion note item only.		
Recommendation 10a	Disagree	Estimated Completion Date:	N/A
Please provide details of corrective action or explain disagreement.	FIA disagrees with the recommendation as FIA already reviews invoice supporting documents on a test basis.		

Auditor's Comment: FIA disagrees with Recommendation 10a, by claiming that it reviews invoice support on a test basis. However, during our audit fieldwork, FIA did not inform us that it reviewed grant invoice support on a test basis nor did it define its methodology for selecting test items in its existing written policy. Finally, when OLA requested documentation for the eight disbursements for testing, FIA did not advise us that three of these disbursements were previously reviewed. Consequently, based on available audit evidence (or lack thereof) we were compelled to conclude that such a review was not performed by FIA. Nevertheless, regardless of the disagreement, FIA's response indicates that it agrees that recommended invoice reviews are appropriate and a necessary control.

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Recommendation 10b	Agree	Estimated Completion Date:	July 2023
Please provide details of corrective action or explain disagreement.	FIA agrees with the recommendation. The administration is reviewing its grant process to ensure that each agreement includes invoice documentation requirements. Depending on the scope and complexity of the services in the agreement, the grantees will be required to either submit the verifications along with the invoice or maintain the for onsite inspection during monitoring visits. FIA will ensure that each grantee complies with the invoice verification requirements specific to their agreement.		

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