

DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

Warren G. Deschenaux
Executive Director

April 5, 2017

Thomas J. Barnickel III, CPA
Legislative Auditor

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

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

Dear Senator Kasemeyer and Delegate McIntosh:

The Office of Legislative Audits (OLA) has conducted a review of the actions taken by the Department of Human Resources (DHR) Family Investment Administration (FIA) to resolve the four repeat findings in our April 9, 2015 audit report. This review was conducted in accordance with a requirement specified in the April 2016 *Joint Chairmen's Report* (JCR), page 87. The JCR required that, prior to the release of \$100,000 of its administrative appropriation for fiscal year 2017, FIA must take corrective action on all repeat audit findings. The JCR language further provided that OLA submit a report to the budget committees listing each repeat audit finding along with a determination that each finding was corrected. The OLA report is required to be submitted to allow 45 days for the budget committees to review and release the funds prior to the end of the fiscal year.


The April 9, 2015 audit report of FIA contained four repeat audit findings (findings 1, 3, 4, and 5) that were addressed by four recommendations (recommendations 1c, 3a, 4a, and 5b). In accordance with the April 2016 JCR requirement, FIA provided a report to OLA, dated November 1, 2016, detailing the corrective actions that it had taken with respect to the repeat audit findings. We reviewed this report and related documentation, performed limited tests and analyses of the information, and held discussion with FIA personnel as necessary to assess the implementation status of the related recommendations. Our review did not constitute an audit conducted in accordance with generally accepted government auditing standards.

Exhibit 1 is FIA's November 1, 2016 status report, which indicated that certain corrective actions had been completed to address the recommendation for one finding and that corrective actions were ongoing for the remaining three findings. (FIA's status report also addressed certain recommendations that were not applicable to repeat findings; we did not assess the corrective actions taken for these findings.) Our review determined that FIA had not taken sufficient actions to correct findings 1, 4, and 5, while finding 3 was resolved.

A summary of OLA's assessment of the status of each of the repeat audit findings is included in the attached Exhibit 2. Exhibit 3 contains OLA's assessment regarding each of the three repeat findings that had not been resolved. After discussing our review results, FIA generally agreed with the accuracy of the information presented. We wish to acknowledge the cooperation extended to us by FIA during this review.

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

Sincerely,



Thomas J. Barnickel III, CPA
Legislative Auditor

cc: Senator Craig J. Zucker, Co-Chair, Joint Audit Committee
Delegate C. William Frick, Co-Chair, Joint Audit Committee
Joint Audit Committee Members and Staff
Senator Thomas V. Mike Miller, Jr., President of the Senate
Delegate Michael E. Busch, Speaker of the House of Delegates
Governor Lawrence J. Hogan, Jr.
Comptroller Peter V.R. Franchot
Treasurer Nancy K. Kopp
Attorney General Brian E. Frosh
David R. Brinkley, Secretary Department of Budget and Management
Honorable Lourdes Padilla, Secretary Department of Human Resources
William E. Johnson, Jr. Inspector General, DHR
Marva M. Sutherland, Assistant Inspector General, DHR
Joan Peacock, Manager, Audit Compliance Unit, DBM
Warren G. Deschenaux, Executive Director, Department of Legislative Services
Tonya D. Zimmerman, Policy Analyst, Department of Legislative Services

Exhibit 1 to April 5, 2017 Letter to Joint Chairmen



Maryland's Human Services Agency

Department of Human Resources | Larry Hogan, Governor | Boyd K. Rutherford, Lt. Governor | Gregory S. James, Acting Secretary

November 1, 2016

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

Dear Mr. Barnickel:

In response to your letter dated July 14, 2016, we are providing the enclosed status report detailing the corrective actions that have been taken with respect to the four repeat findings noted in the April 9, 2015 Department of Human Resources Family Investment Administration (FIA) audit report.

The Department takes audit findings seriously and is committed to resolving the findings identified in the identified audit report. If there are any questions, please do not hesitate to contact William E. Johnson, Jr., Inspector General at 443-378-4000 or via email at william.johnson1@maryland.gov.

Sincerely,

A handwritten signature in black ink, appearing to read 'Gregory S. James', written over a circular stamp.

Gregory S. James
Acting Secretary

cc: Senator Guy J. Guzzone, Co-Chair, Joint Audit Committee
Delegate C. William Frick, Co-Chair, Joint Audit Committee
Joint Audit Committee Members
Joan Peacock, Manager, Audit Compliance Unit, DBM
William E. Johnson, Jr., Inspector General, DHR
Marva M. Sutherland, Assistant Inspector General, DHR
Warren Deschenaux, Executive Director, Department of Legislative Services
Tonya D. Zimmerman, Policy Analyst, Department of Legislative Services
Stephen M. Ross, Policy Analyst, Department of Legislative Services
Hannah E. Dier, Policy Analyst, Department of Legislative Services

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Family Investment Administration
Legislative Audit Report Issued April 2015

| Finding | Recommendations | Status Update as of November 3, 2016 | Implementation Status/Target Date of Implementation |
|---|---|--|---|
| 1 FIA lacked documentation that required computer matches were performed and alerts were adequately resolved. | a) Ensure documentation is maintained showing that all computer matches are performed at the required intervals and that the results are investigated. | All matches are being performed on schedule. Enhanced documentation of monitoring - Implemented 2015. | Completed |
| | b) Determine the specific reasons and the appropriateness of certain match results not being recorded in CARES as system alerts. | To ensure the results of data matches are investigated, FIA and the Office of the Inspector General (OIG) are creating an online database that will enhance the monitoring of matches. In the meantime, the Bureau of Program Evaluation sends memos rather than emails to the LDSS Directors and Assistant Directors to notify them of outstanding matches. Memoranda is sent to each local for the following DataWatch report download categories: National New Hires, State New Hires, PARIS New Hires and OIG matches. | Ongoing |
| | c) Ensure that local departments investigate and resolve unverified or missing recipient social security numbers, including those noted above, on a timely basis (repeat). | The LDSSs are using a macro-enabled tool to identify, research and update assistance units with missing SSNs. When the SSN cannot be located on any document in the Enterprise Content Management System (ECMS), the case manager sends a letter to the household alerting them to the need to report the number. By March 2016, FIA reduced the number of missing SSNs by 95%, from 12,236 in April 2015 to 681 in March 2016. By May 2016, FIA reduced the number of missing SSN's from 681 to 591, a 13% reduction. As of September 2016, FIA reduced the number of missing SSNs from 591 to 365, a 38% reduction. Additionally, we are conducting reviews (10% sample) to identify other sources of missing SSNs within our assistance units. The reviews confirm additional challenges that currently affect our ability to reduce the number of missing SSNs. The following groups require special monitoring to ensure timely updates once their SSNs are received: (1) Newborns; (2) Recently | Completed |

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| Finding | Recommendations | Status Update as of November 3, 2016 | Implementation Status/Target Date of Implementation |
|---|---|--|---|
| <p>3 FIA did not ensure that adequate documentation was maintained to support applicant eligibility and the validity of payments made for energy assistance programs.</p> | <p>a) Obtain and maintain all required documentation to support critical energy assistance application data (repeat).</p> | <p>admitted Asylees and Refugees. The following groups will not have SSNs entered on CARES and will continue to be counted as missing: (1) Foster Care children; (2) Ineligible Immigrants without SSNs who do not receive benefits (parents of citizen children).</p> <p>As of July 2016: State OHEP is finalizing development of its revised monitoring tool and intends to have completed it by July of 2016 and will then begin monitoring under this new framework. Included with the monitoring tool will be clearer guidance as to what is considered a completed application and how to appropriately document eligibility in a file. Regarding ECMS scanning, OHEP held trainings in April of 2016 for all local agencies not currently utilizing the system and made necessary updates to user access. OHEP is currently working with its local agencies and OTHS to identify how many additional scanning stations are needed to assist local offices in moving to 100% scanning of documents. Regarding quality controls to prevent duplicate payments, OHEP runs the Duplicate Payment report every week prior to EDSing utility payments. The Duplicate Payment report captures all possible duplicate payments, not just payments of the same amount. Within the report, a user may denote that duplicate payment has been reconciled and add comments. Additionally, OHEP has forthcoming system enhancements to allow users to see all payments issued in the payment Summary Page and to import benefit refund data issued from utilities into the OHEP database.</p> <p>As of November 2016: OHEP finalized its revamped monitoring tool, issued policy guidance to Local Administering Agencies (LAAs) on the updated procedures and has begun monitoring of locals under the new guidelines. OHEP intends to monitor all LAAs under the new procedures prior to the close of the fiscal year. OHEP purchased and installed 11 additional ECMS scanners to help enhance electronic document storage capabilities among LAAs, and has issued policy</p> | <p>Ongoing</p> |

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| Finding | Recommendations | Status Update as of November 3, 2016 | Implementation Status/Target Date of Implementation |
|---------|---|---|---|
| | | <p>guidance detailing a requirement to scan 100% of application materials in FY 2018. Regarding duplicate payments, OHEP has modified its database to more clearly track all payments on the payment Summary Page and is currently in development of its process to import refunded benefits into the system through an automated process.</p> | |
| | <p>b) Approve or deny completed applications within the required time frame.</p> | <p>In regards to determining eligibility of applications within required timeframes, OHEP has enhanced its Local Agencies Processing Time report to track not just the number of customers in each local agency that are exceeding the required timeframes to process applications, but also the specific case files and associated case workers assigned to the projects. Additionally, local agencies can see the total count and specific case files of all customers that are approaching the deadline to process applications. The management tool to track case files by number of days in process has gone into effect and is being used by local agencies. Training has been held for all Community Action Agencies needing access to CARES. OHEP has instituted a monthly meeting for all LAAs that have greater than 10% of cases processed in over 45 days to review issues and corrective action to bring numbers into compliance. Overall, OHEP has seen significant improvement in the timeliness of application processing so far in FY 2017. As of October 3, the percentage of cases certified in over 55 days from date of application is 2%, a substantial improvement to prior years.</p> | Ongoing |
| 4 | <p>FIA's monitoring of contract costs and deliverables for certain contracts was not sufficient.</p> <p>a) Obtain adequate documentation, such as time and payroll records, to verify the accuracy and propriety of contract billings (repeat).</p> | <p>In April, 2016, the Maryland Office for Refugees and Asylees (MORA) concluded the development of a comprehensive monitoring plan. As per the plan, the office will monitor each of its contracts at least one time per year. The office monitored 70% of its contracts in Federal Fiscal Year FFY 2016 and plans to monitor 100% in FFY 2017. MORA also developed a new invoice protocol in consultation with DBM. The new invoice protocol requires vendors to submit documentation such as timesheets or payroll records, receipts, etc... to support all expenses billed to programs.</p> | Ongoing |

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| Finding | Recommendations | Status Update as of November 3, 2016 | Implementation Status/Target Date of Implementation |
|--|---|--|---|
| | <p>b) ensure that required contract deliverables, such as economic benefit reports, are received.</p> | <p>The Family Investment Administration collects the reports and documents the employment statistics and economic benefits data from them into our quarterly contract monitoring reports. FIA maintains a tracking log of the reports submitted to us by both the University of Baltimore, Jacob Frances Institute, and the University of Maryland School of Social Work.</p> | Ongoing |
| <p>5 FIA lacked procedures and documentation to ensure that Temporary Disability Assistance Program payments were made only to eligible recipients, and that federal funds were recovered.</p> | <p>a) All documentation required to establish recipient eligibility is received and maintained prior to making TDAP payments.</p> | <p>The Bureau of Disability Services conducts TDAP cases reviews to ensure that recipients have filed a disability claim with the Social Security Administration (SSA) and continue to pursue the claim and have not withdrawn the claim. The Bureau has conducted 13,710 case reviews from February 2015 to April 30, 2016. From July 1, 2016 to October 2016 the Bureau identified 2,103 cases that required action by the Local Department.</p> <p>In addition, the Family Investment Office of Operations conducts reviews of recently approved TDAP cases to ensure the local department approved the cases correctly and ensure corrective action. The Office of Operations has begun to review on average 1,500 TDAP cases per month in order to identify improper payments and ensure corrective action. As of May 2016, the Office of Operations has reviewed 329 recently approved TDAP cases to ensure the local departments approved the cases correctly.</p> <p>DHR is in the process of establishing an edit in CARES which prevents</p> | Ongoing |

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| Finding | Recommendations | Status Update as of November 3, 2016 | Implementation Status/Target Date of Implementation |
|--|-----------------|---|---|
| | | the case manager changing the IAR when approving a TDAP case. Only, the supervisor or designee will be allowed to change the IAR date in CARES. DHR has initiated the IAR edit in CARES which prevents the case manager from changing the IAR date when approving a TDAP case. It will be implemented into the system on November 18th and available in the system on December 1st. | |
| b) TDAP cases are closed in a timely manner once SSA renders its final decision regarding a recipient's application for federal benefits (repeat), | | The Family Investment Office of Operations closes cases for TDAP recipients who are receiving benefits and if the recipient is found to not be pursuing the SSA application the case is closed. This is an ongoing process. Since November 2015, 11,048 TDAP cases have been reviewed, with specific corrections and/or closing actions requested of the LDSS. An Action Transmittal was issued on March 3, 2016 regarding the Centralization of the IAR functions. DHR's Centralized team is closing TDAP cases as necessary based on case reviews and is correcting deficiencies on CARES screens. Already, the TDAP caseload has decreased nearly 4% from December 2015 to May 2016. Case reviews continue monthly, with Central staff closing cases and processing BEGs as needed. In July, the Bureau rolled out results to local offices via the PIRAMID folder for corrections, closures and BEGs. FIA monitors the closing of TDAP cases by the local department when fiscal sends notification of approved SSL payments. | Ongoing |
| c) IAR forms are appropriately filed and all reimbursable TDAP payments are received. | | The centralized IAR Fiscal Team looks in the ECMS system for a valid 340 authorization form at two different points in the lifecycle of the claim: a) when notification is received from SSA that a claim has been filed, and b) when notification is received from SSA that a claim has been approved. Improperly completed or missing 340 authorization forms prompt the IAR Fiscal specialist to email the local DSS, requesting the necessary documentation. To ensure that requests for TDAP reimbursements are processed timely, the IAR Fiscal Team supervisor received all communications from SSA, distributes these notifications to the assigned IAR Fiscal specialist and monitors that the | Ongoing |

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| | | Implementation Status/Target Date of Implementation |
|---------|-----------------|--|
| Finding | Recommendations | Status Update as of November 3, 2016 |
| | | reimbursement requests are acted upon (through use of a tracking spreadsheet). Receipt of TDAP reimbursements (through electronic wires to our CARES bank account) are monitored by both the IAR Fiscal specialists and the CARES Fiscal Unit. <u>Note:</u> The centralization of IAR fiscal functions is being rolled out in the first half of FY17 and is currently on schedule. All but five local DSS's IAR fiscal functions have been transitioned to DHR central as of November 2016. Local DSS's currently responsible for IAR fiscal functions have their own procedures and controls. |

Exhibit 2 to April 5, 2017 Letter to Joint Chairmen

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

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

Exhibit 3 to April 5, 2017 Letter to the Joint Chairmen

OLA's Assessments Regarding Repeat Findings That Were Not Resolved

Prior Report Recommendation – Finding 1c

We recommend that FIA ensure that local departments investigate and resolve unverified or missing recipient social security numbers, including those noted above, on a timely basis.

Status: Not Resolved

FIA has implemented certain automated procedures to help local departments of social services investigate and resolve CARES alerts related to unverified or missing recipient social security numbers and has, according to its records, achieved a significant reduction in the number of alerts outstanding for more than six months. (Each alert corresponds to one unverified or missing social security number.) A comparison of the outstanding alerts as of January 2014 (at the time of our prior report finding) and January 2017 shows the reported reduction.

| FIA Record of System Alerts Outstanding as of January 2014 and January 2017 | | | |
|--|--------------------|------------|----------|
| | Outstanding Alerts | | |
| | Total | > 6 months | > 1 year |
| January 2014 | 49,600 | 18,000 | 10,500 |
| January 2017 | 11,500 | 1,500 | 900 |

While FIA's records reflect that it has achieved a reduction in outstanding alerts for more than six months, our review of the underlying data raises questions about reliability. Our comparison of FIA's records of outstanding alerts as of the two dates identified 1,733 alerts that were outstanding as of January 2014 and remained unresolved as of January 2017. However, only 351 of these alerts were classified as more than one year old as of January 2017. For example, FIA's records identified 985 alerts as being less than 30 days old at that date. FIA could not provide us with an adequate explanation as to why the 985 alerts outstanding since the prior report were now identified as less than 30 days old. Consequently, it is unclear whether sufficient action has been taken to address outstanding alerts on a timely basis.

Prior Report Recommendation – Finding 4a

We recommend that FIA obtain adequate documentation, such as time and payroll records, to verify the accuracy and propriety of contract billings.

Status: Not Resolved

The status report provided by FIA explained that DHR's Office for Refugees and Asylees had developed a comprehensive monitoring plan; however, the monitoring performed under the plan does not include the types of contracts that were the subject of the prior report finding. Consequently, we again noted deficiencies in FIA's review of contract billings. Specifically, we

tested October 2016 invoices for two of the three contracts included in our April 2015 audit report. For both contracts, FIA had not obtained documentation to support invoiced amounts for salaries and fringe benefits, which represented the majority of the charges billed. No timesheets or other documentation were received to support critical data such as salary costs by employee classification and the number of hours and days worked.

An onsite review was performed by personnel from the DHR Bureau of Policy, Legislation and Reporting for one of the two contracts, but there was no documentation to support that a verification had been performed, during that review, of specific billings to the corresponding time and payroll records. The October 2016 invoice we tested for this contract totaled \$980,000 of which \$699,000 represented labor charges.

Prior Report Recommendation – Finding 5b

We recommend that FIA establish procedures to ensure that TDAP cases are closed in a timely manner once SSA renders its final decision regarding a recipient's application for federal benefits.

Status: Not Resolved

Our tests disclosed that Temporary Disability Assistance Program (TDAP) cases were not closed in a timely manner. TDAP is a State-funded program that provides assistance to low-income disabled adults who are ineligible for other categories of assistance and who are applying for federal Supplemental Security Income or Social Security Disability Income. TDAP benefits should cease when the federal Social Security Administration (SSA) renders a final decision regarding a recipient's application for federal benefits. Although FIA advised it had developed a process to review TDAP cases for closure, based on our test results, this process does not appear to be effective. Specifically, our review of 7 program recipients disclosed that each had received TDAP payments in February 2017, even though SSA had rendered its final decision 4 to 24 months earlier, at which time payments should have ceased. TDAP payments made beyond SSA's decision date for these 7 recipients totaled \$13,320.