

Audit Report

**Department of Human Resources
Family Investment Administration**

February 2011



OFFICE OF LEGISLATIVE AUDITS
DEPARTMENT OF LEGISLATIVE SERVICES
MARYLAND GENERAL ASSEMBLY

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DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

Karl S. Aro
Executive Director

February 9, 2011

Bruce A. Myers, CPA
Legislative Auditor

Delegate Guy J. Guzzone, Co-Chair, Joint Audit Committee
Senator James C. Rosapepe, Co-Chair, Joint Audit Committee
Members of Joint Audit Committee
Annapolis, Maryland

Ladies and Gentlemen:

We have audited the Family Investment Administration (FIA) of the Department of Human Resources (DHR) for the period beginning April 1, 2007 and ending June 30, 2010. FIA oversees a number of public assistance programs that are administered statewide by the 24 local departments of social services, including Temporary Cash Assistance and the home energy assistance programs which are State and federally funded, and the Supplemental Nutrition Assistance Program (formerly food stamp program) which is entirely federally funded.

Our audit disclosed a number of deficiencies related to FIA's administration of these assistance programs. For example, FIA did not ensure that the results of computer matches performed to help verify applicant and recipient eligibility for benefits such as Temporary Cash Assistance, which totaled approximately \$141 million during fiscal year 2010, were investigated and resolved by the local departments of social services in a timely and adequate manner. Also, FIA lacked assurance that local departments were meeting all requirements of quality assurance programs established, in part, to assess their performance in processing benefit assistance cases, and to help ensure the accuracy and propriety of benefits paid.

Furthermore, we found that FIA did not use available matching procedures to help verify critical applicant information, such as social security numbers, used to determine eligibility for home energy assistance program benefits which totaled approximately \$150 million in fiscal year 2010. Our audit also disclosed that FIA was not ensuring that all recipients of temporary disability assistance, which is entirely State funded, were pursuing federal benefits as required. In addition, steps taken to monitor significant contracts administered by FIA and the local departments of social services were not sufficient.

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

Respectfully submitted,

Bruce A. Myers, CPA
Legislative Auditor

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

Executive Summary

**Legislative Audit Report on the
Department of Human Resources
Family Investment Administration (FIA)
February 2011**

- **The results of computer matches and related data verification procedures performed for assistance programs, such as Temporary Cash Assistance, were not always investigated and resolved in a timely and adequate manner. For example, as of May 2010, FIA had identified through such procedures approximately 28,700 instances of a missing or unverified social security number relating to active or pending public assistance cases, 6,700 of which had remained unresolved for over six months.**

FIA should ensure that the results of computer matches are investigated and resolved by the local department of social services in a timely and adequate manner.

- **FIA reduced its efforts to ensure that local departments of social services complied with quality assurance program requirements in a timely and complete manner. These requirements were implemented, in part, to assess local department performance and to identify and address errors that may have occurred when processing applications. In this regard, sanctions of \$423,563 were imposed by the federal government due to the State's error rates exceeding national performance measures.**

FIA should ensure that local departments complete required quality assurance reviews and effectively address errors identified within the required timeframes.

- **FIA did not use available matching procedures to help verify critical information submitted by applicants for energy assistance program benefits, which totaled approximately \$150 million during fiscal year 2010. Furthermore, adequate documentation of data used to help determine the amount of benefits due an applicant was not always obtained.**

FIA should use available matching procedures (similar to those used for other public assistance programs) to independently verify critical data, such as income and social security numbers, submitted by individuals applying for energy assistance program benefits, and should obtain and maintain all critical supporting documentation.

- **FIA had not established adequate controls over the automated data management system used to process applications for energy assistance and to calculate benefit amounts due. Also, controls over refunds of energy assistance benefits received from utility companies were not sufficient.**

FIA should ensure that critical system access is adequately monitored and controlled, and that all refunds paid by utility companies are processed for deposit on a complete and timely basis.

- **FIA did not verify that individuals receiving Temporary Disability Assistance Program (TDAP) benefits for an extended period were pursuing federal benefits as required. TDAP benefits, which are entirely State funded and totaled approximately \$41.6 million during fiscal year 2010, are discontinued once federal benefits are approved and initiated by the Social Security Administration.**

FIA should verify that individuals receiving TDAP benefits for an extended period are pursuing specified federal benefits as required.

- **FIA lacked adequate documentation that billings and deliverables associated with certain contracts were adequately reviewed and monitored.**

FIA should obtain and maintain adequate documentation supporting the review and monitoring of contract billings and deliverables.

Background Information

Agency Responsibilities

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

Local departments of social services are responsible for recording certain data in DHR's automated benefits system, the Clients' Automated Resource and Eligibility System (CARES). In addition to TCA and SNAP recipient and benefit data, CARES includes data for several smaller assistance programs, as well as a database of Medicaid recipients, which serves as the basis for Medicaid benefits processed on a separate automated benefits systems (MMIS II) maintained by the Department of Health and Mental Hygiene. CARES includes Medicaid recipient data because most Medicaid recipients originally apply for those benefits at a local department of social services where the eligibility determination is made. According to DHR's records, during fiscal year 2010, CARES included, on average each month, approximately 1,040,000 recipient records, including 535,000 for SNAP, 414,000 for Medicaid, 67,000 for TCA, and 24,000 in other assistance programs.²

Local Administering Agencies, consisting of community action agencies and local departments of social services, are responsible for processing energy assistant program benefits in a separate data management system. According to DHR records, during fiscal year 2010, this system included a monthly average of approximately 270,000 recipients.

According to DHR's records, payments during fiscal year 2010 for TCA, home energy assistance programs and SNAP totaled approximately \$141 million, \$150 million, and \$837 million, respectively.

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

² Note that some recipients receive more than one type of benefit.

Organizational Change

Chapter 116, Laws of Maryland 2008, effective April 8, 2008, repealed DHR's Community Services Administration (CSA) and transferred CSA's Office of Home Energy Programs (OHEP) to FIA. We had previously audited the activities of OHEP as part of our audit of CSA. In April 2007, we issued a report on our audit of CSA for the period November 24, 2003 to July 31, 2006. Because OHEP has now been transferred to FIA, our current audit of FIA included the activities of OHEP for the period August 1, 2006 to June 30, 2010.

Litigation

In December 2009, the Circuit Court for Baltimore City found, in part, that DHR had engaged in a pattern and practice of violating federal and State time requirements for processing applications and determining eligibility for certain benefit programs it administers. The ruling originated from a case brought by certain plaintiffs against DHR regarding such time delays. In a declaratory judgment and permanent injunction, the court ordered, in part, that within 12 months DHR shall be in full compliance with all federal and State time requirements for processing applications for the programs at issue (SNAP, TCA, Medicaid for Families and Children, and Maryland Children's Health Program). The court allowed for a 4 percent margin of error from full compliance.

FIA prepares and uses a monthly timeliness compliance report, which indicates individual program compliance rates to monitor and report its progress in achieving full compliance with the court order. According to FIA's records, as of November 2010, the Statewide timeliness compliance rates for the programs at issue ranged between 96.7 percent and 98.4 percent.

Status of Findings From Preceding Audit Report

Our audit included a review to determine the status of the seven findings contained in our preceding audit report dated November 30, 2007. We determined that FIA satisfactorily addressed five of these findings. The remaining two findings are repeated in this report.

Our audit also included, as a result of the aforementioned organizational change, a review to determine the status of one of the findings in our preceding audit report, dated April 25, 2007, on the former CSA. The finding is included in this report.

Furthermore, we reviewed the status of three of the findings in our performance audit report dated November 5, 2007 on the Electric Universal Service Program which is administered by OHEP. We determined that FIA satisfactorily addressed two of the three findings. The remaining finding is included in this report.

Findings and Recommendations

Computer Matches

Background

The Family Investment Administration (FIA), with the assistance of the Department of Human Resources' (DHR) Office of the Inspector General and the Office of Technology for Human Services, periodically performs certain computer matches and related data verification procedures to help ensure recipient eligibility for public assistance and medical assistance benefits and to help detect potential fraud. Computer matches are performed comparing assistance recipient data in the Client's Automated Resource and Eligibility System (CARES) to outside data sources, such as Social Security Administration (SSA) records, prisoner records from the State's Department of Public Safety and Correctional Services (DPSCS), new hire registry data from the National Directory of New Hires, and data regarding benefits or income received from another state or from other federal government agencies via the Public Assistance Reporting Information System. Furthermore, in the case of social security numbers, periodic system "alerts" are generated when a recipient's social security number has not been verified to SSA records through the matching process, or has not been obtained. Payments for public assistance programs associated with these matching and verification procedures totaled approximately \$978 million in fiscal year 2010 for DHR programs, while medical assistance expenditures of the Department of Health and Mental Hygiene (DHMH) - Medical Care Programs Administration totaled approximately \$6.8 billion.

Finding 1

FIA did not ensure that the results of computer matches and system alerts were always investigated and resolved in a timely and adequate manner.

Analysis

Although computer match results and system alerts were provided to the applicable local departments of social services for investigation and resolution, FIA did not always follow up to ensure that the local departments investigated and resolved them in a timely and adequate manner. For example, we noted the following conditions:

- As of May 2010, there were approximately 28,700 unresolved system alerts identifying an active or pending case³ with an unverified or missing social security number. Although the majority of these alerts had been outstanding for less than six months, approximately 6,700 exceeded six months in age, with 2,600 outstanding for more than a year without resolution. At our request, FIA prepared an estimate of fiscal year 2010 benefit payments to the individuals to whom these 2,600 alerts applied. FIA's estimate totaled approximately \$3.4 million (excluding payments for medical assistance). In addition, FIA had not established a requirement that public assistance recipients who do not provide a valid social security number within a certain period of time (for example within six months after their case was entered into CARES) and who do not have a valid, documented justification, be considered ineligible for benefits. This condition was commented upon in our preceding audit report.

Federal and State regulations require the disclosure of social security numbers by recipients during the benefits eligibility determination process. If a recipient does not have a social security number, State regulations allow the recipient to provide evidence that one has been applied for in order to begin receiving benefits. However, as noted here, FIA was not ensuring that a valid number was subsequently obtained.

- We found that cases identified by matching recipient data to DPSCS inmate records were often closed by the local departments, either because the match results were valid (evidence that recipient was incarcerated) or because the recipient failed to obtain recertification. However, FIA did not always ensure that additional action was taken when warranted, such as recoupment of overpayments or addressing questionable transactions. Matches performed in February 2010 for all local departments disclosed approximately 280 "hits" (instances in which a recipient was found to have been incarcerated for a period of time during which benefits were received). Our examination of 11 of these cases at one local department disclosed overpayments of \$14,400. In 8 of these 11 cases totaling \$9,300, the overpayment had been cashed, and in one case for \$1,000, the individual was inappropriately recertified while incarcerated. However, as of July 2010, FIA had not addressed these overpayments and questionable transactions with the local department. We determined that no action had been taken to recoup the overpayments as of August 9, 2010.

³ Multiple system alerts may be generated for one recipient, if the recipient is eligible for benefits from more than one public assistance program. The number of alerts excludes cases for which DHMH was solely responsible because the applicable recipient applications were processed by local health departments for only medical-related benefit programs.

Recommendation 1

We recommend that FIA ensure that match results and system alerts are addressed in a timely and adequate manner. In particular, we recommend that FIA

- a. ensure that local departments investigate and resolve unverified or missing recipient social security numbers, including those noted above, on a timely basis (repeat);**
- b. establish a requirement that public assistance recipients who do not provide valid social security numbers within a certain period (for example within six months of being entered in CARES) without a valid, documented justification, be considered ineligible for benefits (repeat); and**
- c. ensure that local departments take action to resolve inmate match results, including recoupment of overpayments and investigation of questionable payments, including those noted in this finding.**

Quality Assurance Programs

Finding 2

FIA reduced its efforts to monitor local departments of social services to ensure compliance with quality assurance program requirements in a timely and complete manner.

Analysis

FIA did not ensure compliance by local departments of social services with the requirements of quality assurance programs established to help ensure the accuracy and propriety of assistance benefits paid. FIA used certain quality assurance processes to monitor compliance by local departments of social services with various requirements of critical laws and regulations over which FIA has responsibility or accountability, such as eligibility criteria for assistance programs. The processes are the monthly Supervisory Review System (SRS) and Quality Control (QC) reviews, which are designed, through an examination of selected benefit assistance cases, to assess the performance of local department case workers, and to help reduce or eliminate program errors. SRS reviews are performed by local department supervisory personnel, with all results reported to FIA. Conversely, QC reviews are performed directly by FIA personnel, and are also used to determine and report the Supplemental Nutrition Assistance Program (SNAP, formerly the food stamp program) error rates as required by federal law. Local department personnel are generally responsible for investigating and correcting any errors or deficiencies noted. Our review disclosed the following conditions:

- In January 2010, FIA discontinued certain longstanding follow-up processes to obtain corrective actions from the local departments and hold them accountable for noncompliance. For example, FIA ceased notifying local departments in writing of their noncompliance with SRS requirements, including failure to perform the required number of reviews and/or failure to correct errors noted within the required timeframe. In this regard, FIA's June 2010 SRS summary report indicated that 10 out of 45 district offices had not performed supervisory reviews of the required number of cases in that month. In addition, as of that date, this report indicated that 74 errors identified during supervisory reviews remained unresolved for more than the 21-day timeframe required for correction. (It was not readily possible to determine how long each error had remained unresolved.)

FIA also discontinued the practice of requiring local departments determined to be in noncompliance for three consecutive months to prepare and submit a corrective action plan as required by its written procedures. Although FIA performed periodic site visits to evaluate compliance with SRS requirements, these reviews were conducted no more frequently than annually and, therefore, did not serve to address noncompliance with SRS requirements on a timely basis.

- According to DHR's records, local departments took between 107 and 256 days to correct 37 of 150 case errors identified through the QC process for certain SNAP cases during federal fiscal year 2009. FIA's written policy is that corrections are overdue if not completed within 30 days of initial notice to the local department. Furthermore, FIA did not follow up on these cases for 108 to 291 days after the initial notice was sent. Failure to address errors on a timely basis increases the risk of additional errors occurring and reduces the likelihood of recovering any overpayments. In addition, federal financial sanctions may be imposed when error rates for SNAP exceed established national performance measures (rates) in two consecutive years. In this regard, in a June 24, 2010 letter from the United States Department of Agriculture (USDA), DHR was notified that Maryland's error rate had exceeded the national performance measure for fiscal years 2008 and 2009 (see chart on the next page) and that a sanction totaling \$742,238 had been imposed as provided by federal law. After appeal by DHR, in November 2010 the sanction amount was reduced to \$423,563.

Maryland's SNAP Payment Error Rate and National Performance Measure for Fiscal Years 2008 and 2009		
	2008	2009
Maryland's SNAP Payment Error Rate	6.94%	7.11%
National Performance Measure	5.01%	4.36%

Source: USDA

Recommendation 2

We recommend that FIA establish procedures to help ensure that local departments of social services improve compliance with established quality assurance program requirements and implement more timely correction of case errors noted. For example, FIA could reinstate the aforementioned follow-up processes used to monitor and address required program reviews.

Energy Assistance Programs

Background

The Electric Universal Service Program (EUSP) was established in January 2000 to assist low-income Marylanders with payment of their electric bills (current and past due), and with home weatherization. FIA's Office of Home Energy Programs (OHEP) is responsible for administering the program, except for the home weatherization function, which is the responsibility of the State's Department of Housing and Community Development. According to DHR records, EUSP benefit payments (excluding home weatherization payments), totaled approximately \$110 million during fiscal year 2010, and were funded with both State and federal funds. In addition, the State established the Maryland Energy Assistance Program (MEAP), which is entirely federally funded. MEAP is also administered by OHEP and, similar to EUSP, provides eligible recipients with help paying certain home energy costs. Unlike EUSP, the MEAP program includes assistance with energy sources other than just electricity. According to DHR's records, MEAP benefit payments totaled approximately \$40 million during fiscal year 2010. Federal funds for both programs were received through the United States Department of Health and Human Services' (HHS) Low-Income Home Energy Assistance Program.

The application process, including contacting the applicant, obtaining and reviewing all required forms and documents, and entering data into an automated data management system used to determine eligibility and calculate benefit amounts is the same for both EUSP and MEAP. Applications are processed by 20 Local Administering Agencies (LAA), 11 of which are Community Action Agencies contracted by OHEP and 9 of which are local departments of social services. Program benefits for eligible individuals are based primarily on income level and energy usage, and are disbursed directly to utility companies for approved applicants.

Finding 3

Matching procedures were not used to verify data required to ensure program eligibility and the proper calculation of energy assistance benefits.

Analysis

FIA did not use available computer matching procedures to independently verify required data, such as income and social security numbers, submitted by individuals applying for energy assistance, or to identify recipients who fail to continue to meet established eligibility requirements for such assistance. As previously mentioned, matching procedures, such as comparisons of applicant data to records maintained by SSA as well as certain State agencies, are used for other public assistance programs administered by FIA. The failure to perform computer matches increases the risk that ineligible individuals may receive home energy assistance.

Furthermore, in a June 2010 report on the aforementioned federal Low-Income Home Energy Assistance Program, the United States Government Accountability Office (GAO) reported on the results of its analysis of benefit files for this program in seven states, including Maryland. As previously noted, funding from this federal program is administered in Maryland through MEAP. In its report, the GAO commented on the failure of the states examined to establish an effective fraud prevention system for program funds. For example, the report noted that for the states examined there were thousands of cases in which the names of deceased or incarcerated individuals were used to apply for program benefits, and applications often showed blank or obviously invalid social security numbers. The report specifically noted that Maryland does not have a procedure to

- validate applicant and household information with SSA,
- check death record files,
- check for incarcerated individuals, and
- verify reported income with outside sources.

The report recommended that the Secretary of HHS issue guidance to states to address the issues noted. As a result, HHS required all grantees to submit, as part of their application for fiscal year 2011 funding, a program integrity assessment and plan, including procedures in place or to be implemented for addressing fraud prevention, detection, correction, and prosecution. FIA advised us that it submitted the required information before the September 1, 2010 deadline, and that certain related action had been initiated. For example, according to FIA, initial steps have been taken to implement a verification of applicant social security data to records of the SSA, as well as to certain death and incarceration records.

Recommendation 3

We recommend that FIA

- a. use available matching procedures, similar to those used for other benefit programs, to independently verify required data, such as income and social security numbers, submitted by individuals applying for energy assistance; and**
- b. more effectively identify recipients who fail to meet established eligibility requirements for such assistance on an ongoing basis.**

Finding 4

Documentation to support certain required application data was not always obtained by LAAs.

Analysis

Several energy assistance cases we examined lacked adequate documentation to support certain critical, required application data, and FIA did not have a process in place to ensure that LAAs obtained and retained such documentation for the related assistance payment. Specifically, our test of 25 applications processed by one LAA for energy assistance totaling \$70,000 disclosed a lack of required documentation in several cases to substantiate the propriety of the amounts paid. For example, billing statements from the utility company were not obtained to support arrearage or current bill payments totaling \$20,900 for 12 recipients. Without this required documentation, the LAA could not support the past due balance for the arrearage payments or current energy usage, which is necessary to calculate amounts for bill payment assistance.

State regulations and written application requirements established by FIA require LAAs to obtain electric arrearage data and electric usage data to support an individual's application for assistance. Although we were advised that an LAA may contact a utility to obtain such data if not provided by the applicant, FIA

should ensure that documentation from the utility is maintained to support this critical application data.

A similar condition was commented upon in our three prior performance audit reports on EUSP.

Recommendation 4

We recommend that FIA develop a process to ensure that LAAs obtain and maintain adequate documentation, such as utility company billings, to support arrearage and usage data used to calculate assistance payments.

Finding 5

FIA had not established adequate controls over the OHEP data management system used to process applications and energy assistance payments.

Analysis

FIA had not established adequate controls over access to the automated data management system used to process applications for energy assistance and to calculate benefit amounts due. Consequently, errors or other discrepancies ultimately impacting the propriety of payments could occur without timely detection. Specifically, our review 450 individual system accesses revealed the following conditions:

- One hundred seventeen individuals at LAAs and DHR headquarters were assigned system capabilities that enabled them to modify energy assistance applications and certify (approve) the adjusted applications for payment without independent review and approval. In addition, 88 of these employees could modify existing case files, such as a change in name, address, and benefit amount, then certify the modified case for payment, without review or approval.
- Nine system logon ids were not assigned to specific individuals. These ids would allow users to anonymously perform critical functions, including creating applications and/or certifying applications for payment. The State's Department of Information Technology *Information Security Policy* requires that system users must be uniquely identified and group or shared ids are prohibited except in certain restricted circumstances.

Recommendation 5

We recommend that FIA

- a. adequately separate system access capabilities by not permitting individuals to both modify and certify (approve) program applications and changes to existing case files; and**
- b. assign system logon ids only to specific, authorized individuals.**

Finding 6

Controls over cash receipts, which consisted primarily of refunds from utility companies, were not sufficient.

Analysis

FIA had not established adequate controls over collections received by OHEP staff, which according to DHR's records totaled approximately \$5.3 million during fiscal year 2010, and related primarily to refunds from utility companies resulting from overpayments of energy assistance benefits. These collections were first received and recorded by FIA, then forwarded to DHR's Office of Budget and Finance (Office) for processing and deposit. Our review disclosed the following conditions:

- Verifications that collections received by FIA were forwarded to the Office for deposit were not performed between May 2008 and December 2009.
- Significant collection amounts were not always forwarded to the Office in a timely manner. Our review of cash receipts collected over 20 days disclosed that collections for 7 days ranging between \$33,000 and \$411,000 were forwarded 3 to 13 business days after receipt, while the highest day's total of \$411,000 was not forwarded until 13 days after receipt. The Comptroller of Maryland's *Accounting Procedures Manual* requires that receipts be deposited no later than one business day after receipt.
- FIA had not established procedures to ensure that all refunds issued by utility companies were actually received. Specifically, FIA did not obtain reports of refunds from utility companies for comparison to collections actually received. Since FIA would not necessarily know when a refund was due, the receipt of such reports could be used to account for refund payments.

Similar conditions were commented upon in our preceding audit report on the former Community Services Administration.

Recommendation 6

We recommend that FIA

- a. ensure that independent verifications of collections submitted to the Office are consistently performed on a timely basis and documented;**
- b. ensure that cash receipts are forwarded to the Office for deposit in a timely manner in accordance with the Comptroller of Maryland's *Accounting Procedures Manual*; and**
- c. obtain from utility companies refund reports independently of the related refund checks, and establish procedures to ensure that the reports of refunds agree with the actual collections received, at least on a test basis.**

Temporary Disability Assistance Program

Background

The Temporary Disability Assistance Program (TDAP) is a State-funded program providing assistance to low-income disabled adults who are ineligible for other categories of assistance and are applying for federal Supplemental Security Income (SSI) or Social Security Disability Income (SSDI). FIA has responsibility for administering this program in which eligible individuals receive \$185 per month, although eligibility is initially determined at the local departments of social services. These benefits are paid to eligible individuals on a temporary basis pending approval by SSA for SSI or SSDI benefits. State regulations specify that an individual may not receive benefits for more than 9 months in a 36-month period. However, benefits may be extended beyond nine months if the individual is pursuing federal benefits, and the application for such benefits has not been withdrawn or finally denied. According to DHR records, TDAP payments totaled approximately \$41.6 million during fiscal year 2010, and the average monthly number of recipients totaled approximately 19,000.

Finding 7

FIA did not have a process to ensure that extended benefits were only paid to qualified recipients.

Analysis

FIA lacked adequate procedures to ensure the propriety of benefits paid to recipients for more than the 9-month time period generally permitted by State regulations. For example, FIA did not adequately verify that local departments of social services provided benefits for an extended period only if the recipient was applying to SSA for federal benefits as required, and had not had their application for such benefits withdrawn or finally denied.

Our review of 20 out of the approximately 4,600 TDAP recipients who, as of August 2010, had been receiving TDAP benefits for over a year, disclosed 2 cases in which approximately \$22,000 in benefits were paid even though FIA lacked adequate documentation that the recipients were actively pursuing federal benefits. In one case, the recipient received an unfavorable decision or denial from SSA in June 2003 regarding their application, and there was no evidence that federal benefits were still being pursued as required. Consequently, TDAP benefits should have ceased at that time, but instead continued for seven years until we brought the case to FIA's attention in August 2010.

In a third case, the recipient continued to receive TDAP benefits totaling approximately \$4,200 after being approved by SSA for federal benefits. Approval occurred in July 2008, at which time TDAP benefits should have been discontinued. However, benefits were still being paid at the time of our review in August 2010. Although FIA's records indicate that the benefits issued to this recipient during this time period were not cashed, FIA should ensure in such cases that benefits are discontinued in a timely manner.

Recommendation 7

We recommend that FIA

- a. in the future, ensure that local departments of social services provide extended TDAP benefits only to recipients who are continuing to pursue specified federal benefits as required, have not had their application for those benefits withdrawn or finally denied, and are not already receiving such benefits;**
- b. verify, at least on a test basis, the propriety of extended benefits already paid; and**
- c. investigate and take any appropriate action, such as recoupment of funds, regarding cases in which benefits were improperly paid, including the specific cases noted above.**

Contract Monitoring

Finding 8

FIA lacked adequate documentation to support the propriety and completeness of costs billed and deliverables received for certain contracts.

Analysis

FIA lacked adequate documentation to support the propriety and completeness of costs billed and deliverables received for certain contracts. These contracts, many of which were with State or local government entities, included those administered directly by FIA, as well as contracts specifically administered by

local departments of social services primarily for job training and placement services. Our review disclosed the following conditions:

- Our test of billings for eight contracts administered by FIA totaling approximately \$32 million disclosed that, in many cases, adequate supporting documentation was not obtained and reviewed to verify the accuracy and propriety of billed costs, which generally were for reimbursement of contractor costs. For example, billings totaling approximately \$3.6 million associated with four contracts for which FIA was billed for project expenditures incurred, included costs for salaries, travel, equipment, and supplies, as well as costs paid to subcontractors. However, FIA did not obtain supporting documentation, such as time/payroll records or invoices to ensure the validity of amounts billed. A similar condition was commented upon in our preceding audit report.
- Two of the aforementioned four contracts (both with the same vendor) totaling approximately \$8.3 million specified that FIA will observe certain classes provided by the contractor for program recipients, and conduct quarterly site visits of the contractor, in part, for the purpose of examining expenditure and time records. However, FIA had no documentation that any classes were observed, and could provide us with only limited documentation for one quarterly site visit (there was no evidence of the specific expenditure and time records that were examined).
- Annual site visits to local departments of social services were not conducted as required by FIA's procedures to evaluate local department efforts to monitor job training and placement contracts. At the time of our review in July 2010, FIA could provide us with documentation for only one site visit, which was conducted in June 2009. These visits are meant to ensure that local departments are adequately monitoring these contracts, and are to include, for example, an analysis of performance outcomes, such as determining if vendors are meeting objectives stipulated in their agreements. According to DHR records, for fiscal year 2009, budgeted expenditures totaled approximately \$46 million for such work program contracts.

Recommendation 8

We recommend that FIA

- a. obtain adequate documentation, such as time/payroll records and third party invoices to verify the accuracy and propriety of the contract billings (repeat); and**
- b. adequately conduct and document site visits and other procedures required to monitor and evaluate contract deliverables.**

Audit Scope, Objectives, and Methodology

We have audited the Family Investment Administration (FIA) of the Department of Human Resources (DHR) for the period beginning April 1, 2007 and ending June 30, 2010. The audit was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

As prescribed by the State Government Article, Section 2-1221 of the Annotated Code of Maryland, the objectives of this audit were to examine FIA's financial transactions, records, and internal control, and to evaluate its compliance with applicable State laws, rules, and regulations. We also determined the status of the findings contained in our preceding audit report, as well as the status of certain findings in our audit report on the former Community Services Administration dated April 25, 2007 and our performance audit report on the Electric Universal Service Program dated November 5, 2007.

In planning and conducting our audit, we focused on the major financial-related areas of operations based on assessments of materiality and risk. The primary areas addressed by the audit included the FIA assistance programs (Temporary Cash Assistance, home energy assistance), monitoring of local departments of social services' operations as relates to FIA programs, and contracts. Our audit procedures included inquiries of appropriate personnel, inspections of documents and records, and observations of FIA's operations. We also tested transactions and performed other auditing procedures that we considered necessary to achieve our objectives. Data provided in this report for background or informational purposes were deemed reasonable, but were not independently verified.

Our audit did not include certain support services provided to FIA by DHR – Office of the Secretary. These support services (for example, cash receipts, payroll, purchasing, maintenance of accounting records, and related fiscal functions) are included within the scope of our audit of the Office of the Secretary. In addition, our audit did not include an evaluation of internal controls for federal financial assistance programs (such as the Supplemental Nutrition Assistance Program) and an assessment of FIA's compliance with federal laws and regulations pertaining to those programs because the State of Maryland engages an independent accounting firm to annually audit such programs administered by State agencies, including FIA.

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

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

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

This report includes findings 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 FIA that did not warrant inclusion in this report.

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

APPENDIX

State of Maryland
Department of Human Resources


Maryland's Human Services Agency

Martin O'Malley
Governor

Anthony Brown
Lt. Governor

Theodore Dallas
Interim Secretary

February 4, 2011

Bruce A. Myers, CPA
Legislative Auditor
Office of the Legislative Audits
301 West Preston Street – Room 1202
Baltimore, Maryland 21201

Dear Mr. Myers:

Enclosed is our response to the draft audit report on the Department of Human Resources – Family Investment Administration (FIA) for the period beginning August 1, 2007 ending June 30, 2010. We appreciate the opportunity to provide responses and information relating to the 8 findings and recommendations.

If you have any questions concerning our responses, please contact Rosemary Malone, Interim Executive Director, Family Investment Administration at 410-767-7949 or rmalone@dhr.state.md.us.

Sincerely,



Theodore Dallas
Interim Secretary

Enclosure

cc: Senator Verna L. Jones, Co-Chair, Joint Audit Committee
Delegate Steven J. Deboy, Sr., Co-Chair, Joint Audit Committee
Joint Audit Committee Members
William E. Johnson, Jr., Inspector General, DHR
Rosemary Malone, Interim Executive Director, FIA
Karl S. Aro, Executive Director, Department of Legislative Services

**MARYLAND DEPARTMENT OF HUMAN RESOURCES
FAMILY INVESTMENT ADMINISTRATION**

RESPONSE TO FINDINGS OF THE LEGISLATIVE AUDIT REPORT

Finding 1

FIA did not ensure that the results of computer matches and system alerts were always investigated and resolved in a timely and adequate manner.

Recommendation 1

We recommend that FIA ensure that match results and system alerts are addressed in a timely and adequate manner. In particular, we recommend that FIA

- a. ensure that local departments investigate and resolve unverified or missing recipient social security numbers, including those noted above, on a timely basis (repeat);**
- b. establish a requirement that public assistance recipients who do not provide valid social security numbers within a certain period (for example within six months of being entered in CARES) without a valid, documented justification, be considered ineligible for benefits (repeat); and**
- c. ensure that local departments take action to resolve inmate match results, including recoupment of overpayments and investigation of questionable payments, including those noted in this finding**

Response to a. and b.

The Department consistently reviews its processes with the intent of improving them. We believe our computer matching processes are fully compliant with federal regulations. Therefore, we respectfully disagree with this finding, particularly Recommendations a. and b. In Maryland, most recertifications are for one year, not six months. We can find no requirements in any federal statute or regulation that require the State to do this within six months.¹ CFR Title 7 – Agriculture, Certification of Eligible Households, Subpart A – General Rules 273.2 (2)(b)(v) on social security numbers says: “The state agency shall not delay the certification for or issuance of benefits to an otherwise eligible household solely to verify the SSN of a household member.” In Subpart C of Certification of Eligible Households, 273.6(2)(b)(4), states: “If the

¹**Auditor’s Comment:** The social security number (SSN) alert system was established by FIA so that case workers could perform follow-up actions when a recipient’s SSN had not been obtained or verified. Our report addresses the timeliness of this follow-up action to ensure that ineligible recipients are not improperly receiving benefits for extended periods. Our report does not address case recertification or state that recertification must take place in six months. We believe that following up on the monthly alerts does not necessitate the performance of the recertification process. Furthermore, if alerts are not acted upon in a timely manner, the benefit derived from having the alert system would be significantly reduced.

household is unable to provide proof of application for an SSN for a newborn, the household must provide the SSN or proof of application at its next recertification of within 6 months following the month the baby is born, whichever is later” (emphasis added).²

As indicated in the review findings, approximately 6,700 SSN alerts exceeded six months in duration, with 2,600 outstanding for more than a year without resolution. It should be noted that the number of applicants/recipients were lower than these numbers indicate because these totals include duplicate alerts, as noted by DLS in its analysis. Of the 2,600 alerts outstanding longer than one year, 2,016 involved recipients of Food Supplement Program (FSP) or cash assistance. Most of these, 1,778, were children.

Regarding the adults on the list, \$387,258 in FSP or cash benefits was paid to 238 adults on the original query. This list was checked in January 2011 to see the number that had SSNs unverified. The result was that 14 adults with unverified SSN's remained, all of whom were Food Supplement Program recipients. The amount issued in error to adults was \$20,001. We would expect to see similar reductions in the child population that did not have verified SSNs on the original list.

Therefore, the original estimate of approximately \$3.4 million in non-Medicaid benefits issued in FY 2010 to the recipients that did not initially have SSNs was not an estimate of benefits issued in error.³

In addition to those later found to have been verified, the original list consists of all benefits issued in FY 2010 to those on the list, rather than the benefits issued to persons with unverified SSNs after the 12 month period had lapsed. Second, for the benefits that were issued past the 12 month deadline, it does not necessarily follow that the benefits were issued to ineligible persons or households for reasons described below.

For example, a preliminary review of some of these cases revealed that in many instances SSNs were supplied, but were not federally verified because of discrepancies in demographic data; the most common of which was due to typographical errors. We concur that these SSN discrepancies should have been resolved within 12 months of the application. The FIA will take action to review more closely SSN alerts that are approaching 12 months in duration to ensure that they do not go beyond this timeframe without a federally validated SSN.⁴

²**Auditor's Comment:** The Federal requirement quoted in the response applies to newborns (that is, children under the age of one year). Therefore, this requirement has no bearing on the failure to resolve the 2,600 alerts that had been outstanding for more than one year, which is discussed further in the next paragraph of the response.

³**Auditor's Comment:** The report does not state that \$3.4 million was an estimate of benefits issued in error, but was intended only to provide a dollar perspective to the 2,600 alerts outstanding for over a year. Furthermore, the estimate was prepared by FIA at our request.

⁴**Auditor's Comment:** We do not believe that it is unreasonable to resolve cases of missing or unverified SSNs within six months, unless a valid documented justification (such as in the case of a newborn) exists.

We found other SSN discrepancies that are not easily rectified at this time. There are instances where a customer's name and SSN cannot be matched because of a name change due to marriage or divorce. Once a case manager verifies that the SSN is correct for the name that the customer is currently using, there is no further action to be taken, and the alert will remain outstanding. The reason for this is that these alerts cannot be manually dispositioned, as the SSN alert system was designed to continue displaying the missing (996) and invalid (997) alerts until an action is taken to either add or change an SSN. This was done to prevent case managers from dispositioning alerts without taking an action. However, since there is no action to take, the alert continues to display indefinitely and will appear to be "outstanding."

FIA is in the process of identifying other flaws in the CARES missing/invalid alert system that may be responsible for some of these review findings, and will be incorporating fixes to prevent further findings. In other words, while we disagree with the finding and these recommendations, we will nonetheless keep the OLA comments in mind as we continue to review our processes.

Response to c.

We agree. FIA will ensure that proper steps are taken to initiate recoupment procedures for the 11 overpayments noted in the finding. Once these procedures have been accomplished, the Bureau of Local Operations will be notified of their completion. Going forward, to ensure that this issue is addressed FIA will work with the Office of the Inspector General to develop a sampling method and automated matching solution to monitor local department recoupment of overpayments.

Quality Assurance Programs

Finding 2

FIA reduced its efforts to monitor local departments of social services to ensure compliance with quality assurance program requirements in a timely and complete manner.

Recommendation 2

We recommend that FIA establish procedures to help ensure that local departments of social services improve compliance with established quality assurance program requirements and implement more timely correction of case errors noted. For example, FIA could reinstate the aforementioned follow-up processes used to monitor and address required program reviews.

Response:

We agree with the finding and are changing our business process for both SRS and QC review errors. A description of the plan and timetable with specific implementation dates is provided below.

With regard to the recommendation “FIA take action on a timely basis to ensure that local departments complete required SRS reviews and effectively address errors identified in the SRS,” the Department will implement a new business process for front-line case reviews (called Pre-Review) to replace SRS in order to change from a review of cases after eligibility decisions have been made to a review of cases before eligibility decisions have been finalized.

The rationale for changing SRS to Pre-Review is as follows: During this national recession, Maryland’s caseload unit supervisors were called upon to process applications instead of spending time reviewing the work of their subordinates. In response to the increasing caseload, changes were made in *all* local offices’ business model to begin a move from a caseload management model to one of process management (in which an application travels through several teams of staff). As a result of these events, DHR analyzed its Quality Control errors and concluded that the existing SRS model is not conducive to the new business process and would not assist the LDSS in preventing the types of errors that are being identified in the Quality Control reviews.

The plan and timetable for changing SRS to Pre-Review is as follows: DHR has asked the Food and Nutrition Service for permission to shift to a new type of review process, called ‘pre-review,’ and described its pre-review strategy in the most recent Corrective Action Plan submitted to FNS. In a pre-review model, an application or redetermination is reviewed (usually by a peer case manager) *in advance of the benefits being issued*. This strategy reduces the amount of work staff need to do to correct a case after the fact, as the SRS process does, which leads to customer disruption with under-payments or over-payments. As soon as approval is received, DHR will design the pre-review module and train front-line staff in the LDSS on how to use the system. In order to develop the statewide module, DHR will examine a few ‘in-house’

versions of pre-review at LDSS, which independently acted to develop the strategy to increase the accuracy of their staff's casework. A workgroup has been formed for this purpose.

With regard to the recommendation "FIA take action on a timely basis to ensure that local departments...effectively address errors identified... in QC reviews," the Department will change its business process from one that requires manual data entry to one that is embedded within the Department's PIRAMID (Payment Integrity, Reporting and Management Information Database) system. PIRAMID is the centralized database that Quality Control staff use to conduct their reviews, report the findings and analyze the error data.

The rationale for changing QC review monitoring is as follows: The existing method of tracking the correction of Quality Control errors requires a DHR/FIA Program Evaluation staff member to manually data-enter information about QC error findings into an Excel spreadsheet and then follow up with e-mails and telephone calls to each district office in order to ensure the errors were corrected. This process is not only inefficient, but the local department staff is not responsive to the staff person's individual communication so long after receiving the error finding. In addition, the staff member at DHR/FIA who has responsibility for this task was repeatedly assigned other tasks with short turnaround deadlines during the past year.

The plan and timetable for changing QC review monitoring is as follows: DHR is building into its existing PIRAMID a module for tracking the correction of Quality Control errors. The new enhancement, expected to be available by midyear 2011, will enable LDSS staff to respond directly in PIRAMID to record the case changes that have been made as a result of the errors identified. Automated reports will generate for the LDSS staff as well as DHR/FIA staff for all findings that have not been addressed

Finding 3

Matching procedures were not used to verify data required to ensure program eligibility and the proper calculation of energy assistance benefits.

Recommendation 3

We recommend that FIA

- a. use available matching procedures, similar to those used for other benefit programs, to independently verify required data, such as income and social security numbers, submitted by individuals applying for energy assistance; and**
- b. more effectively identify recipients who fail to meet established eligibility requirements for such assistance on an ongoing basis.**

Response to a.

FIA/OHEP accepts the recommendation to utilize matching procedures to independently verify critical application data. In response to the GAO Report on LIHEAP, the U.S. Department of Health and Human Services (HHS) issued general guidance with Information Transmittal IM-2010-06 dated May 5, 2010, which states, "HHS strongly encourages States to require that LIHEAP applicants provide SSNs in order to receive a LIHEAP benefit." Previously, this was not allowed. With receipt of Action Transmittal AT-2010-06, HHS has also required the submission of a Program Integrity Supplement to the annual LIHEAP Plan. The Program Integrity Supplement requires states to outline the procedures they are currently implementing and plan to implement in the future to ensure program integrity. FIA/OHEP has submitted its Plan and Supplement to HHS. A copy of the Program Supplement is attached. It is OHEP's full intent to pursue implementation of the tasks outlined in the Supplement and to incorporate additional tasks on an ongoing basis as new strategies are identified.

As it is the full intent to implement SSN verification, several processes are already being developed. FIA/OHEP, in conjunction with DHRIS developing the necessary processes by which social security numbers can be verified with those processes being in place as soon as possible. A dialog has begun with the DHR OIG to perform matching processes against death records and prison records. Some additional procedures internal to OHEP have already been implemented to ensure program integrity. They include:

- Establishment of a report to identify duplicate applications based on the address of the applicant. This report is reviewed by local agencies and State OHEP on a periodic basis.
- Verification of new energy suppliers through the Maryland Department of Assessment and Taxation, Dun and Bradstreet, site visits, etc. Copies are placed in the respective energy supplier folder.
- Generation of a monthly report to identify invalid social security numbers.
- A software update was installed on January 20, 2011 which incorporates the Social Security Administration criteria for social security numbers as part of the data entry process.

Response to b.

Once the appropriate processes are implemented they will be continued on an ongoing basis.

Finding 4

Documentation to support certain required application data was not always obtained by LAAs.

Recommendation 4

We recommend that FIA develop a process to ensure that LAAs obtain and maintain adequate documentation, such as utility company billings, to support arrearage and usage data used to calculate assistance payments.

Response:

OHEP currently obtains arrearage and usage information through a variety of methods depending upon the utility. This includes by phone, from the bill, account access via a designated website and fax. OHEP will prepare instructions for local administering agencies and utilities to ensure that proper documentation is received and placed or referenced in each customer's file or within the database.

Finding 5

FIA had not established adequate controls over the OHEP data management system used to process applications and energy assistance payments.

Recommendation 5

We recommend that FIA

- a. adequately separate system access capabilities by not permitting individuals to both modify and certify (approve) program applications and changes to existing case files; and**
- b. assign system logon ids only to specific, authorized individuals.**

Response to a.

OHEP recognizes the need for a change in the internal controls of its data system and agrees with the recommendation. An effort is in process to remove an individual's access to both modification and certification of applications. This change requires specific programming revisions and will be implemented in a timely manner.

Response to b.

OHEP also recognizes the need to revise its practices regarding "generic" system access. System log-in ids will be assigned to specific, authorized individuals who perform critical functions. Generic logins already established have been removed from use or assigned for inquiry purposes only. No generic logins can be used to perform critical functions. Periodic reviews through system-generated reports will be conducted to ensure the integrity of the login names. Currently, during monitoring visits the validity of logins is reviewed.

Finding 6

Controls over cash receipts, which consisted primarily of refunds from utility companies, were not sufficient.

Recommendation 6

We recommend that FIA

- a. ensure that independent verifications of collections submitted to the Office are consistently performed on a timely basis and documented;**
- b. ensure that cash receipts are forwarded to the Office for deposit in a timely manner in accordance with the Comptroller of Maryland's *Accounting Procedures Manual*; and**
- c. obtain from utility companies refund reports independently of the related refund checks, and establish procedures to ensure that the reports of refunds agree with the actual collections received, at least on a test basis.**

Response to a.

FIA/OHEP acknowledges that all verifications were not performed after the abolishment of the Community Services Administration (CSA) for the period from May 2008 through December 2009 due to the lack of a Daily Revenue/Receipts Transaction Register (DAFR 7200) while the transfer to FIA and the establishment of new budget codes were taking place. At present, this report is received and is checked against OHEP receipts eliminating the gap in the deposit verification process. FIA/OHEP acknowledges the statement that adequate controls over cash receipts were not established, recognizing that some additional controls are necessary; FIA/OHEP will establish these additional procedures to ensure that deposit verifications are performed on a timely basis and that the verification is documented. The procedure will be as follows:

1. OHEP Position 1(secretary) will obtain the mail, open and record the check information in the log.
2. OHEP Position 2 (fiscal supervisor) will receive and review the independently sent list against the check log and document that the check received is consistent with the refund list amount.
3. OHEP Position 2 (fiscal supervisor) will prepare the money mail list listing each check and amount and sign the money mail list.
4. OHEP Position 3 (program director) will review the money mail list for accuracy and completeness to ensure that all checks received are included on the money mail list. The money mail list is signed by this position.
5. OHEP position 2 (fiscal supervisor) will take the checks to the DHR Fiscal Office. Receipt of the list and checks shall be verified by signature on the list by the Fiscal Office.
6. OHEP Position 4 (program specialist) reviews the DAFR 7200 – Daily Revenue/Receipts Transaction Register to verify that the checks listed on the check log were deposited.

Response to b.

OHEP will ensure that cash receipts are forwarded to the Office for deposit in a timely manner in accordance with the Comptroller of Maryland's *Accounting Procedures Manual*.

Response to c.

OHEP will issue refund procedure instructions to all energy suppliers requiring that refund checks and the list of customers for whom the refund is being sent be sent independently of each other. This ensures that all checks issued by the company are received.

Temporary Disability Assistance Program

Finding 7

FIA did not have a process to ensure that extended benefits were only paid to qualified recipients.

Recommendation 7

We recommend that FIA

- a. in the future, ensure that local departments of social services provide extended TDAP benefits only to recipients who are continuing to pursue specified federal benefits as required, have not had their application for those benefits withdrawn or finally denied, and are not already receiving such benefits;**
- b. verify, at least on a test basis, the propriety of extended benefits already paid; and**
- c. investigate and take any appropriate action, such as recoupment of funds, regarding cases in which benefits were improperly paid, including the specific cases noted above.**

General Response

As noted in the Department's response to Finding 1, we are always looking at our processes to make them better. While the occasional case error may slip by our review process, we consider our current processes to be compliant with State regulations and consistent with good case management practices. FIA respectfully disagrees with the auditors' conclusion that it did not have a process in place to review long-term TDAP cases to determine if the recipients continued their pursuit of federal disability benefits. However, we consider the examples provided by OLA to be useful in the continual review and evolution of our management practices.⁵

Response to a. and b.

FIA has already undertaken a regular review of TDAP cases via various systems matches and queries followed by a manual review completed by FIA central staff. In addition, conditions for continued eligibility require that customers have an eligibility review or redetermination in the local Department of Social Services at least once every twelve months if the need for TDAP assistance continues after the initial certification. At that time, case managers review the customer's pursuit of federal benefits through the interview with the customer and use of various system matches such as the State Data Exchange (SDX) and the recently implemented Social Security electronic system, e-IAR. SSA sends the State information via SDX for Supplemental Security Income (SSI) customers. The LDSS staff review the Accretions and Deletions List in SDX that alerts them when to establish or terminate Medicaid eligibility for SSI customers. Only TDAP customers with a disability expected to last 12 months or more or result in the individuals death if less than 12 months are required to apply for SSI. If the customer is determined eligible for SSI, they appear on the Accretions List.

As an ongoing review process, FIA central office staffers are detailed to review TDAP cases every month.

⁵**Auditor's Comment:** We acknowledge that, as stated in the response, an occasional case error may occur. However, the finding notes that, for 3 of the 20 cases reviewed, erroneous payments had continued for an extended period. Thus, we continue to believe that FIA's process was insufficient.

Response to c.

FIA staff immediately acted upon each of the three cases which were brought to FIA's attention as follows:

- Central staff immediately referred one case to the DHR Office of the Inspector General (OIG). OIG reviewed and investigated case for appropriate action and recovery. FIA confirmed that OIG staff initiated appropriate recovery action on the case.
- Central staff closed both of the other cases brought to FIA's attention. Central notified the appropriate LDSS staff that overpayment recovery actions were necessary. Central office staff will closely monitor these two cases to ensure an appropriate outcome.

Contract Monitoring

Finding 8

FIA lacked adequate documentation that to support the propriety and completeness of costs billed and deliverables received for certain contracts.

Recommendation 8

We recommend that FIA

- a. obtain adequate documentation, such as time/payroll records and third party invoices to verify the accuracy and propriety of all contract billings (repeat); and**
- b. adequately conduct and document site visits and other procedures required to monitor and evaluate contract deliverables.**

Response to a.

We consider the changes made by the Family Investment Administration in its contract project management practices in recent years to be compliant with relevant federal regulations and OMB circulars. Therefore, we respectfully disagree, particularly on the contracts with the University of Maryland system. Monitoring site visits occurred and billings and deliverables were adequately monitored. While we acknowledge that all documentation was not available at the time of the auditors visit, FIA has since confirmed that staff did make site visits to contractor work sites and documentation, such as time/payroll records and third party invoices were obtained. Going forward, the FIA Bureau of Local Operations (BOLO) staff will conduct quarterly, on-site visits to review documentation for randomly selected line items from contractor invoices submitted. Documentation of the materials reviewed will be retained.

As of September 2010, FIA began monitoring activities (via US postal mail, e-mail, telephone, and site visits), including (1) notifying contractors regarding deliverables, (2) ensuring that contract deliverables are received and (3) ensuring that receipt of deliverables is properly and adequately documented (for example, retaining a copy of the deliverable and recording receipt of the deliverable in the Department of Human Resources Contract Monitoring Report). In closing our response to this part of the recommendation, we want to note that we respect the work done by OLA and will keep its concerns in mind in the future.⁶

Response to b.

We agree that improvements could be made to the monitoring of local departments' work program contracts. FIA's BOLO staff will strengthen our monitoring process by conducting annual visits to local departments to evaluate local efforts to monitor Family Investment Program

⁶**Auditor's Comment:** While the response indicates disagreement, it also acknowledges that all documentation was not available at the time of our review. FIA management must obtain such documentation in order to be able to adequately monitor contract management practices and account for related costs. The response generally indicates that the recommendation will be implemented.

(FIP) work program contracts that are in excess of \$25,000. These steps will add to on-going efforts that include FIP Plan review and approval, sign-off on all work program contracts in excess of \$25,000, and continued utilization of VendorStat. VendorStat is a web-enabled reporting system that supports monthly and quarterly local department expenditure and performance reporting. Simply put, it highlights vendors' expenditures in relation to the achieved contractual goals.

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