

Audit Report

**Department of Human Resources
Family Investment Administration**

November 2007



OFFICE OF LEGISLATIVE AUDITS
DEPARTMENT OF LEGISLATIVE SERVICES
MARYLAND GENERAL ASSEMBLY

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Karl S. Aro
Executive Director

DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

Bruce A. Myers, CPA
Legislative Auditor

November 30, 2007

Delegate Steven J. DeBoy, Sr., Co-Chair, Joint Audit Committee
Senator Nathaniel J. McFadden, 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 for the period beginning August 11, 2003 and ending March 31, 2007.

Our audit disclosed a number of deficiencies in FIA's monitoring of its public assistance programs. For example, computer matches designed to detect ineligible recipients (such as by comparing Maryland's recipients to recipients in other states) were not performed for extended periods. Furthermore, when the matches were performed, due to limitations in the computer program used, the vast majority of public assistance recipients were excluded from the matches. We determined that approximately 52,000 individuals who received public assistance benefits during 2006 lacked valid social security numbers. Recipients are required by federal and state law to disclose their social security numbers; without valid social security numbers, certain eligibility procedures (such as matches with State wage records) are ineffective. FIA made assistance payments totaling \$488 million during fiscal year 2007, primarily for temporary cash assistance and food stamps.

Our audit also disclosed that access to the computer system used to award and process public assistance benefits was not adequate as employees could modify recipient benefits without approval. Finally, we noted that several contracts were not sufficiently monitored to ensure that contractor billings were based upon contractor costs and to ensure that all services paid for were received.

Respectfully submitted,

Bruce A. Myers, CPA
Legislative Auditor

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Executive Summary

**Legislative Audit Report on the
Department of Human Resources
Family Investment Administration (FIA)
November 2007**

- **Periodic computer matches, intended to detect ineligible public assistance recipients, were not performed for periods ranging from nine months to several years. Moreover, when performed, more than 90 percent of recipients were excluded from the matches due to software limitations. Assistance payments totaled \$488 million during fiscal year 2007.**

FIA should ensure that the computer matches are performed quarterly as requested, and include all public assistance recipients. FIA should also ensure that the results are promptly investigated and resolved.

- **The computer system used to process benefits had missing or invalid social security numbers for approximately 52,000 public assistance recipients. Social security numbers are used to assist in the eligibility determination process by comparing wages reported by recipients to wages reported to the Department of Labor, Licensing and Regulation, and are required by both federal and State regulations.**

FIA should investigate and resolve the missing and invalid social security numbers identified during the audit and should require all public assistance recipients to have valid social security numbers within a certain period (such as six months) of applying for benefits.

- **Access to the computer system used to process benefits was not sufficiently restricted. For example, our test of 30 users disclosed 6 users who could modify data affecting recipient benefits without independent approval.**

System access should be changed so that all critical benefit data recorded or modified is subject to independent online approval.

- **Adequate procedures were not in place to ensure that qualifying disabled public assistance customers were referred to the Disability Entitlement Advocacy Program (DEAP) to apply for federal benefits, such as**

Supplemental Security Income (SSI). Each eventual transfer from public assistance to these federal programs represents a savings to the State since these benefits are entirely federally-funded; FIA estimated that the annual savings for fiscal year 2006 were \$5,000 for each individual transferred.

Adequate procedures should be established to ensure that all eligible customers are referred to DEAP.

- **Certain contractor billings were not adequately monitored to ensure that all services were provided and that the billings were based upon contractor costs. For example, FIA did not verify that billings, from the contractor who administers DEAP for FIA, reflected actual individuals that had applied for federal benefits. This contractor was paid \$5.1 million for calendar year 2006.**

FIA should independently verify contractor billings, as appropriate, and any overpayments should be investigated and recouped from these contractors.

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 (LDSSs). The two major programs FIA administers are the Temporary Cash Assistance (TCA) Program, which is funded by both general and federal funds, and the federal Food Stamp Program, which is entirely federally-funded. FIA is also responsible for recording certain data in DHR's automated benefits system, the Clients' Automated Resources and Eligibility System (CARES). In addition to TCA and food stamp recipient and benefit data, CARES includes data for several smaller assistance programs, as well as a database of Medicaid recipients.¹ CARES includes Medicaid recipient data because most Medicaid recipients originally apply for those benefits at an LDSS, where the eligibility determination is made. As of June 30, 2007, CARES included more than 800,000 recipient records, including 672,000 for Medicaid, 320,000 for food stamps, 50,000 for TCA, and 12,000 in other assistance programs.²

The TCA program was established as a result of federal and State legislation that restructured Maryland's welfare system from an entitlement program to a program that promotes individual responsibility and self-sufficiency. According to FIA statistical reports, as of December 2006, the TCA caseload was approximately 50,000 recipients, representing a decrease of twenty-nine percent since June 30, 2003.

According to DHR financial reports, assistance payments totaled \$488 million during fiscal year 2007, the majority of which was funded from federal sources. The payments were primarily for the TCA program (\$105 million) and the federal Food Stamp Program (\$334 million).

¹ Note that the official benefit information for Medicaid is maintained by the Department of Health and Mental Hygiene (DHMH) on its separate automated benefits systems (MMIS II), which is subject to audit during the OLA audit of the DHMH – Medical Care Programs Administration. However, the information recorded in CARES for Medicaid recipients serves a key role, as CARES-based eligibility data are the basis for similar information on MMIS II.

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

Current Status of Findings From Preceding Audit Report

Our audit included a review to determine the current status of the 11 findings contained in our preceding audit report dated March 9, 2005. We determined that FIA satisfactorily addressed 10 of these findings. The remaining finding related to an issue at a single local department of social services, and will be addressed during our audit of DHR – Local Department Operations.

Findings and Recommendations

Computer Matches

Finding 1

Computer matches identifying ineligible recipients were not consistently performed.

Analysis

FIA did not ensure that computer matches conducted to detect ineligible recipients in programs administered by FIA were performed by the Department of Human Resources' (DHR) Office of the Inspector General (OIG). The OIG and FIA entered into an agreement, dated October 22, 2002, whereby the OIG would perform certain quarterly computer matches, in accordance with federal guidelines, and would disseminate the resulting lists of potentially ineligible recipients to the local departments of social services (LDSSs) for investigation and resolution. The computer matches required by the agreement are used by the LDSSs and FIA to identify individuals who had failed to report certain eligibility information that may have resulted in assistance overpayments, such as individuals who did not report concurrent receipt of public assistance benefits in multiple states.

The agreement requires the OIG to conduct 12 different matches each quarter; however, our review disclosed that, 8 of the required computer matches had not been conducted as required. Specifically, 4 of these matches, including a comparison of recipients to certain active and retired federal employee records, had not been performed at all during our audit period, while the other 4 matches (including a comparison of recipients to neighboring states' recipients) had not been performed for 9 to 14 months as of March 2007. The failure to perform computer matches significantly increases the risk that ineligible individuals may receive public assistance benefits, including Medicaid.

Recommendation 1

We recommend that FIA, in conjunction with the OIG, institute a monitoring process to ensure that all computer matches are performed at the required intervals. The results should be distributed to the LDSSs for investigation and resolution.

Finding 2**FIA did not detect that computer matches performed by the OIG improperly excluded about 92 percent of the active recipients.****Analysis**

Our review of computer matches performed for FIA by the OIG during calendar year 2006 disclosed that only approximately 65,000 of the 800,000 active recipients within DHR’s Clients’ Automated Resources and Eligibility System (CARES) were included in each match – representing an omission of about 92 percent of the recipient population. The omission of recipients from the matches occurred because the software used during the matches could only accommodate 65,536 recipients. Consequently, the effectiveness of a significant procedure used to detect ineligible recipients was severely limited. The OIG advised us that the same computer match procedures have been used since July 2003.

FIA was not aware of the omission of recipients from the matches until we brought this matter to its attention. Because the software limitation was relatively easy to resolve, we requested the OIG to rerun three significant computer matches from November 2006 using all of the CARES recipient records to ascertain how many more “alerts” (that is, recipients who may be improperly receiving payments) would be identified as a result of the expanded matches. For example, we requested the OIG to rerun the match of recipients within CARES to records from the Maryland State Bureau of Vital Statistics; this match is used to detect benefits paid to deceased individuals. The chart below summarizes the results of the OIG’s expanded match using all recipients; we verified that the alerts resulting from the rerun matches were valid.

Match Type (Individuals from these sources were recorded on CARES as receiving assistance in November 2006.)	November 2006 Computer Match Alerts	
	Original Match Run By OIG	Full Match Rerun By OIG On June 20, 2007
Baltimore City Detention Center – Inmates	16	310
Department of Corrections – Inmates	27	398
Bureau of Vital Statistics – Deaths	86	1,823
Total	129	2,531

Total Number of Records Used in Match	65,536	812,048
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Recommendation 2

We recommend that FIA, in conjunction with the OIG, ensure that all CARES records of active recipients are used in the matches performed. We also recommend that FIA investigate the alerts identified in the June 2007 matches and take appropriate action.

Public Assistance Recipient Eligibility

Finding 3

Approximately 52,000 recipients with missing or invalid social security numbers received public assistance during calendar year 2006, potentially resulting in improper benefit payments.

Analysis

Our review disclosed that approximately 52,000 of the 887,000 recipients that received public assistance benefits at any time during calendar year 2006 had missing or invalid social security numbers (SSNs) in CARES. For 47,000 of these recipients, no SSNs were recorded in CARES. To identify recipients with invalid SSNs, we compared the remaining 840,000 recipients' SSNs recorded in CARES with a SSN validation program that we obtained from another state; this comparison disclosed that, for 5,000 recipients, the SSNs either had not been issued by the federal Social Security Administration (SSA) as of the date of our testing, or were issued prior to the corresponding recipients' birth dates. Many of these recipients had missing or invalid SSNs for eligibility periods exceeding six months. We did not independently confirm these invalid social security numbers with the SSA. FIA officials advised us that the aforementioned 52,000 recipients included approximately 13,000 recipients participating in assistance programs administered by local health departments and, therefore, were the responsibility of DHMH.

Both federal and State regulations require the disclosure of SSNs by the recipients during the benefits eligibility determination process. If a recipient does not have a SSN, State regulations allow the recipient to provide evidence that one has been applied for in order to receive benefits. FIA officials advised us that recipients should almost always have received SSNs within six months of initially applying for them; however, FIA generally did not follow up on missing SSNs until the recipients' benefit recertification dates, which could occur up to two years after initial eligibility determinations.

We noted several missed opportunities that should be used to identify missing or invalid SSNs. Specifically, the real-time verification of each applicant's SSN

with the SSA's database occurs during the benefit application process; however, if no SSN is provided, this key control is bypassed. Additionally, although a monthly automated comparison of certain active recipients' SSNs recorded in CARES with SSA's database was performed, FIA did not investigate the resulting invalid numbers.

As part of the benefit eligibility determination process, SSNs are matched with certain wage records to help determine eligibility for various entitlement and benefit programs administered by DHR and DHMH (for example, Medicaid – see footnote 1 on page 7). Inaccuracies in SSNs may inhibit the verification of applicants' reported wage data, as recorded in CARES, and the ability to successfully perform the various computer matches referred to in Findings 1 and 2. Although CARES data were not in a format that would readily enable potential payments made by FIA to these applicants to be quantified, FIA advised us that the majority of recipients in CARES receive Medicaid benefits. According to DHMH records, Medicaid claims paid in fiscal year 2006 averaged approximately \$3,600 in general funds per recipient; any benefit payments made by FIA would increase the amount paid to recipients.

Recommendation 3

We recommend that FIA promptly investigate and resolve the missing or invalid SSNs, including those for the aforementioned recipients. Specifically, we recommend that FIA investigate and resolve invalid SSNs identified during the real-time verification process and the monthly automated comparison. We further recommend that FIA establish a requirement that recipients who do not provide valid SSNs within a certain period (for example, within six months of being entered in CARES) without a valid, documented justification, be considered ineligible for benefits. Finally, FIA should implement a process to address those missing SSNs that relate to programs that are the responsibility of DHMH.

Computer Security

Finding 4

Access to CARES was not sufficiently restricted for certain users and such access could result in unauthorized benefit payments.

Analysis

Access to CARES was not sufficiently restricted. Our test of 30 personnel (including current and former FIA employees and other DHR unit employees) with active CARES userids as of April 30, 2007 disclosed that 6 had the

capability to modify data on CARES that affect existing recipients' benefits (for example, increase their benefits) without obtaining independent approvals. Furthermore, 3 of these 6 userids could also initiate and process critical transactions without independent online approval, including establishing a new recipient online and authorizing the issuance of benefits. Consequently, unauthorized transactions could be processed without detection.

Computer security access reports also indicated that 3 of the 30 individuals had userids on CARES that were listed as active for periods ranging from six months to approximately four years after employment termination or changes in job responsibilities that no longer required them to have CARES access. In addition, 1 of these 3 userids had the capability within CARES to establish new recipients and to issue benefit payments without detection as noted above.

As of March 28, 2007, 80 personnel had userids in CARES, according to DHR records.

Recommendation 4

We recommend that FIA modify CARES access so that all critical data recorded and modified in CARES is subject to independent online approval. We also recommend that FIA revoke userids as soon as employees terminate their employment or, because of changes in job duties, no longer need CARES access.

Disability Entitlement Advocacy Program (DEAP)

Background

The Disability Entitlement Advocacy Program (DEAP) assists certain disabled public assistance recipients in applying for federal Supplemental Security Income (SSI) and Social Security Disability Income (SSDI). By securing federal benefits, State funds are saved which would otherwise be spent to maintain recipients in various assistance programs, such as TCA and foster care. If federal benefits are secured, the State is to receive reimbursement for the State's share of recipient benefits paid out during the related application periods. A private contractor administers DEAP for FIA.

When individuals initially apply for benefits at a local department of social services (LDSS), the LDSS will refer them to the DEAP contractor if the LDSS believes they will qualify for federal benefits (SSI or SSDI). The contractor is then responsible for assisting these individuals in completing the necessary application for federal benefits. FIA and the individual applicants are

subsequently notified by the federal government of any SSI or SSDI benefits that will be issued. In addition, the DEAP contractor reviews FIA records monthly to identify public assistance recipients for whom it has not previously received referrals and who are potentially eligible for SSI or SSDI. The contractor provides a list of those recipients to FIA, which in turn provides the list of recipients to the LDSSs for review to determine potential eligibility for federal benefits. The LDSSs are responsible for subsequently referring those recipients deemed eligible for benefits back to the contractor to initiate and complete the application process.

The current DEAP contract was approved by the Board of Public Works on November 2, 2005, for a maximum amount of approximately \$14.8 million for a one-year term beginning January 1, 2006, including the two one-year renewal options. On October 1, 2006, a contract modification increased the total contract amount to approximately \$18.5 million. The contract terms stipulate that the contractor is entitled to receive a fixed fee for each disabled recipient it assists in applying for benefits, regardless of whether benefits are approved. During calendar year 2006, payments to the contractor totaled \$5.1 million. According to the contractor's status report, during fiscal year 2006, it received 9,171 customer referrals and obtained federal benefits for 2,566 customers.

Finding 5

Adequate procedures were not in place to ensure that qualifying disabled individuals currently receiving public assistance were referred to DEAP by the LDSSs to determine potential eligibility for federal benefits.

Analysis

FIA lacked assurance that individuals who were currently receiving public assistance and who were later identified by the DEAP contractor as potentially eligible for SSI or SSDI, were referred to the DEAP contractor by the LDSSs, as required. State regulations require that individuals with disabilities lasting 12 months or longer be referred for determination of potential eligibility for these federal benefits. As previously mentioned, the DEAP contractor provided FIA with monthly reports of current public assistance recipients, for whom it had not previously received referrals, and who were potentially eligible for SSI or SSDI. While FIA forwarded the contractor's monthly reports to the LDSSs, it did not ensure that the LDSSs appropriately investigated the potential SSI or SSDI recipients and made the necessary referrals or otherwise accounted for the resolution of these individuals identified. Each eventual transfer from public assistance to federal SSI or SSDI represents a real savings to the State since these benefits are entirely federally-funded.

According to FIA's estimates, the average annual savings to the State for a recipient who became eligible for federal SSI or SSDI was approximately \$5,000 in fiscal year 2006.

Recommendation 5

We recommend that FIA ensure that eligible recipients are referred to DEAP as required. Specifically, we recommend that FIA obtain periodic status reports from the LDSSs documenting which potentially eligible recipients identified by the contractor were referred to DEAP. We further recommend that these LDSSs listings be compared to the contractor lists by FIA and that explanations be provided by the LDSSs for any recipients not referred.

Finding 6

FIA did not verify that the services billed by the contractor were actually provided and did not approve 11 subcontractors as required by the contract.

Analysis

Our audit disclosed that FIA did not verify the propriety of the DEAP contractor billings to ensure the propriety of the services billed and did not approve 11 subcontractors hired by the contractor. Specifically, our review disclosed the following conditions:

- The contractor's monthly billings were accompanied by detailed listings containing each recipient it claimed to have assisted in applying for federal SSI or SSDI. However, FIA did not verify, either with the federal Social Security Administration or by reviewing the contractor's records, that these recipients had actually applied for those benefits. The contract terms stipulate that the contractor is entitled to receive a fixed fee for each disabled recipient it assists in applying for benefits regardless of whether benefits are approved.
- The contractor subcontracted with 11 minority business enterprise vendors to assist in providing services under the DEAP contract; however, the required FIA approval was not obtained. According to the terms of the contract, the contractor is not permitted to subcontract any services without obtaining prior written approval of FIA. During the period from January 2006 through June 2007, the contractor paid these 11 subcontractors approximately \$846,000 (out of total DEAP contract payments of \$7.3 million).

Recommendation 6

We recommend that FIA independently verify, at least on a test basis, that recipients listed in the contractor's billings had applied for benefits under DEAP, and that the verifications be documented. We also recommend that FIA approve DEAP subcontractors in accordance with the related contract.

Contract Monitoring

Finding 7

FIA did not adequately verify billings related to State agency contracts.

Analysis

Our audit disclosed that FIA did not adequately monitor certain State agency contracts to ensure that amounts billed were based upon actual costs, as required. We noted the following conditions:

- Although the project manager informed us that direct labor charges billed to FIA relating to its welfare research and reporting contract with a State university were compared with the university's supporting documents, the project manager was unable to provide us with the details (such as payroll records and subcontractor invoices) of the specific transactions reviewed. Under the terms of the contract, payments to the university were to be based on the actual time and materials expended by the university (or its subcontractor). Payments to the university from inception of this contract on March 1, 2006 through June 30, 2007 totaled \$1.7 million.
- Although required by the agreement, itemized details of staffing and payroll costs for addiction specialists related to a substance abuse treatment contract with a Department of Health and Mental Hygiene (DHMH) agency were not included with the agency's annual billings to FIA. DHMH submitted an annual budget summarizing costs for addiction specialists to conduct substance abuse screening, testing, and assessments at all 24 LDSSs. DHMH billed at or near the maximum allowable amounts in fiscal years 2005 and 2006, which FIA paid in full even though the required detailed documentation was not provided. Furthermore, although 18 LDSSs only had one specialist on site, the remaining 6 had multiple specialists for which FIA did not review the related workload (such as the number of drug screenings performed) to determine the appropriateness of the staffing levels and the reasonableness of the costs. Payments to DHMH during fiscal years 2005 and 2006 totaled \$3.3

million and \$3.4 million, respectively. During fiscal year 2006, \$2.6 million of the \$3.4 million in payments to DHMH applied to the six LDSSs with multiple specialists.

Since the aforementioned contracts were awarded as interagency agreements, they were not subject to competitive procurement under State procurement regulations.

Recommendation 7

We recommend that FIA ensure the propriety of billed costs on State agency contracts and document the transactions verified. Specifically, we recommend that FIA obtain and review related documentation (for example, payroll records supporting the salaries and fringe benefits of those individuals providing the services under the contracts) to substantiate significant amounts billed. We also recommend that, for the substance abuse contract, FIA obtain the required staffing and payroll cost details and monitor the level of effort provided by DHMH to gauge the appropriateness of DHMH-provided staffing levels.

Audit Scope, Objectives, and Methodology

We have audited the Family Investment Administration (FIA) of the Department of Human Resources for the period beginning August 11, 2003 and ending March 31, 2007. The audit was conducted in accordance with generally accepted government auditing standards.

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 current status of the findings contained in our preceding audit report.

In planning and conducting our audit, we focused on the major financial-related areas of operations based on assessments of materiality and risk. 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 the Department of Human Resources – 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, we did not audit FIA's federal financial assistance programs for compliance with federal laws and regulations because the State of Maryland engages an independent accounting firm to annually audit such programs administered by State agencies.

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 the Department of Human Resources, 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 the Department 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

Brenda Donald
Secretary

November 26, 2007

Mr. Bruce A. Myers, CPA
Department of Legislative Services
Office of Legislative Audits
Maryland General Assembly
301 West Preston Street – Room 1202
Baltimore, MD 21201

Dear Mr. Myers:

Attached for your review, are the Family Investment Administration's responses to the Audit Report for the period beginning of August 11, 2003 through March 31, 2007.

If you have any questions or wish to discuss the responses, please contact me at 410-767-7109. Thank you.

Sincerely,

A handwritten signature in black ink, appearing to read 'Brenda Donald'. The signature is fluid and cursive.

Brenda Donald
Secretary

Enclosure

cc: Winifred Wilson
Brian Wilbon
Kevin M. McGuire

Agency Response

Computer Matches

Finding 1

Computer matches identifying ineligible recipients were not consistently performed.

Recommendation 1

We recommend that FIA, in conjunction with the OIG, institute a monitoring process to ensure that all computer matches are performed at the required intervals. The results should be distributed to the LDSSs for investigation and resolution.

Departmental Response

We concur that the process needs improvement. The Family Investment Administration (FIA) and The Office of Inspector General (OIG) have worked together to establish the procedures below.

On July 30, 2007, FIA issued revised standard operating procedures detailing the respective responsibilities of both FIA and the OIG to ensure local departments process all alerts, computer matches and required follow up on fraud investigations in a timely manner. The procedures established a monitoring process to ensure matches are performed on a regular schedule. The OIG has developed an on-line Computer Match Production Website on DHRNet, which will facilitate the monitoring process. In addition, both FIA and OIG will be notified by OTHS as match source data becomes available for production. FIA staff will then go online and verify computer match production via DHRNet. Instructions for this process were provided in a memo from OIG to FIA dated August 9, 2007.

Finding 2

FIA did not detect that computer matches performed by the OIG improperly excluded about 92 percent of the active recipients.

Recommendation 2

We recommend that FIA, in conjunction with the OIG, ensure that all CARES records of active recipients are used in the matches performed. We also recommend that FIA investigate the alerts identified in the June 2007 matches and take appropriate action.

Departmental Response

We concur that the process needs improvement.

The OIG has notified FIA that they have instituted computer storage/transfer capacity procedures to ensure that all of the appropriate cases are matched. The OIG has taken additional steps using another software program that allows a larger storage/ transfer capacity, which should resolve the issue of incomplete matches cited above. As discussed at the exit conference, the detention center and corrections matches are too time sensitive for current distribution. The death match has been distributed to local departments and we will ensure follow-up as required.

Public Assistance Recipient Eligibility

Finding 3

Approximately 52,000 recipients with missing or invalid social security numbers received public assistance during calendar year 2006, potentially resulting in improper benefit payments.

Recommendation 3

We recommend that FIA promptly investigate and resolve the missing or invalid SSNs, including those for the aforementioned recipients. Specifically, we recommend that FIA investigate and resolve invalid SSNs identified during the real-time verification process and the monthly automated comparison. We further recommend that FIA establish a requirement that recipients who do not provide valid SSNs within a certain period (for example, within six months of being entered in CARES) without a valid, documented justification, be considered ineligible for benefits. Finally, FIA should implement a process to address those missing SSNs that relate to programs that are the responsibility of DHMH.

Departmental Response

We concur that this issue needs immediate attention. Several system fixes are in progress. Currently an Ad-hoc query is produced of all individuals receiving Medical Assistance (MA) that do not have an SSN or have an invalid SSN. This Ad-hoc report will now be put into regular production and distributed statewide to both local health departments (LHDs) and local departments of social services (LDSSs). FIA will monitor the report to ensure all missing or invalid social security numbers are resolved.

FIA will develop a report of all categories of assistance other than MA where a recipient has no SSN or an invalid SSN to be distributed to the LHDs and LDSSs. FIA will monitor this report to ensure all missing or invalid social security numbers are resolved.

In addition, a work request was written on 9/20/07 to have two alert codes activated. A report will be produced after these alerts are activated that will identify Assistance Units (AUs) with these alert codes for monitoring purposes by the local departments and FIA. Another work request will ensure that CARES will not accept the same SSN for two different individuals when one is federally verified was also initiated on 9/20/07.

FIA policy requires that if an individual in a case does not have an SSN at application or has an invalid SSN, he or she must provide the correct SSN by the first recertification. If no SSN is provided, the individual is removed from the assistance unit.

Computer Security

Finding 4

Access to CARES was not sufficiently restricted for certain users and such access could result in unauthorized benefit payments.

Recommendation 4

We recommend that FIA modify CARES access so that all critical data recorded and modified in CARES is subject to independent online approval. We also recommend that FIA revoke userids as soon as employees terminate their employment or, because of changes in job duties, no longer need CARES access.

Departmental Response:

FIA's security monitor is in the process of deleting a task (either Screening or Finalization) from the security profile of all FIA users with universal access (unit type 99). This will eliminate the ability of unit type 99 users from both initiating and finalizing a benefit without approval. FIA will notify OTHS when a central FIA employee terminates his or her employment requesting that they end CARES access immediately for that employee.

Disability Entitlement Advocacy Program (DEAP)

Background

The Disability Entitlement Advocacy Program (DEAP) assists certain disabled public assistance recipients in applying for federal Supplemental Security Income (SSI) and Social Security Disability Income (SSDI). By securing federal benefits, State funds are saved which would otherwise be spent to maintain recipients in various assistance programs, such as TCA and foster care. If federal benefits are secured, the State is to receive reimbursement for the State's share of recipient benefits paid out during the related application periods. A private contractor administers DEAP for FIA.

When individuals initially apply for benefits at a local department of social services (LDSS), the LDSS will refer them to the DEAP contractor if the LDSS believes they will qualify for federal benefits (SSI or SSDI). The contractor is then responsible for assisting these individuals in completing the necessary application for federal benefits. FIA and the individual applicants are subsequently notified by the federal government of any SSI or SSDI benefits that will be issued. In addition, the DEAP contractor reviews FIA records monthly to identify public assistance recipients for whom it has not previously received referrals and who are potentially eligible for SSI or SSDI. The contractor provides a list of those recipients to FIA, which in turn provides the list of recipients to the LDSSs for review to determine potential eligibility for federal benefits. The LDSSs are responsible for subsequently referring those recipients deemed eligible for benefits back to the contractor to initiate and complete the application process.

The current DEAP contract was approved by the Board of Public Works on November 2, 2005, for a maximum amount of approximately \$14.8 million for a one-year term beginning January 1, 2006, including the two one-year renewal options. On October 1, 2006, a contract modification increased the total contract amount to approximately \$18.5 million. The contract terms stipulate that the contractor is entitled to receive a fixed fee for each disabled recipient it assists in applying for benefits, regardless of whether benefits are approved. During calendar year 2006, payments to the contractor totaled \$5.1 million. According to the contractor's status report, during fiscal year 2006, it received 9,171 customer referrals and obtained federal benefits for 2,566 customers.

Department Comments

FIA submits the following modifications to the Background statements above in paragraph 3 as a clarification (in italics) of the information within:

The current DEAP contract was approved by the Board of Public Works on November 2, 2005, for a maximum amount of approximately *\$14.9 million for a base year and two one-year renewal options* beginning January 1, 2006. On October 1,

2006, a contract modification *in the amount of \$3.7 million* increased the total contract amount to approximately *\$18.6 million*.

Finding 5

Adequate procedures were not in place to ensure that qualifying disabled individuals currently receiving public assistance were referred to DEAP by the LDSSs to determine potential eligibility for federal benefits.

Recommendation 5

We recommend that FIA ensure that eligible recipients are referred to DEAP as required. Specifically, we recommend that FIA obtain periodic status reports from the LDSSs documenting which potentially eligible recipients identified by the contractor were referred to DEAP. We further recommend that these LDSSs listings be compared to the contractor lists by FIA and that explanations be provided by the LDSSs for any recipients not referred.

Department Response

FIA will continue to send the DEAP monthly report to local departments for any recipients not referred. FIA will request back annotated copies of this report from the local departments, which will indicate the date the referral was made, or an explanation of why the recipient was not referred. FIA will verify via the DEAP contractor that the referral was made.

Finding 6

FIA did not verify that the services billed by the contractor were actually provided and did not approve 11 subcontractors as required by the contract.

Analysis

Our audit disclosed that FIA did not verify the propriety of the DEAP contractor billings to ensure the propriety of the services billed and did not approve 11 subcontractors hired by the contractor. Specifically, our review disclosed the following conditions:

- The contractor's monthly billings were accompanied by detailed listings containing each recipient it claimed to have assisted in applying for federal SSI or SSDI. However, FIA did not verify, either with the federal Social Security Administration or by reviewing the contractor's records, that these recipients had actually applied for those benefits. The contract terms stipulate that the contractor is entitled to receive a fixed fee for each disabled recipient it assists in applying for benefits regardless of whether benefits are approved.
- The contractor subcontracted with 11 minority business enterprise vendors to assist in providing services under the DEAP contract; however, the required FIA approval was not obtained. According to the terms of the contract, the contractor is not permitted to subcontract any services without obtaining prior written approval of FIA. During the period from January 2006 through June 2007, the contractor paid these 11 subcontractors approximately \$846,000 (out of total DEAP contract payments of \$7.3 million).

Recommendation 6

We recommend that FIA independently verify, at least on a test basis, that recipients listed in the contractor's billings had applied for benefits under DEAP, and that the verifications be documented. We also recommend that FIA approve DEAP subcontractors in accordance with the related contract.

Departmental Clarification

FIA submits the following clarification regarding information stated in the Analysis under Finding 6 above: FIA cannot accurately document by way of the Social Security Administration's automated systems that recipients of State funds actually applied to Social Security for federal benefits because the Social Security Administration does not record application information in its database in a timely and accurate manner.

Departmental Response

- FIA initiated a process that was implemented effective November 1, 2007 to independently review the contractor's records and verify that the recipients selected for review have in fact applied for SSI or SSDI benefits. Reviews are selected from a

sub-sample of the contractor's lists of most recently billed cases. The process will be evaluated and modified as needed.

- On September 27, 2007 FIA sent a letter to the DEAP contractor, Health Management Associates (HMA), instructing them to obtain approval in writing from FIA before engaging subcontractors.

Contract Monitoring

Finding 7

FIA did not adequately verify billings related to State Agency Contracts.

Recommendation 7

We recommend that FIA ensure the propriety of billed costs on State agency contracts and document the transactions verified. Specifically, we recommend FIA obtain and review related documentation (for example, payroll records supporting the salaries and fringe benefits of those individuals providing the services under the contracts) to substantiate significant amounts billed. We also recommend that, for the substance abuse contract, FIA obtain the required staffing and payroll cost details and monitor the level of effort provided by DHMH to gauge the appropriateness of DHMH-provided staffing levels.

Response:

The Family Investment Administration monitors State University contracts on a quarterly basis in compliance with two preceding audit recommendations. During the monitoring visit, time and attendance records, expenditures and allocated direct expense records are physically seen. We annotate our review of documentation or expenditures in the monitoring report narrative.

During the last two visits with the University of Maryland, School of Social Work we have refined our monitoring to include comprehensive documentation of randomly selected topics such as publication purchases or training travel expenditures in a given month. This methodology will be included in all subsequent university visits.

At each quarterly university site visit, in addition to annotation to the monitoring report of all items physically seen by the project manager, three items, one charge from each invoice processed during the three month period under review, will be randomly selected by the project manager for comprehensive documentation collection. The three items will not be disclosed until the day of the monitoring visit. This will ensure that the information received for review is not altered or manipulated in any way.

Comprehensive supporting documentation will be collected and retained in the monitoring report for the three specialized items that will then be available for review by the legislative auditors if needed.

The current Substance Abuse Treatment and Services (SATS) Memorandum of Agreement (contract) ends on June 30, 2008. FIA is currently drafting a new contract for three years from FY 2009 through FY 2011. This contract will have language that specifies FIA will only pay for positions that are filled. It will also have a required monitoring component (currently in development) that will allow us to receive information about the status of any vacancies that occur to gauge the adequacy of staffing levels, as well as other information about performance outcomes for the program. The

monitoring plan will require a periodic review of the appropriateness of staffing levels and the reasonableness of cost. The new contract will spell out the details for billing that FIA will require before payments are made.

FIA will continue to monitor and will develop procedures to obtain supporting documentation under the current SATS contract.

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