

Audit Report

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**Department of Human Services  
Family Investment Administration**

March 2019

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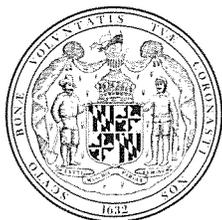
**OFFICE OF LEGISLATIVE AUDITS  
DEPARTMENT OF LEGISLATIVE SERVICES  
MARYLAND GENERAL ASSEMBLY**

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DEPARTMENT OF LEGISLATIVE SERVICES  
OFFICE OF LEGISLATIVE AUDITS  
MARYLAND GENERAL ASSEMBLY

March 21, 2019

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Members of Joint Audit Committee  
Annapolis, Maryland

Ladies and Gentlemen:

We have conducted a fiscal compliance audit of the Department of Human Services (DHS) – Family Investment Administration (FIA) for the period beginning November 25, 2013 and ending April 30, 2017. FIA oversees a number of public assistance programs that are administered statewide by the 24 local departments of social services (LDSSs). These programs include the Temporary Cash Assistance (TCA) and the home energy assistance programs, which are State and federally funded, and the Supplemental Nutrition Assistance Program, which is entirely federally funded. According to DHS' records, payments made during fiscal year 2017 for programs under FIA's oversight totaled approximately \$1.3 billion.

Our audit disclosed that FIA improperly allowed recipients to continue receiving TCA benefits beyond the allowable lifetime maximum of five years. According to FIA records, during fiscal year 2016 an average of 1,900 recipients each month had been receiving benefits for more than five years. Federal and State regulations limit TCA benefits to five years unless the recipient was granted a hardship exemption. For our test of 10 recipients that had received TCA benefits for up to 14 years beyond the five-year limit, there was no exemption on file for any of these recipients. When questioned about this matter, FIA management advised us that it believed that these recipients qualified for hardship exemptions, but that these exemptions were not documented. Based on the monthly average of 1,900 recipients and the lowest cost TCA benefit payment, we estimated an annual cost of at least \$6.6 million associated with these recipients.

Although FIA had established numerous computer matches designed to help ensure recipient eligibility and to detect potential fraud, it did not ensure that the LDSSs conducted timely and appropriate follow-up of those match results. For example, our test disclosed that appropriate action had not been taken for 29 of 31 match results from the comparison of FIA benefit recipients with other states' public assistance and federal records. In addition, documentation was not

retained to explain the disposition of match results identifying thousands of instances of social security numbers that could not be verified to federal records. FIA also did not take adequate follow-up action when LDSSs failed to conduct the required number of quality assurance reviews designed to help ensure compliance with legal and regulatory requirements, including eligibility for various assistance programs.

Our audit also disclosed that FIA did not adequately monitor costs and deliverables for contracts and agreements, and did not verify that certain grant funds were spent as intended. For example, our test disclosed 12 payments totaling \$14.6 million for which FIA had no evidence that the deliverables were received or that the amounts invoiced were proper.

FIA also did not adequately restrict or review employee access to its Office of Home Energy Programs automated system, resulting in several hundred employees with unnecessary access to recipients' personally identifiable information.

Finally, our audit included a review to determine the status of the five findings contained in our preceding audit report on FIA and one finding relating to the Office of Grants Management from our preceding audit report on DHS – Office of the Secretary. We determined that FIA satisfactorily addressed two of these six findings. The remaining four findings are repeated in this report.

DHS' response to this audit, on behalf of FIA, is included as an appendix to this report. In accordance with State law, we have reviewed the response and, while FIA generally agrees with the recommendations in this report, we identified certain instances in which statements in the response conflict with or disagree with the report findings. In each instance, we reviewed and reassessed our audit documentation, and reaffirmed the validity of our finding. In accordance with generally accepted government auditing standards, we have included "auditor comments" within FIA's response to explain our position. We will advise the Joint Audit Committee of any outstanding issues that we cannot resolve with FIA.

We wish to acknowledge DHS and FIA's willingness to address the audit issues and implement appropriate corrective action.

Respectfully submitted,



Gregory A. Hook, CPA  
Legislative Auditor

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## Background Information

### Agency Responsibilities

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

According to DHS' records, during fiscal year 2017, programs under FIA's jurisdiction included, on average, approximately 1.2 million monthly recipient records<sup>2</sup> for which payments totaled approximately \$1.3 billion (as detailed in the following table). In addition, medical assistance (Medicaid) payments made by the Maryland Department of Health (MDH) during fiscal year 2017 totaled \$10.7 billion; these payments related to 87,200 recipients that had applied for eligibility through LDSSs and 1.3 million recipients that applied through the Maryland Health Connection.

#### Fiscal Year 2017 Public Assistance Program Recipient and Expenditure Data

Program	Number of Average Monthly Recipients	Expenditures (In Millions)
SNAP	697,744	\$1,007
Home Energy Assistance	210,260	133
TCA	50,898	120
Other Assistance Programs (such as the Temporary Disability Assistance Program)	227,563	45
<b>Total</b>	<b>1,186,465</b>	<b>\$1,305</b>

Source: DHS records

<sup>1</sup> LDSSs administer a number of programs for FIA and for other units of DHS. The LDSSs are audited separately during our audits of DHS – Local Department Operations.

<sup>2</sup> Many recipients receive assistance from more than one program.

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

## **Organizational Change**

The grants management duties and responsibilities within DHS were reorganized consistent with State budget law. Specifically, effective July 1, 2015, the Office of Grants Management (OGM), previously budgeted under the DHS – Office of the Secretary, was budgeted within FIA. The activities of OGM through June 30, 2015 were included in the scope of our audit of the DHS – Office of the Secretary, which was the subject of a September 12, 2017 audit report. The subsequent activities of OGM (after June 30, 2015) were included in the scope of this audit.

## Status of Findings from Preceding Audit Reports

Our audit included a review to determine the status of the five findings contained in our preceding audit report on FIA dated April 9, 2015 and one finding relating to the Office of Grants Management from our preceding DHS – Office of the Secretary audit report dated September 12, 2017. We determined that FIA satisfactorily addressed two of these six findings. The remaining four findings are repeated in this report as noted in the following table.

<b>Preceding Finding</b>	<b>Finding Description</b>	<b>Implementation Status</b>
Finding 1	FIA lacked documentation of required computer matches and system alerts were not always adequately resolved.	Not repeated
Finding 2	Certain quality assurance reviews were not always conducted as required.	<b>Repeated</b> (Current Finding 4)
Finding 3	Documentation required to support recipient eligibility and the validity of payments was not always maintained.	Not repeated
Finding 4	Certain contract costs and deliverables were not adequately monitored.	<b>Repeated</b> (Current Finding 6)
Finding 5	FIA lacked procedures and documentation to support recipient eligibility for certain cases examined and federal funds were not always recovered.	<b>Repeated</b> (Current Finding 5)
DHS-Office of the Secretary Finding 5	DHS lacked sufficient procedures and accountability over certain grants.	<b>Repeated</b> (Current Finding 7)

# Findings and Recommendations

## Temporary Cash Assistance

### **Finding 1**

**The Family Investment Administration (FIA) allowed certain recipients to continue to receive Temporary Cash Assistance (TCA) benefits beyond the five-year federal and State limit at an estimated annual cost of at least \$6.6 million.**

### **Analysis**

FIA's practice was to routinely extend TCA benefits to recipients beyond the maximum five years allowed by federal and State regulations. Federal and State regulations limit each TCA recipient's benefits to a five-year lifetime period, unless the recipient was granted a hardship exemption; for example, because of domestic abuse. State regulations require the recipient's case manager at the local departments of social services (LDSSs) to document the applicable reason(s) for any hardship exemption before making a recommendation to extend the TCA benefits. In addition, the case manager is required to develop a plan, designed to achieve recipient independence, within 60 days after the hardship exemption is granted. Both the exemption request and the subsequent plan must be approved by the family investment program supervisor and the director of the LDSS or designee.

Upon investigating this matter further, we found that the Clients' Automated Resource and Eligibility System (CARES) did not automatically terminate TCA benefits from recipients after the five-year lifetime period. Rather, CARES automatically extended benefits to TCA recipients after five years regardless of whether the recipient had a justified hardship. Furthermore, management at the two LDSSs we contacted informed us that no processes were in place at those two LDSSs to ensure that benefits beyond the five-year limitation are only extended for recipients with documented hardship exemptions.

According to FIA records, during fiscal year 2016 there was an average of 1,900 recipients each month who were receiving benefits beyond the five-year period which, based on the lowest TCA benefit (for a one-individual household), would cost at least \$6.6 million annually. We then performed a test to determine if approved exemptions were on file for 10 judgmentally selected recipients from six different LDSSs who, as of February 2018, had collectively received \$778,000 in TCA benefits for 5.5 to 14.0 years beyond the five-year period. For example, one individual had continuously received TCA benefits for approximately 12 years beyond the five-year limit which totaled \$139,260. Our test disclosed that

FIA did not have documentation of hardship exemptions for any of the 10 recipients. In each of the 10 cases, we concluded that FIA allowed these recipients to continue receiving TCA benefits and did not determine whether they qualified for a hardship exemption as required by FIA policies and procedures.

When questioned about the practice, FIA management advised us that it believed that these recipients qualified for hardship exemptions, but that these exemptions were not documented. In addition to violating State regulations, to the extent that these TCA benefits are determined to be improper, FIA may need to reimburse the federal government for the related federal funds expenditures. FIA management advised us that if the federal grantor agency sought reimbursement of any TCA overpayments, it believed that sufficient State funds should be available for that purpose.

### **Recommendation 1**

#### **We recommend that FIA**

- a. comply with existing federal and State regulations by terminating TCA benefits to all recipients after five years unless a documented hardship exemption and related independence plan is prepared and approved, as required;**
- b. determine the extent of improper payments and, in conjunction with the federal granting agency, develop a plan to address any amounts improperly recovered from the federal granting agency, and notify the General Assembly budget committees and the Department of Budget and Management of the extent of State payments made in violation of the aforementioned State regulations; and**
- c. consult with the Office of the Attorney General (OAG) regarding the potential recovery of any amounts improperly paid, and take appropriate action consistent with OAG advice.**

## **Computer Matches**

### **Background**

FIA periodically performs certain computer matches and related data verification procedures to help ensure recipients are eligible for public assistance and medical assistance benefits and to help detect potential fraud. The computer matches are performed by comparing recipient assistance data in CARES with outside data sources, such as federal Social Security Administration (SSA) records, prisoner records from the State's Department of Public Safety and Correctional Services, and new hire registry data from the National Directory of New Hires. Computer matches are also performed by comparing CARES benefits or income data with

similar data from other state or federal government agencies via the Public Assistance Reporting Information System (PARIS).

The results of these computer matches represent potential discrepancies or errors, and are subject to various filtering techniques to provide more definitive results. The results after these filtering techniques are generally referred to the applicable LDSSs for investigation and resolution (referred to as being “dispositioned”) via “system alerts” recorded in CARES. A CARES system alert indicator is also generated when a recipient’s social security number (SSN) has not been obtained from the recipient or has not been verified through the matching process with SSA records.

The public assistance programs associated with these matching and verification procedures include TCA and SNAP, for which payments totaled approximately \$1.1 billion in fiscal year 2017. These matches also include individuals who applied through the LDSSs for the medical assistance program (Medicaid), which is administered by the Maryland Department of Health (MDH) – Medical Care Programs Administration and for which expenditures totaled approximately \$10.7 billion for fiscal year 2017. Although SNAP is a 100 percent federally funded program, FIA retains responsibility for the propriety of payments and is potentially liable for overpayments or otherwise incorrect payments.

**Finding 2**

**FIA did not ensure that the LDSSs conducted timely and appropriate follow-up on PARIS alerts, including attempts to recover improper payments. Our review disclosed that the LDSSs did not take appropriate action for 29 of the 31 alerts tested.**

**Analysis**

FIA did not ensure that the LDSSs conducted timely and appropriate follow-up on system alerts resulting from PARIS matches, including recovery of improper payments. The PARIS alerts were to be investigated by LDSS staff who were also responsible for processing any needed adjustments in CARES (such as, to record previously unrecorded income which could affect the benefit payment). Management from FIA and three different LDSSs informed us that supervisory personnel did not verify the propriety of the follow-up efforts to ensure they were performed and timely. According to PARIS generated reports, there were 7,872 alerts in September 2016. Our test of 31 alerts resulting from the September 2016 matches of CARES data with similar data from PARIS disclosed that the LDSSs did not take appropriate follow-up action for 29 alerts.

- For 22 alerts tested related to 10 recipients receiving concurrent benefits in another state, the LDSSs did not perform appropriate follow-up. Specifically, for 8 alerts related to current Maryland residents, the applicable LDSSs did not contact the other states to determine which state was improperly paying benefits. For the other 14 alerts related to individuals who were not currently Maryland residents, the applicable LDSSs did not identify which state was actually responsible for the recipients. Consequently, no attempt was made to recoup potentially improper payments made to these 10 recipients, which totaled \$17,879 (SNAP/TCA benefits of \$8,712 and Medicaid benefits of \$9,167). In addition, regarding the Medicaid benefits, the LDSSs did not notify MDH about the alerts and, therefore, MDH was unaware of the potential improper payments and thus could not take corrective action.
- For 7 alerts that identified unreported federal income by 7 recipients, the LDSSs did not record the federal income in CARES to determine whether the unreported income would have affected the related benefits. We could not readily determine whether the unreported income resulted in an overpayment in these instances.

In addition, our review of the 5,770 PARIS alerts that the LDSSs had recorded as being investigated and resolved (dispositioned) in September 2016 disclosed that 754 of these alerts were dispositioned between 120 and 924 days after the alerts were generated. However, FIA policy requires that alerts be dispositioned within 20 days from the date generated.

### **Recommendation 2**

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

- conduct timely and appropriate follow-up of PARIS alerts and pursue recovery of benefits paid that were determined to be improper, including those noted above; and**
- update CARES for unreported income identified by the PARIS reports.**

### **Finding 3**

**FIA did not ensure that all social security number alerts were recorded in CARES for follow-up purposes, and the alerts that were recorded were not dispositioned for extended periods.**

### **Analysis**

FIA did not ensure that all social security number (SSN) alerts were recorded in CARES for follow-up purposes, and the alerts that were recorded were not

dispositioned for extended periods. As a result, there is a lack of assurance that all the alerts for active public assistance cases were properly recorded, investigated, and resolved. FIA has adopted an important control process by periodically comparing recipient SSNs with SSA records and identifying recipients whose SSNs were not verified as accurate, as well as recipients with missing SSNs. The results of these SSN matches are subject to certain filtering techniques to eliminate certain matches (such as for inactive recipients) and the final results are to be recorded in CARES by FIA as system alerts for LDSS investigation.

Our February 2018 review of the results of SSN matches conducted for the period from July 2015 through December 2016 disclosed that only 1,762 of the 76,526 match results<sup>3</sup> were subsequently recorded as alerts in CARES. FIA management informed us that the remaining 74,764 match results may have been excluded as alerts through the filtering process or may have been recorded in CARES and subsequently cleared by LDSS personnel prior to our review. However, FIA had no documentation to support the ultimate disposition of the match results. Consequently, the propriety of the initial match resolutions could not be determined.

Furthermore, we found that those alerts that were recorded in CARES remained unresolved for extended periods and lacked documentation of any follow-up efforts by LDSSs. According to FIA's records as of April 2017, there were 1,560 alerts in CARES with an unverified or missing SSN that had not been dispositioned for at least six months, including 719 alerts that were unresolved for more than a year. We reviewed 10 alerts that had not been dispositioned for 14 to 31 months, and noted that approximately \$30,500 in SNAP benefits had been paid to 7 of the related recipients since the alert first appeared. For 9 of these alerts, FIA advised us that reviews were performed and resolved; however, FIA did not have documentation of these reviews. For the remaining alert, FIA concurred that no follow-up was performed.

Federal and State regulations require the disclosure of SSNs by recipients during the benefits eligibility determination process, except for certain situations (such as a child in foster care or a newborn under one year of age). If a recipient does not have a SSN, State regulations allow the recipient to provide evidence that one has been applied for in order to begin receiving benefits and thus these recipients were able to obtain benefits properly for a certain period. In cases in which the recipient does not provide the needed SSN, the case manager is to follow the appropriate program policy. For example, the case manager may need to subsequently remove the individual from TCA if SSA did not accept the SSN

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<sup>3</sup> These match results included recipients from all benefit programs.

application because the family did not provide evidence of age, identity, or citizenship needed to apply for a SSN.

### **Recommendation 3**

**We recommend that FIA**

- a. maintain documentation of the disposition of SSN match results and related alerts, and**
- b. review the aforementioned unresolved SSN alerts and ensure that future alerts are investigated and resolved in a timely manner.**

## **Quality Assurance Programs**

### **Finding 4**

**FIA did not take adequate follow-up action when LDSSs failed to conduct the required number of quality assurance reviews. In addition, FIA did not ensure errors identified during its own quality assurance reviews were corrected, and certain reviews it conducted were not comprehensive and; therefore, did not identify the full extent of any improper payments.**

### **Analysis**

FIA did not take adequate follow-up action when the LDSSs failed to conduct the required number of quality assurance reviews of activities and transactions related to FIA programs. In addition, FIA did not ensure errors identified during its own quality assurance reviews were corrected. Finally, quality assurance reviews conducted by FIA for TCA payments were not comprehensive and, therefore, did not ensure all improper payments were identified. FIA's quality assurance programs collectively help FIA ensure the LDSSs are complying with the legal and regulatory requirements of each program, including eligibility criteria. These quality assurance programs, when properly conducted, are an aid in identifying and reducing payments to ineligible recipients and, in the case of SNAP, could assist in preventing federal sanctions.

Under its PreReview Program (PRP), which is intended to review a select number of eligibility determinations prior to the payment of benefits, FIA requires independent personnel at each LDSS to review 10 percent of newly approved SNAP applications and 15 percent of completed SNAP redeterminations each month for propriety. The PRP for SNAP includes a review of eligibility criteria for other assistance programs, including TCA, Medicaid, and the Temporary Disability Assistance Program (TDAP). In addition to monitoring the LDSSs' PRP efforts, FIA directly conducts independent quality assurance reviews of a select number of cases under certain of these programs.

- FIA did not take adequate follow-up action when the LDSSs failed to conduct the required number of PRP quality assurance reviews of SNAP applications and redeterminations. FIA has access to monthly reports showing the percentage of SNAP cases that have received PRP reviews at each LDSS. FIA reviewed these reports to determine whether the required number of PRP reviews were performed. Although FIA initiated follow-up with the LDSSs regarding missing reviews, it did not ensure that all PRP reviews were subsequently completed. As a result, the required reviews were not always performed by the LDSSs.

Specifically, our review of these reports disclosed that 12 of the 24 LDSSs failed to conduct the required number of reviews of initial determinations and redeterminations during fiscal year 2016. For example, one LDSS did not conduct the required number of reviews for 10 months in fiscal year 2016, and during those 10 months, the LDSS on average reviewed only 6.4 percent of new applications and 8.1 percent of redeterminations. A similar condition was commented upon in our preceding audit report.

- FIA did not ensure that errors it identified during its own quality assurance reviews of SNAP, TCA, and TDAP were corrected. For example, our test of 15 judgmentally selected TDAP cases for which FIA conducted quality assurance reviews during January through April 2017 disclosed that LDSSs did not take timely corrective action for 13 cases, and FIA did not follow up with the LDSSs regarding these cases. In these 13 cases, the quality assurance reviews concluded that TDAP payments should stop immediately for various reasons (such as the recipient's death or the federal Social Security Administration had declined the benefits and the recipient had not appealed the decision). However, the LDSSs continued to make payments in these 13 cases for 1 to 10 months after the reviews. During that time, TDAP benefits totaling \$12,765 were issued to these recipients after FIA had determined the continued payment of benefits was inappropriate.
- FIA's quality assurance procedures for TCA payments were not comprehensive to ensure the full extent of errors was identified nor to take appropriate corrective action. FIA generally reviewed a total of 30 cases per month to verify the propriety of TCA eligibility determinations and the accuracy of the benefits awarded for that month only. Specifically, during these reviews, FIA only reviewed the payments made to the recipients during the specific month tested and did not expand its review when errors were identified to determine the financial impact of that eligibility error on previous benefit payments to that recipient. In addition, FIA did not ensure the cases were corrected so that future payments were not impacted by the errors.

Accordingly, the full extent of any overpayments or underpayments was not identified.

#### **Recommendation 4**

**We recommend that FIA**

- a. take appropriate follow-up action to ensure the LDSSs conduct the required number of quality assurance reviews (repeat);**
- b. ensure that errors noted during its quality assurance reviews are corrected timely;**
- c. ensure its reviews of TCA payments are comprehensive and the full extent of errors is identified; and**
- d. consult with legal counsel to determine the collectability of any overpayments, including those noted above.**

#### **Temporary Disability Assistance Program (TDAP)**

##### **Finding 5**

**FIA did not obtain required documentation from recipients, resulting in the failure to recover certain federal reimbursements; and did not close certain cases timely, allowing improper benefits to be issued.**

##### **Analysis**

FIA did not always obtain required documentation from recipients applying at the LDSSs for assistance under TDAP and did not close certain cases timely. As a result, FIA was unable to obtain certain federal reimbursements and certain improper benefits were issued. TDAP is a State-funded program which provides cash assistance (up to \$185 per month) to low-income disabled adults who are ineligible for other categories of assistance and who are applying for federal Supplemental Security Income (SSI) or Social Security Disability Income (SSDI). At the time of the TDAP application, the individual is also to complete an Interim Assistance Reimbursement (IAR) form to qualify for TDAP benefits. TDAP benefits are paid to eligible individuals on a temporary basis pending approval or denial by the federal Social Security Administration (SSA) for federal benefits. For those individuals who are later approved for SSI benefits (but not for SSDI benefits), FIA is entitled to federal reimbursement for the TDAP payments made during the period between the SSI application and its approval.

Our review disclosed that FIA did not always obtain the required IAR form from TDAP applicants. FIA must file IAR forms with SSA to receive federal reimbursements for eligible TDAP payments. Our test of seven judgmentally selected individuals who received TDAP payments in fiscal year 2017 disclosed

that, for four individuals, FIA did not obtain federal reimbursements for TDAP payments totaling \$15,725. For those four individuals, we noted that FIA either did not have the required completed IAR form or did not ensure that the individual filed the required SSI application.

Our review also disclosed that FIA did not always close cases when SSA rendered a final decision (either approved, terminated, or denied) on the individual's application for federal benefits. FIA policies provide that TDAP benefits are to be terminated when SSA renders a final decision on the SSI application. Our test of 25 cases (judgmentally selected from an internal tracking sheet maintained by FIA) for which a final decision was rendered by SSA disclosed that, for 13 cases, FIA did not close the cases for 1 to 8 months after the SSA decisions were made. During that time, TDAP benefits totaling \$12,515 were paid to these individuals in violation of the aforementioned policy.

According to DHS records, TDAP payments totaled approximately \$31 million during fiscal year 2017, and the average monthly recipients numbered approximately 16,700. Similar conditions were commented upon in our preceding audit report.

#### **Recommendation 5**

**We recommend that FIA establish procedures to ensure that**

- a. it receives all documentation required to establish recipient eligibility prior to making TDAP payments so that federal reimbursement can be received (repeat), and**
- b. TDAP cases are closed in a timely manner once SSA renders its final decision regarding a recipient's application for federal benefits (repeat).**

### **Contract Monitoring**

#### **Finding 6**

**FIA did not adequately monitor costs and deliverables for certain contracts and agreements related to its public assistance programs.**

#### **Analysis**

FIA did not adequately monitor contracts with private vendors and agreements with State and local entities to ensure that deliverables were received and that the related invoices were proper. According to DHS records, during our audit period, FIA was responsible for procuring and administering 198 centralized contracts and agreements with a total value of \$199.6 million. In addition, during our audit period, we determined that the LDSSs had 62 active contracts with vendors or

agreements with government agencies totaling \$45.7 million directly related to FIA's public assistance programs.

- Our test of 15 invoices totaling \$14.7 million disclosed that, for 12 invoices totaling \$14.6 million, FIA did not obtain documentation to support that agreed-upon deliverables were received and amounts invoiced were proper. These invoices were paid during fiscal years 2015 through 2018 and were associated with five FIA contracts and agreements. For example, 3 invoices tested totaling \$10.1 million related to an agreement with MDH for it to provide addiction specialists at each of the 24 LDSSs. The agreement provided for FIA to receive itemized invoices as well as reports of the clients treated and services provided to enable effective review to ensure the propriety of the amounts paid. However, these 3 invoices reflected only a lump sum amount, with no details to support the amounts billed as required by the agreement, and FIA did not obtain the required activity reports. A similar condition regarding a lack of documentation supporting billed costs has been commented upon in our three preceding audit reports dating back to November 2007.
- FIA did not have an established process to oversee and approve LDSS contracts and LDSS agreements with State and local entities for public assistance programs and did not maintain a record of these agreements. Our test of five LDSS contracts and agreements in effect during the period from July 2015 through June 2018 with a combined value of \$29.9 million disclosed that none were monitored or approved by FIA, and we determined that the LDSSs were not effectively administering the agreements, certain of which were used to circumvent the State budgetary process.

For example, for three agreements with local entities totaling \$9.8 million, the LDSSs paid the invoices without verifying that amounts invoiced were consistent with the related agreements and that the agreed-upon services were received. These services included assisting TCA participants with job readiness, placement, and employment. In addition, the LDSSs used two of these agreements totaling \$4.5 million for general staffing services, such as data entry and clerical personnel, which allowed the LDSSs to augment their staff with 63 positions beyond those authorized in their budgets. According to DHS' records, 18 of the aforementioned 62 LDSSs contracts and agreements, totaling \$14.4 million, appeared to be related to staffing services.

FIA management advised us that it does not believe FIA is responsible for monitoring LDSSs contracts and agreements. However, State law requires FIA to supervise LDSSs public assistance activities. Accordingly, since these

contracts and agreements are for public assistance services, we believe FIA should have procedures in place to ensure the services are being provided as intended.

### **Recommendation 6**

**We recommend that FIA**

- a. ensure that all contract and agreement deliverables are received (repeat);**
- b. obtain adequate documentation, including detailed invoices, to verify the accuracy of billings (repeat);**
- c. establish processes to oversee and approve LDSS public assistance contracts and agreements, and to ensure that the related invoices are consistent with the agreements and that the agreed-upon services are received; and**
- d. identify all instances where agreements are being used to circumvent the budgetary process, and ensure the LDSSs discontinue using the agreements in this manner.**

## **Grants Management**

### **Finding 7**

**FIA did not verify that certain grant funds were spent as intended.**

### **Analysis**

FIA did not verify that certain grant funds were spent as intended. FIA's Office of Grants Management provides funding to a network of community and faith-based organizations, LDSSs, and other State and local agencies. According to State records, during fiscal year 2017, FIA made grant payments totaling approximately \$12.8 million to 369 grantees. Our test of 18 fiscal year 2016 and 2017 payments totaling approximately \$6.6 million to 15 grantees under 3 grant programs (including Feeding Maryland and Home-Delivered Meals for Individuals with Life-Challenging Illnesses Program) disclosed that FIA did not verify that certain grants funds, related to 3 grantees, were spent as intended.

Specifically, the grant agreements required grantees to submit quarterly reports detailing the number of individuals and/or families served as well as annual independent financial audit reports for the aforementioned 3 grantees. For all 18 of the disbursements tested, FIA had obtained the related quarterly reports, but did not obtain supporting documentation of those served related to 6 disbursements to 3 grantees totaling \$6.4 million. While the grant agreements did not require submission of supporting documentation, this information is needed to verify the accuracy of reported services performed. FIA did obtain this type of information

for 12 of the tested disbursements, and used the information provided to assess the propriety of payments made; however, FIA was unable to explain why such information and resulting assessment was not obtained for the aforementioned 6 disbursements.

Furthermore, for the 3 grantees from which they were required, fiscal year 2016 and 2017 annual audit reports were not received from 2 grantees for disbursements totaling \$1.0 million. In addition, for the other disbursements totaling \$5.4 million, the annual reports had been received but were not reviewed. Annual audit reports should be obtained and reviewed to ensure that grant funds were spent as intended.

A similar condition was commented upon in our three preceding audit reports of the DHS – Office of the Secretary. An organizational change effective July 1, 2015, transferred the Office of Grants Management and the responsibility for monitoring these grants to FIA.

#### **Recommendation 7**

**We recommend that FIA, as the designated DHS agency responsible for grants management, independently verify, at least on a test basis, that grant funds are spent as intended by ensuring that all required reports are submitted, adequately supported, and reviewed (repeat).**

### **System Access – Office of Home Energy Assistance**

#### **Finding 8**

**FIA did not periodically review and adequately restrict user access to its Office of Home Energy Programs computer system, resulting in several hundred employees with unnecessary access to recipients' personally identifiable information.**

#### **Analysis**

FIA did not periodically review and adequately restrict user access to its Office of Home Energy Programs (OHEP) computer system, resulting in several hundred employees with unnecessary access to recipients' personally identifiable information (PII). OHEP is responsible for administering the State's Electric Universal Service Program and the Maryland Energy Assistance Program, both of which provide eligible individuals with assistance to help pay current and past due home energy bills. OHEP's system includes personal information on all of its recipients including name, address, date of birth, and social security number. As of January 2018, OHEP's system contained PII for 563,495 unique recipients.

FIA did not have a process to periodically review user access to its OHEP computer system to ensure that access was necessary for each user's job duties. As of August 2017, there were 806 active users (primarily LDSSs personnel) with access to the system including recipient PII. Our review of system activity disclosed that 280 of these users had never accessed the system as of August 2017, and an additional 92 had not logged into the system for at least six months. As a result, we question the need for these employees to have access to the system and the related PII. FIA management acknowledged that certain of these employees did not need access and that it would review the users and terminate access that was unnecessary.

PII is commonly associated with identify theft and should be protected by appropriate information system security controls. The State of Maryland *Information Security Policy* requires agencies to ensure access to confidential information is strictly controlled and audited and that it supports the concepts of least possible privilege and need to know.

#### **Recommendation 8**

**We recommend that FIA**

- a. conduct periodic documented reviews of user access to its OHEP computer system to ensure that such access is necessary for each employee's job duties, and**
- b. restrict access to confidential data to employees who require the data for their job duties.**

## **Audit Scope, Objectives, and Methodology**

We have conducted a fiscal compliance audit of the Department of Human Services (DHS) – Family Investment Administration (FIA) for the period beginning November 25, 2013 and ending April 30, 2017. The audit was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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

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

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

To accomplish our audit objectives, our audit procedures included inquiries of appropriate personnel, inspections of documents and records, observations of FIA’s operations, and tests of transactions. Generally, transactions were selected

for testing based on auditor judgment, which primarily considers risk. Unless otherwise specifically indicated, neither statistical nor non-statistical audit sampling was used to select the transactions tested. Therefore, the results of the tests cannot be used to project those results to the entire population from which the test items were selected.

We also performed various data extracts of pertinent information from the State's Financial Management Information System (such as revenue and expenditure data). The extracts are performed as part of ongoing internal processes established by the Office of Legislative Audits and were subject to various tests to determine data reliability. We determined that the data extracted from these various sources were sufficiently reliable for the purposes the data were used during this audit. We also extracted data from the Clients' Automated Resource and Eligibility System and automated records relating to energy assistance programs for purposes of testing selected attributes relating to recipient eligibility, program payments, and FIA's monitoring efforts. We performed various tests of the relevant data and determined that the data were sufficiently reliable for the purposes the data were used during the audit. Finally, we performed other auditing procedures that we considered necessary to achieve our audit objectives. The reliability of data used in this report for background or informational purposes was not assessed.

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

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 include findings regarding significant instances of noncompliance with applicable laws, rules, or regulations. Other less significant findings were communicated to DHS that did not warrant inclusion in this report.

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

## APPENDIX



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

March 14, 2019

Mr. Gregory A. Hook  
Legislative Auditor  
Office of Legislative Audits  
301 West Preston Street, Room 1202  
Baltimore, Maryland 21201

Mr. Hook,

Please find enclosed the Department of Human Services' (DHS) response to the draft Legislative Audit Report of the Department of Human Services – Family Investment Administration for the period beginning November 25, 2013 and ending April 30, 2017.

If you have any questions regarding the responses, please contact Inspector General Kevin Carson at 443-378-4060 or at [kevin.carson@maryland.gov](mailto:kevin.carson@maryland.gov).

Sincerely,

A handwritten signature in black ink that reads 'Lourdes R. Padilla'.

Lourdes R. Padilla  
Secretary

Enclosures:

cc:

Gregory James, Deputy Secretary, Operations  
Randi Walters, Deputy Secretary, Programs  
David Lee, Assistant Deputy Secretary, Programs  
Craig Eichler, Chief of Staff  
Kevin J. Carson, Inspector General, OIG  
Netsanet Kibret, Executive Director, FIA  
Samantha Blizzard, Special Assistant, Office of the Secretary



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**Temporary Cash Assistance**

**Finding 1**

**The Family Investment Administration (FIA) allowed certain recipients to continue to receive Temporary Cash Assistance (TCA) benefits beyond the five-year federal and State limit at an estimated annual cost of at least \$6.6 million.**

**Recommendation 1**

**We recommend that FIA**

- a. comply with existing federal and State regulations by terminating TCA benefits to all recipients after five years unless a documented hardship exemption and related independence plan is prepared and approved, as required;**
- b. determine the extent of improper payments and, in conjunction with the federal granting agency, develop a plan to address any amounts improperly recovered from the federal granting agency, and notify the General Assembly budget committees and the Department of Budget and Management of the extent of State payments made in violation of the aforementioned State regulations; and**
- c. consult with the Office of the Attorney General (OAG) regarding the potential recovery of any amounts improperly paid, and take appropriate action consistent with OAG advice.**

**Department's Response:**

The Department strongly disagrees with the assumption that FIA improperly provides \$6.6 million annually in TCA benefits to certain recipients beyond the five-year federal and State limit. Specifically, based on a sample size of 10 cases (out of an average of 1,900 cases per month) reviewed during the audit period, the audit report assumes that 100% of the Department's monthly caseload that receives TCA benefits beyond 5 years receives these benefits without a hardship exemption and related independence plan on record.

The Department recognizes the need to ensure that TCA payment accuracy, in compliance with relevant State and federal regulations, is a priority for case managers statewide. However, an assumption that the entirety of its TCA +60 month caseload is provided with benefits in error based on a review of only 0.5%

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of the monthly +60 month caseload is speculative. Nevertheless, the Department agrees with all three OLA recommendations as it pertains to this finding.

**Auditor's Comment:** FIA strongly disagrees with the inclusion of the estimated \$6.6 million in annual costs provided in our analysis. FIA's disagreement is primarily based on its misinterpretation that this dollar amount represents actual improper payments. We included this amount for perspective purposes only, and as our report clearly states, the \$6.6 million represents our estimate of the annual minimum cost of FIA's routine practice of disregarding these State and federal regulations applied to all recipients. We did not opine on the extent of the actual improper payments, beyond those identified in the audit related to the 10 recipients selected for testing, for whom FIA continued making payments without determining if they qualified for a hardship as required.

**Recommendation 1a:**

FIA concurs with this recommendation. FIA's Bureau of Program Evaluation (BPE) reviews TCA cases selected in the monthly Federal Work Participation Rate (WPR) sample to ensure that work eligible individuals continue to meet their work activity requirements. As of February 2019, BPE has enhanced its monitoring oversight to include TCA payment accuracy (to include a review of whether benefits should be terminated), a review of prior and subsequent months, and compliance with State and federal regulations. If a potential overpayment is identified, a note to the Local Department of Social Services (LDSSs) is entered in the WPR spreadsheet. This spreadsheet is updated daily and uploaded to each LDSS specific folder. The relevant LDSS is subsequently notified of cases needing further assessment. Oversight is outlined in the BPE QC16 Standard Operating Procedure (SOP) and the WPR payment accuracy SOP. Each LDSS is required to correct errors discovered and provide documentation in the Enterprise Content Management System (ECMS) and the Client Automated Resource Eligibility System (CARES) as necessary. Follow-up for correction is completed by BPE.

Beginning in 2019, FIA will mandate that all TCA case managers receive mandatory bi-annual TCA payment accuracy training, which will include a review of State and federal regulations related to recipients who receive TCA for more than 60-months.

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As part of its system modernization efforts, FIA is working with information technology developers to build enhanced technological features that will prevent TCA recipients from continuing to receive TCA past the 60-month limit unless a hardship exemption and related independence plan is documented.

Recommendation 1b:

FIA concurs with this recommendation. The funding for the overpayments is part of the Temporary Assistance for Needy Families (TANF) block grant.

The Department will comply with the provisions of the Code of Federal Regulations (CFR) 45 CFR §264.2 regarding compliance with the hardship exemption standards and engage the United States Department of Health and Human Services' Administration for Children and Families (DHHS, ACF) throughout this process. With the guidance from the Office of the Attorney General (OAG), FIA's Bureau of Policy will draft a plan of action that will be available in March 2019.

Recommendation 1c:

FIA concurs with this recommendation and met with OAG counsel related to this audit finding in February 2019. FIA's Bureau of Policy will update its TCA overpayment policy and align it with its SNAP overpayment policy by April 2019.

## **Computer Matches**

**Finding 2**

**FIA did not ensure that the LDSSs conducted timely and appropriate follow-up on PARIS alerts, including attempts to recover improper payments. Our review disclosed that the LDSSs did not take appropriate action for 29 of the 31 alerts tested.**

**Recommendation 2**

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

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- a. conduct timely and appropriate follow-up of PARIS alerts and pursue recovery of benefits paid that were determined to be improper, including those noted above; and**
- b. update CARES for unreported income identified by the PARIS reports.**

**Department's Response:**

BPE engaged in a statewide alerts dispositioning project between the months of August 2016 through December 2016. The project involved LDSSs and FIA central staff working to disposition overdue alerts and addressed the September 2016 alerts referenced in this audit finding.

BPE continues to complete a monthly review of a system generated report for overdue alerts and communicate results in a memorandum to each LDSS. BPE monitors the completion of all outstanding PARIS alerts using shared files between the LDSS and the central staff. BPE conducts a third layer of monitoring by sampling cases within the monthly overdue alerts tracking sheet submitted to the LDSSs. This review is designed to ensure alerts are dispositioned in CARES.

In addition, BPE continues to conduct federally mandated Management Evaluations, which captures the review of a sample month of cases on new hire computer matching alerts. BPE's SOP provides an outline of oversight conducted for computer matches.

**Recommendation 2a:**

FIA concurs with this recommendation. LDSSs are responsible for identifying and determining the months of overpayments and updating CARES to establish the overpayment. Since 2016, BPE tracks and monitors the status of Overpayment Benefit Error Groups (BEGs) for processing within six months. When appropriate, BPE follows up with LDSSs for BEGs generated that are related to these alerts. The BPE SOP on BEGs provides a detailed description of FIA oversight in this area.

**Recommendation 2b:**

FIA concurs with this recommendation. LDSSs are responsible for completing updates of CARES to follow-up on discovered unreported income. FIA monitors improper TCA and Food Supplement Program (FSP) benefit payments resulting in payment errors via BPE's Datawatch SGXOC3PR report. BPE alerts LDSSs

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monthly of BEGs in need of processing within six months via formal written communication.

**Finding 3**

**FIA did not ensure that all social security number alerts were recorded in CARES for follow-up purposes, and the alerts that were recorded were not dispositioned for extended periods.**

**Recommendation 3**

**We recommend that FIA**

- a. maintain documentation of the disposition of SSN match results and related alerts, and**
- b. review the aforementioned unresolved SSN alerts and ensure that future alerts are investigated and resolved in a timely manner.**

**Department's Response:**

**Recommendation 3a:**

FIA concurs with this recommendation. FIA's Bureau of Systems Modernization & Information Analysis (BSMIA) has modified the alert parameters in CARES to prevent the monthly purge that was previously occurring with the dispositioned Social Security Number (SSN) alerts. FIA is pursuing a project to capture the number of alerts generated monthly as a result of the monthly U.S. Social Security Administration (SSA) match, which will be completed no later than July 2019. In the interim, until the project is completed, BSMIA has requested a monthly ad hoc report, which provides the total SSN Alerts generated.

**Recommendation 3b:**

FIA concurs with this recommendation. Since January 2018, FIA's Bureau of Disability Services Operations (BDSO) receives the missing SSN alert report and shares the report with LDSSs on a monthly basis. The report contains SSNs that have been missing for at least six months. BDSO monitors and tracks the completion of the missing SSN alerts to ensure the alerts are handled properly. FIA has also developed and implemented an SOP to ensure that this activity is completed thoroughly.

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**Quality Assurance Programs**

**Finding 4**

**FIA did not take adequate follow-up action when LDSSs failed to conduct the required number of quality assurance reviews. In addition, FIA did not ensure errors identified during its own quality assurance reviews were corrected, and certain reviews it conducted were not comprehensive and; therefore, did not identify the full extent of any improper payments.**

**Recommendation 4**

**We recommend that FIA**

- a. take appropriate follow-up action to ensure the LDSSs conduct the required number of quality assurance reviews (repeat);**
- b. ensure that errors noted during its quality assurance reviews are corrected timely;**
- c. ensure its reviews of TCA payments are comprehensive and the full extent of errors is identified; and**
- d. consult with legal counsel to determine the collectability of any overpayments, including those noted above.**

**Department's Response:**

**Recommendation 4a:**

FIA concurs with this recommendation. With the inception of a web-based Pre-Review tool, local offices conduct the required number of Pre-Reviews per month. BPE provides the necessary oversight and monitoring to ensure each local performs the required Pre-Reviews for 10% of applications and 15% of redeterminations.

**Recommendation 4b:**

FIA concurs with this recommendation. BPE provides oversight and monitoring to ensure follow-up on cases in need of corrections. A query into FIA's Pre-Review Direct System to gather data on cases in need of timely correction is conducted on a monthly basis. The information is used to generate a memorandum to each LDSS to communicate the number of Pre-Reviews awaiting correction and a request to finalize outstanding cases.

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Recommendation 4c:

FIA concurs with this recommendation. FIA's Bureau of Quality Control (QC) completes TCA reviews each month. BPE reviews all TCA cases selected in the monthly Federal Work Participation Sample to determine if work eligible individuals met their work activity requirements. The monthly sample includes new or active TCA cases as well as all new or active Separate State Program (SSP) Cases. If a potential overpayment is identified, a note to the LDSS is entered in the WPR spreadsheet. This spreadsheet is updated daily and uploaded to each LDSS's specific folder.

QC also reviews 30 randomly selected TCA cases monthly. BPE uses a random sample of WPR new and active TCA cases to aggregate a monthly review sample. The questions for the sample are parallel to the Recipient Integrity module of the Food Supplement Management Evaluation (FSME) review. In the event an underpayment or overpayment is discovered, the case is referred to the assigned LDSS office for further investigation.

Recommendation 4d:

FIA concurs with this recommendation and met with OAG counsel related to this audit finding in February 2019.

### **Temporary Disability Assistance Program (TDAP)**

**Finding 5**

**FIA did not obtain required documentation from recipients, resulting in the failure to recover certain federal reimbursements; and did not close certain cases timely, allowing improper benefits to be issued.**

**Recommendation 5**

**We recommend that FIA establish procedures to ensure that**

- a. it receives all documentation required to establish recipient eligibility prior to making TDAP payments so that federal reimbursement can be received (repeat), and**
- b. TDAP cases are closed in a timely manner once SSA renders its final decision regarding a recipient's application for federal benefits (repeat).**

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**Department's Response:**

**Recommendation 5a:**

FIA concurs with this recommendation. FIA's Bureau of Training provides ongoing TDAP training sessions for LDSS case managers who are responsible for processing TDAP applications and redeterminations. Since 2017, 175 case managers have been trained to ensure the correct TDAP procedures are followed, including receipt of documentation required to determine eligibility, mandatory verification, and CARES narration instruction.

**Recommendation 5b:**

FIA concurs with this recommendation. In 2016, the Department centralized TDAP fiscal related activities within the Department's CARES Fiscal unit in order to improve the collection of Interim Reimbursement (IAR) funds when a final decision for Supplemental Security Income/Social Security Disability Income (SSI/SSDI) benefits have been received from the U.S. Social Security Administration (SSA) for TDAP cases. With the centralization, CARES Fiscal is tasked with alerting the LDSS that a final decision has been rendered by SSA for TDAP cases and ensuring proper follow-up action is taken by the LDSS. CARES Fiscal in turn tracks and monitors each case sent to the LDSS for processing daily.

**CARES Fiscal:**

1. Receives SSA final decisions for SSI/SSDI benefits;
2. E-mails spreadsheets that contain TDAP cases that require processing along with the SSA final decision to the LDSS contact person daily;
3. Tracks and monitors each TDAP case for proper processing;
4. Follows up with up to 3 reminder e-mails on TDAP cases that still need processing; and
5. Escalates TDAP cases to the LDSS Director and Assistant Director when the cases are not processed in a timely manner.

**Contract Monitoring**

**Finding 6**

**FIA did not adequately monitor costs and deliverables for certain contracts and agreements related to its public assistance programs.**

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**Recommendation 6**

**We recommend that FIA**

- a. ensure that all contract and agreement deliverables are received (repeat);**
- b. obtain adequate documentation, including detailed invoices, to verify the accuracy of billings (repeat);**
- c. establish processes to oversee and approve LDSS public assistance contracts and agreements, and to ensure that the related invoices are consistent with the agreements and that the agreed-upon services are received; and**
- d. identify all instances where agreements are being used to circumvent the budgetary process, and ensure the LDSSs discontinue using the agreements in this manner.**

**Department's Response:**

**Recommendations 6a and 6b:**

FIA respectfully disagrees with these recommendations. FIA maintains contracts that vary in scope, complexity, and cost structure. Our review of individual invoices is based on requirements agreed upon and outlined in each contract. Below, we have provided responses to each of the contracts reviewed by OLA.

- An in-state public university's agreement with the Department of Human Services (DHS) is a fixed cost contract. The deliverables are measured based on the timely submission of reports and scheduled staff trainings. The contract provides longitudinal studies of TCA recipients and trending patterns in employment, recidivism, receipt of transitional benefits, and involvement in the child welfare system. Invoice payment is approved based on the receipt of specific deliverables outlined in the contract. Under the terms of the contract, fringe benefits, salaries, supplies, travel, etc. are budgeted for on an annual basis to substantiate the cost of deliverables. Monthly invoices submitted by the university for the audit period included costs associated with salaries and fringe benefits. Site visits are not required as the vendor maintains an electronic database where all reports are stored with original delivery dates and can be accessed at any time by the Department.
- The Department's agreement with a sister agency ensures that Addiction Specialist services are provided to each LDSS. FIA releases funding to the sister agency once annually in order to support payroll expenses for the

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Addiction Specialists dispatched to LDSS offices across the state. The payment is generally made in the month of August and the sister agency is required to submit regular expenditure reports showing how the funds were spent. FIA ensures that the reports are received, reviewed, and maintained as part of the contract records. Expenditure records must include the costs of the retention of addiction specialists, which FIA received, disaggregated by county, for costs such as salaries and fringe benefits associated with these specialists. The Department concluded that the contract terms were met for the invoices reviewed by OLA.

FIA meets with its sister agency at least once quarterly to discuss and address issues related to the work performed under this contract.

- Access to a system maintained by a credit reporting bureau is secured by FIA through a fixed cost contract that provides an online database for LDSS staff access to verify employment and income to determine eligibility for applicants of state welfare programs. The deliverables are measured based on the rate per successful verification. The invoice requirements do not specify inclusion of salaries or benefits and similar contracts are not structured in that manner; rather, under the provisions of the contract each invoice must be accompanied by a status report of goods or services provided, which remains as part of the contract file. The Department concluded that the contract terms were met for the invoices reviewed by OLA.
- An in-state public university provides training and nutrition education to centers, schools, and LDSSs. FIA respectfully disagrees with this particular finding due to the fact that DHS uses the Supplemental Nutrition Assistance Program Education (SNAP-Ed) State Plan approved by the U.S. Department of Agriculture as its operational Scope of Work.

**Auditor's Comment:** FIA disagrees with recommendations (a) and (b) based on its assertions that the deliverables were received and its belief that invoices were appropriately verified for these contracts and agreements. Certain of these assertions are not consistent with the information provided to us during and subsequent to the audit. In other instances, the processes described by FIA in its response were discussed during the audit, and we explained these were not sufficient to properly monitor the

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contracts and agreements. We continue to believe that FIA did not ensure that deliverables were received and disbursements were proper for the agreements and invoices we reviewed and tested.

Recommendation 6c:

FIA concurs with this recommendation. LDSS contracts that are \$25,000 or higher in value are subject to the review and approval by the DHS Central Procurement Unit (CPU) and the OAG. CPU and OAG are integral to FIA operations, as they are to other divisions within DHS. We view the current contract review process as satisfactory.

FIA is engaged in a restructuring of its business processes in order to improve the monitoring of local contracts. FIA recently established a Contract Compliance Office, which will be responsible for monitoring local contracts, conducting training, and providing technical assistance to LDSS offices. This three-prong strategy will allow FIA to comply with audit requirements and ensure that public resources entrusted in the administration are managed in accordance with applicable laws and regulations. In March 2018, in coordination with the Department of Budget & Management (DBM), FIA conducted training on contract monitoring and oversight. The training addressed monitoring requirements, invoice documentation, audit compliance, and the importance of developing protocols. The training was attended by 67 staff, 50 of whom were from LDSS offices. We anticipate that this training will lead to significant improvement in contract monitoring and invoice compliance. FIA is planning its second annual contract compliance training to serve as a refresher for current staff while providing critical skills for staff who are new to contract management.

Recommendation 6d:

FIA respectfully disagrees with this recommendation. The contracts in question are associated with Program 10, a TANF Block Grant workforce development program. This program involves major clerical and administrative functions supporting welfare to work program activities and tracking TCA recipients' compliance with the work participation requirements. The U.S. Department of Health and Human Services (DHHS) determines TANF Block Grant allocations based on the Federal Fiscal Year. Maintaining the flexibility to secure staffing through contracts allows FIA to align program needs with federal funding levels every year. These agreements are between the LDSSs and local governments, which generally operate other workforce development programs, thus allowing FIA to leverage local resources. This type of collaboration also streamlines services available to clients in their respective communities. FIA does not see this

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approach as being in conflict with the interest of the TCA recipients it serves or any specific State or federal laws and regulations.

**Auditor's Comment:** FIA's disagreement focuses on the underlying source of the funding for the agreements and the relationship between the LDSSs and the local governments, but ignores the substance of our finding. We continue to believe that the use of the agreements under these conditions was improper and circumvented the State budgetary process.

## **Grants Management**

### **Finding 7**

**FIA did not verify that certain grant funds were spent as intended.**

### **Recommendation 7**

**We recommend that FIA, as the designated DHS agency responsible for grants management, independently verify, at least on a test basis, that grant funds are spent as intended by ensuring that all required reports are submitted, adequately supported, and reviewed (repeat).**

### **Department's Response:**

Beginning in fiscal year (FY) 2018, Scopes of Work were revised to include the requirement for supporting documentation and all Special Grant programs have been submitting this documentation. All audit reports for FY 2016 and FY 2017 have been received and reviewed as required from the Home-Delivered Meals Programs and Feeding Maryland. Since the July 1, 2015 findings under the Office of the Secretary, all grants management quarterly and monthly activity and fiscal reports and invoices are received by the FIA Bureau of Special Grants and reviewed to verify that funds are being spent as intended before payments are made to the program.

### **Recommendation 7:**

FIA concurs with this recommendation. It is important to note that the Maryland Emergency Food Program and Home-Delivered Meals Programs track and report meals and numbers of people served. Feeding Maryland uses guidelines and best practices identified by the United States Department of Agriculture and Feeding America and tracks and reports pounds of food distributed by jurisdiction.

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**System Access – Office of Home Energy Assistance**

**Finding 8**

**FIA did not periodically review and adequately restrict user access to its Office of Home Energy Programs computer system, resulting in several hundred employees with unnecessary access to recipients' personally identifiable information.**

**Recommendation 8**

**We recommend that FIA**

- a. conduct periodic documented reviews of user access to its OHEP computer system to ensure that such access is necessary for each employee's job duties, and**
- b. restrict access to confidential data to employees who require the data for their job duties.**

**Department's Response:**

**Recommendation 8a:**

FIA concurs with this recommendation. In May 2017, FIA developed, documented, and disseminated:

- The Office of Home Energy Programs (OHEP) access control policy that addresses purpose, scope, roles, responsibilities, management commitment, coordination among organizational entities, and compliance; and
- OHEP procedures to facilitate the implementation of the access control policy and associated access controls.

As of July 1, 2018, FIA also reviews and updates the above referenced OHEP access control policy and procedures once annually.

**Recommendation 8b:**

FIA concurs with this recommendation. FIA will:

1. Identify and select the accounts with access to the OHEP Data Management System to support agency missions/business functions;
2. Assign account managers for information system accounts;
3. Establish conditions for group and role membership;
4. Specify authorized users of the information system, group and role membership, and access authorizations and other attributes for each account;

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5. Require approval for requests to create information system accounts;
6. Create, enable, modify, disable, and remove information system accounts in accordance with documented agency account management procedures;
7. Monitor the use of information system accounts;
8. Notify account managers when accounts are no longer required, when users are terminated or transferred, or when individual information system usage or need-to-know permission changes;
9. Authorize access to information systems that receive, process, store, or transmit information based on a valid access authorization, need-to-know permission, and under the authority to re-disclose information;
10. Review accounts for compliance with account management requirements at a minimum of annually for user accounts and semi-annually for privileged accounts; and
11. Establish a process for reissuing shared/group account credentials when individuals are removed from the group.

The information system will be enhanced by July 1, 2019, to automatically disable inactive accounts after 60 days of inactivity and permanently remove inactive accounts after 90 days.

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