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In 1971, legislation was enacted which authorized the Commonwealth of Puerto Rico to participate in the food stamp program; today the Puerto Rico program is the largest food stamp operation in the Nation in terms of both the percentage of population participating and the total value of stamps issued monthly. Findings/Conclusions: Problems have existed in the Puerto Rico program since it began, but little was done in the past by the Commonwealth or the Food and Nutrition Service to solve the problems. Auditors found accountability deficiencies, resulting from problems reported in 1974, and other problems such as: lack of documentation supporting retroactive benefit issuances, inadequate monitoring of Commonwealth personnel who both participated in the program and administered it, and failure to identify questionable authorization card redemptions. Corrective action by the Commonwealth was delayed without adequate explanation. Recently, more substantial actions have been taken to improve program performance. There is a need, however, for improvement in computer system operations in order to correct problems in program service and accountability. The Secretary of Agriculture should have the Administrator, Food and Nutrition Service: direct that the Service steering committee formed to help resolve Puerto Rico food stamp management problems address the program management deficiencies outlined; form a technical assistance group responsible for the long-term improvement of the Commonwealth's food stamp computer system; and require the Commonwealth, with technical assistance from the computer group, to undertake a series of corrective actions for improving the computer system. (Author/HTW)

6/80

REPORT BY THE

# Comptroller General

OF THE UNITED STATES

## Problems Persist In The Puerto Rico Food Stamp Program, The Nation's Largest

Senator James B. Allen of Alabama requested that GAO review the operation of the Department of Agriculture's food stamp program in the Commonwealth of Puerto Rico. The program began there in July 1974. Since then various management and computer problems have plagued it.

The Department and the Commonwealth, long aware of these problems, have only recently taken some effective steps to resolve them, but more must be done—particularly to correct computer deficiencies. This report contains recommendations for solving the program's management and computer problems.



GED-78-84  
APRIL 27, 1978



COMPTROLLER GENERAL OF THE UNITED STATES

WASHINGTON, D.C. 20548

A-51604

The Honorable James B. Allen  
United States Senate

Dear Senator Allen:

This report discusses the results of our food stamp review in the Commonwealth of Puerto Rico. Despite recent, concerted Department of Agriculture and Commonwealth efforts at corrective action, major problems continue to plague the program in Puerto Rico--particularly computer system deficiencies which we believe worsened between March 1977, when our fieldwork ended, and December 1977, when our follow-up work was done. Our tentative findings and conclusions were discussed with your office on January 25, 1978.

This report is our third and final report on the reviews you requested of the commodity distribution and food stamp programs in Puerto Rico. The earlier reports concerned (1) information on a \$2.5 million Department of Agriculture claim against the Commonwealth of Puerto Rico for spoilage of federally donated commodities (CED-77-40, Feb. 24, 1977) and (2) practices, procedures, and controls to prevent spoilage or theft of Federal commodities donated to the Commonwealth for use in such Federal food assistance efforts as the school lunch program (CED-77-120, Aug. 18 1977).

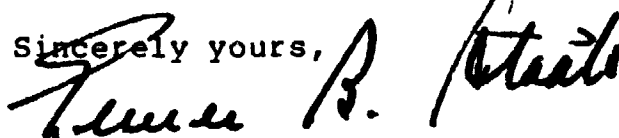
This report contains recommendations to the Secretary of Agriculture on pages 52 to 53. We are aware of your concern that effective followup occur and that our recommendations not be ignored. By law, the Secretary of Agriculture must submit to the Congress a written statement on actions taken on our recommendations not later than 60 days after the date of the report. We intend to review this statement to determine if further followup by us is required.

A-51604

At the request of your office, we did not take the additional time to obtain written agency comments. The matters covered in the report, however, were discussed with Department of Agriculture and Commonwealth officials and their oral comments are incorporated where appropriate.

As arranged with your office, we are furnishing copies of this report to the Director, Office of Management and Budget; the Secretary of Agriculture; the Secretary of Social Services for the Commonwealth of Puerto Rico; the cognizant congressional committees; and interested Members of Congress.

Sincerely yours,

A handwritten signature in black ink, appearing to read "James B. Steele". The signature is written in a cursive style with a large, prominent initial "S" at the end.

Comptroller General  
of the United States

COMPTROLLER GENERAL'S REPORT  
TO THE HONORABLE JAMES B. ALLEN  
UNITED STATES SENATE

PROBLEMS PERSIST  
IN THE PUERTO RICO  
FOOD STAMP PROGRAM,  
THE NATION'S LARGEST

D I G E S T

The Commonwealth of Puerto Rico's food stamp program continues to be plagued with basic management and computer system problems which seriously and adversely affect its operational and financial integrity. The program is the Nation's largest in terms of the percent of population participating (about one-half) and the total value of free stamps issued monthly (about \$50 million each month during fiscal year 1977).

Problems have existed and have been identified since the program began in Puerto Rico over 3-1/2 years ago. However, for much of this time, neither the Commonwealth nor the Department of Agriculture's Food and Nutrition Service--the Federal agency responsible for nationwide administration of the food stamp program--took enough direct concerted action to get the problems solved.

During GAO's review, both the Commonwealth and the Service took some steps to resolve long-standing program problems. Although these measures seemed to help improve local food stamp office performance, major problems still remained, particularly deficiencies in computer system operations. An effective computer system is essential for proper program operation and accountability.

The food stamp program is designed to help low-income households purchase more nutritionally adequate diets. Eligible households usually receive authorization-to-purchase cards that can be redeemed each month to obtain food stamps. The stamps are then used to buy food through retail outlets.

LITTLE CONCERTED ACTION, UNTIL RECENTLY,  
TO SOLVE LONGSTANDING PROGRAM PROBLEMS

As part of its review, GAO checked financial accountability over food stamp transactions at a local office in San Juan and did additional, abbreviated work at six other local offices in the San Juan and Caguas regions. (See pp. 8 and 9.)

Accountability deficiencies GAO found at the local office level were caused by underlying program problems that the Department of Agriculture's Office of Audit had reported since 1974. Problems disclosed by Agriculture's auditors included various local office and computer system deficiencies that resulted in an excessive number of manually issued authorization cards.

Other problems the auditors found centered on the lack of documentation supporting retroactive benefit issuances, inadequate monitoring of the Commonwealth personnel who both participated in the program and administered it, and failure to identify questionable authorization card redemptions. (See pp. 9 to 18.)

These problems caused a serious erosion of controls, that were designed to account for the millions of dollars in Federal food stamp benefits issued by the Commonwealth each month.

Commonwealth target dates for corrective action were repeatedly set, revised, and missed, with reasons seldom given as to why. Regarding efforts to correct computer system problems, GAO found a lengthy, detailed record of analyses, meetings, discussions, correspondence, evaluation task forces, warnings, corrective action plans, and target dates. What was missing was direct concerted action to permanently resolve the computer system problems. (See pp. 20 to 23.)

About the time GAO fieldwork ended--March 1977--the Service and the Commonwealth took their first substantial actions to improve food stamp program performance, particularly at the local office level. The Service, for example,

--approved a contract with an industrial engineering firm to develop new overall standards and procedures for local office operations and

--set up a steering committee composed of Service and Office of Audit officials to assist the Commonwealth in resolving its management problems and, in particular, oversee the contract with the industrial engineering firm. (See pp. 26 and 27.)

In addition, the Commonwealth implemented a series of measures to improve local and regional office performance. GAO followup work in December 1977 showed that these measures seemed to help local and regional office operations. (See pp. 23 to 25.)

More must be done, however, to eliminate the computer system problems (described below) that continued to hinder program service and accountability.

#### NEED FOR IMPROVEMENT IN COMPUTER SYSTEM OPERATIONS

As designed at the time of GAO's review, Puerto Rico's food stamp computer system was capable of fulfilling the program's accountability requirements if major existing problems were first corrected. (See pp. 28 to 30.)

Computer problems GAO found as of March 1977 include two key aspects of the system's operation.

First, there were (1) many errors by welfare workers when putting basic recipient information into the computer and (2) inadequate control and followup to insure that identified input errors were corrected. Input errors and poor control over identified errors meant that the computer's benefit issuance and accountability operations could be based on erroneous information. (See pp. 37 to 41.)

Second, the Commonwealth did not comprehensively identify questionable authorization card redemptions. It also failed to systematically

follow up those instances in which the limited computer match of redeemed authorization cards with the master record of eligible households turned up questionable redemptions. GAO analyses showed that improperly received benefits could involve many households and result in considerable losses to the Federal Government.

For example, one analysis indicated that about 1,200 households and about \$392,000 in free food stamps were involved in possible duplicate redemptions of authorization cards during August 1977. Another analysis indicated that a few households might be simultaneously and improperly receiving food stamp benefits from both Puerto Rico and local government jurisdictions in the New York City metropolitan area. (See pp. 30 to 37.)

GAO's December 1977 followup indicated that these types of major computer system problems still existed and, in fact, were exacerbated by additional problems that developed since March 1977. (See pp. 29 and 30 and 46 to 48.)

During this followup, GAO also learned of the Commonwealth's plan to develop and implement a new computerized information retrieval system. GAO strongly questioned this plan given the limited resources at the Commonwealth's disposal to solve the formidable array of problems confronting the existing computer system. (See pp. 48 and 49.)

Correcting these problems requires a top priority effort by both the Commonwealth and the Service. Without this kind of effort, the probability of significant improvement in Puerto Rico's food stamp program is low.

#### RECOMMENDATIONS

The Secretary of Agriculture should have the Administrator, Food and Nutrition Service:

--Direct that the Service steering committee formed to help resolve Puerto Rico food stamp management problems address the



program management deficiencies outlined in this report. (See p. 51.)

- Form a technical assistance group responsible for the long-term improvement of the Commonwealth's food stamp computer system. (See pp. 52 and 53.)
- Require the Commonwealth, with technical assistance from the computer group recommended above, to undertake a series of corrective actions for improving the computer system. (See p. 53.) Specific corrective actions recommended by GAO are detailed in appendix I.

#### AGENCY COMMENTS

The Service generally agreed with GAO's recommendations. It also reported several actions taken during January and February 1978 to correct program problems. These actions included the formation of a two-person technical assistance team responsible for improving the computer system. (See pp. 53 to 55.)

The Commonwealth also generally agreed with GAO's recommendations. It stressed, however, that, while program problems remained, considerable corrective action and improvement had recently occurred and that these efforts would continue until the problems were resolved. (See p. 55.)

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ABBREVIATIONS

<b>AFDC</b>	<b>aid to families with dependent children</b>
<b>GAO</b>	<b>General Accounting Office</b>

## CHAPTER 1

### INTRODUCTION

On June 28, 1976, Senator James B. Allen, then Chairman, Subcommittee on Agricultural Research and General Legislation, Senate Committee on Agriculture and Forestry, requested that we review the food stamp program in the Commonwealth of Puerto Rico. Senator Allen was concerned that effective followup had not taken place after November 1975 hearings by his Subcommittee disclosed serious problems in program administration in the Commonwealth. Senator Allen's concerns in his request dealt with longstanding problems involving general management weaknesses and, in particular, problems in implementing a computer system that would fulfill the program's accountability requirements and help administer certification and recertification functions.

Our objective was to ascertain whether these problems still existed in Puerto Rico's food stamp program and, if so, whether they were serious enough to warrant the Department of Agriculture's and the Commonwealth's taking more concerted action to solve them as soon as possible.

The food stamp program, authorized by the Food Stamp Act of 1964, as amended (7 U.S.C. 2011 et seq.), is designed to help low-income households purchase more nutritionally adequate diets by supplementing their food budgets. Eligible households usually receive authorization-to-purchase cards which can be redeemed to purchase food stamps having a face value greater than their purchase price.<sup>1/</sup> The difference between the purchase price and the face value of the stamps constitutes bonus stamps--the Federal contribution to a household's food purchasing power. The stamps are used to buy food through normal retail outlets. Their purchase price is based on household income and size, with extremely low-income households receiving all their stamps free.

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<sup>1/</sup>The Food Stamp Act of 1977 (Public Law 95-113, title XIII, 91 Stat. 913, 958) eliminated the requirement whereby most food stamp households must spend part of their income to buy the stamps. The Department of Agriculture estimates that this provision will be implemented nationwide in the latter part of 1978.

Public Law 91-671, enacted on January 11, 1971 (84 Stat. 2048), authorized Puerto Rico to participate in the food stamp program. The program began there in July 1974. Within 1 year, monthly participation totaled about 1.5 million persons, or roughly half of the Commonwealth's population. The Puerto Rico program today is the largest food stamp operation in the Nation in terms of both the percent of population participating and the total value of bonus stamps issued monthly. In September 1977 (the latest month for which official statistics were available during the time of our review), the Commonwealth issued about \$55 million in bonus stamps to about 1.6 million persons. Overall, Puerto Rico issued an average \$2.5 million in bonus stamps each work day during fiscal year 1977. The following table, based on Commonwealth reports, shows food stamp issuances, payments, and bonus amounts since the program began in Puerto Rico through fiscal year 1977.

<u>Fiscal year</u>	<u>Issuance</u>	<u>Payments (note a)</u>	<u>Bonus</u>
1975	\$ 359,753,406	\$102,472,528	\$ 257,280,878
1976 (note b)	895,638,449	221,891,373	673,747,076
1977	<u>784,202,175</u>	<u>186,974,814</u>	<u>597,227,361</u>
Total	<u>\$2,039,594,030</u>	<u>\$511,338,715</u>	<u>\$1,528,255,315</u>

a/Represents cash collected from participants.

b/Includes the transition quarter (July through September 1976).

#### PROGRAM MANAGEMENT

The Department of Agriculture's Food and Nutrition Service is responsible for administering the food stamp program at the Federal level. A State (or comparable eligible jurisdiction, such as Puerto Rico) participating in the program designates one of its agencies to act as its food stamp administrative unit. In Puerto Rico this agency is the Department of Social Services.

Social Services must, among other things, insure that only authorized households receive food stamps and that these stamps are issued for the correct paid and bonus amounts. Social Services must account to the Service for stamp inventories, stamp issuances, and cash collections on monthly food

stamp accountability reports. Social Services is liable to the Service for any overissuances of food stamps or undercollections of cash.

Social Services' food stamp administrative structure consists of a central office at the Commonwealth-wide level, 9 regional offices, and 109 local offices located in Puerto Rico's 78 municipalities. <sup>1/</sup> The local offices certify households as eligible to participate in the program and also issue the stamps. During fiscal year 1977, Social Services employed about 4,400 persons to operate the food stamp program. Puerto Rico's costs to administer the program (of which the Food and Nutrition Service paid half) were an estimated \$22.4 million in fiscal year 1977.

### SCOPE OF REVIEW

We made our review at the Food and Nutrition Service's headquarters in Washington, D.C., and its Mid-Atlantic Regional Office in Robbinsville, New Jersey; at the Department of Agriculture's Office of Audit unit in San Juan, Puerto Rico; and at food stamp central and regional offices in Puerto Rico, as well as local food stamp offices in the San Juan and Caguas regions of Puerto Rico.

We interviewed Service, Office of Audit, and Commonwealth program officials and reviewed Office of Audit reports, Service task force reports, Commonwealth corrective action plans, and pertinent legislation, regulations, correspondence, and records. We selected one local food stamp office in San Juan and reviewed financial accountability over food stamp authorization-to-purchase cards, stamps, and cash receipts for July 1976. We made similar, but abbreviated, financial accountability tests at six other local offices in the San Juan and Caguas regions for July and October 1976. This work at the seven local offices did not attempt to verify the accuracy of certification worker decisions concerning the eligibility of participating households. We also checked procedures at four San Juan local offices for depositing cash received from stamp sales.

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<sup>1/</sup>The basic reporting unit for the food stamp program, nationwide, is the project area. Puerto Rico is divided into 10 such areas. Each region is a project area, except for San Juan which, because of its high program participation, is split into two project areas.

We also evaluated the adequacy of the Commonwealth's food stamp computer system to perform required accountability functions. Our survey of the system included interviews, visits to selected regions and offices, reviews of reports, observations of processing procedures, and analyses of computer tapes obtained from the Commonwealth. We did not verify the information contained on the tapes. At the end of the major portion of our work in Puerto Rico, the revised computer system then in operation (and still in operation today) had only been in existence about 5 months, and certain aspects of the system had not been fully developed or implemented. Consequently, we were unable to run test data through the revised system, which would have permitted a more comprehensive check on how the system worked.

Our fieldwork in Puerto Rico ended in March 1977. At the request of the Food and Nutrition Service's food stamp director, we returned to the Commonwealth in December 1977 to do a brief followup and attempt limited verification of what the director termed "significant developments" concerning recent efforts by the Service and the Commonwealth to correct Puerto Rico food stamp program deficiencies since our fieldwork ended in March. During this followup we interviewed Service, Office of Audit, and Commonwealth program officials; talked with representatives of two firms under contract to help improve program administration; obtained latest available program statistics and computer data; and visited one regional office and two local offices in San Juan to check on improvements in program operations.

## CHAPTER 2

### SERIOUS PROGRAM PROBLEMS PERSIST

Since July 1974 when the food stamp program began in the Commonwealth of Puerto Rico, major management and computer problems have plagued program operations. One effect of these problems was a serious erosion of controls to account for the benefits issued in the Nation's largest food stamp program. Both the Food and Nutrition Service and the Commonwealth have long been aware of the program's major problems but, until recently, took no effective action to resolve them. During the time of our December 1977 followup, steps were underway to improve local food stamp operations, but more must be done, particularly to eliminate the longstanding computer problems.

This chapter presents the results of our financial accountability work at seven local food stamp offices. We undertook this work because of Senator Allen's concern over accountability weaknesses in the Commonwealth's program. Accountability deficiencies we found at the local office level were caused by underlying program problems that the Service and the Commonwealth knew about since 1974 but had failed to resolve. The chapter includes a list of such problems as detailed by Commonwealth officials, similar problems reported by the Department of Agriculture's Office of Audit from 1974 on, and an analysis of Commonwealth corrective action plans. The chapter also focuses on Service and Commonwealth actions to improve local office operations since our fieldwork ended.

Although this chapter discusses computer problems in general, chapter 3 and appendix II provide a more indepth analysis of the Commonwealth's revised food stamp computer system and the problems that confronted it as of the time of our fieldwork and followup.

### ACCOUNTABILITY REQUIREMENTS AND CONCERNS

Of particular concern to Senator Allen was the inability of food stamp program administrators in Puerto Rico to routinely and systematically provide the Food and Nutrition Service with required monthly reports verifying actual food stamp transactions. Program administrators were also unable to do the complete required matching of households buying food stamps with a master record of eligible households. Without the required reports and complete matching, there was and is inadequate assurance that food stamp benefits go just to authorized households and only for the correct paid and bonus amounts.



One part of the current food stamp financial accountability system requires that each of the 10 project areas in Puerto Rico prepare a food stamp accountability report every month. This report is the primary way that food stamp issuances are verified. The report includes information on food stamp inventories (coupon books received, issued, transferred, returned, and on hand at the beginning and end of the month); issuance transactions; and cash deposits of participant payments to the Federal Reserve bank.

In one section of the accountability report, the Commonwealth is required to show differences, if any, between actual food stamp transactions and those transactions backed up by authorization-to-purchase cards redeemed when households bought food stamps. The Commonwealth is financially liable to the Federal Government for differences between the value of the bonus stamps actually issued and the value of bonus stamps authorized to be issued. The Commonwealth must also reconcile redeemed authorization cards with a master record of eligible food stamp households to identify any altered, duplicate, counterfeit, stolen, expired, or otherwise erroneous cards. Unauthorized issuances of food stamps caused by alterations, duplications, counterfeiting, theft, or errors are to be followed up by the Commonwealth but are countable transactions for purposes of the accountability reports. Expired authorization cards improperly redeemed for food stamps are not to be included in accountability report authorized totals.

Until early 1978 the Food and Nutrition Service required the Commonwealth to submit its monthly food stamp accountability reports to the Service's Mid-Atlantic Regional Office within 20 days of the end of the report month. Since February 1978 the Service has permitted the Commonwealth to submit its accountability reports within 45 days of the report month.

#### COMMONWEALTH'S INABILITY TO FULFILL KEY ACCOUNTABILITY REQUIREMENTS

For about the first 3 years of food stamp operations in Puerto Rico, the Commonwealth was unable to provide the Food and Nutrition Service with verified monthly accountability reports; that is, reports in which the actual bonus amounts shown had been independently matched against redeemed authorization-to-purchase cards. Instead, the monthly reports were manually prepared from local office cashier reports that listed information on actual food stamp sales and authorization card redemptions. However, the cashier-reported redemption data was not independently verified against the actual cards

redeemed at some control point beyond the local issuance office level. Without such independent verification, there is an unacceptable degree of doubt that food stamp benefits issued by the Commonwealth were or are properly authorized.

During the first 3 years of the program in Puerto Rico, the Commonwealth's food stamp computer could tabulate data from redeemed authorization cards. Such data, however, could not be used to verify monthly accountability report figures because the computer was not programed to match this data with actual food stamp sales information listed on cashier reports.

In some cases, the computer's tabulation of redeemed authorization card data differed substantially from the related cashier-reported data. For example, an analysis done by the Commonwealth's food stamp central office showed that, from July 1976 through January 1977, food stamp bonus amounts manually tabulated from cashier reports exceeded the bonus amounts tabulated by the computer from redeemed authorization cards by anywhere from \$1 million to \$9.1 million each month. A program official expressed the belief that the two sets of data differed because many redeemed authorization cards were not being returned to the central office, although this is required; however, there was no documented evidence that this would explain differences of such magnitudes.

A revised food stamp computer system to provide accurate data on redeemed authorization cards that could be used to validate accountability report figures was developed, tested, and put into operation by the Commonwealth in 1976 and 1977, but, at the time of our fieldwork, various programing and operating problems still impaired its usefulness. (See ch. 3.) In April 1977 the Commonwealth submitted what was said to be its first computer-prepared food stamp accountability report (for November 1976).

In addition to having accountability report problems, the Commonwealth, over the first 3-1/2 years of program operations, was not able to do a complete matching of redeemed authorization cards against its master record of households eligible to participate in the food stamp program. Our analysis of Puerto Rico's revised food stamp computer system indicated that the system can match redeemed authorization cards against the master record of eligible households for certain types of apparently improper redemptions but not for others. For example, the Commonwealth can identify authorization cards redeemed after their expiration dates. It is unable, however, to systematically identify benefits improperly dispensed as a result of a household's redeeming too many authorization cards during a given 30-day period. We also

found that the Commonwealth was not taking effective followup action when its computer matching did identify questionable authorization card redemptions. (See p. 32)

#### TESTS OF FINANCIAL ACCOUNTABILITY AT LOCAL FOOD STAMP OFFICES

Because of the Commonwealth's repeated failure to submit verified monthly accountability reports at the time we began our review, we arranged to check financial accountability over food stamp transactions in a local food stamp office in the San Juan region and to do additional, abbreviated work at six other local offices in the San Juan and Caguas regions. Our purpose was to find out if, despite the Commonwealth's failure to provide verified islandwide accountability reports as required, fundamental control and accountability functions necessary for proper reconciliations between actual and authorized transactions were at least in place at the local level. We found this not to be the case.

We selected the San Juan III office for the major part of our financial accountability work because it had one of the smallest caseloads of Puerto Rico's 109 local food stamp offices and was considered by Puerto Rico program officials to be one of the Commonwealth's best-administered local offices. At San Juan III we reviewed about 2,000 authorization cards for about 1,000 households to see if the authorization cards and documents from case files supported actual food stamp issuance, payment, and bonus totals. We obtained reported transaction totals from a subsidiary accountability report submitted by San Juan III to its regional office for inclusion in the manually prepared monthly accountability report for the entire project area.

In the absence of usable computer-generated data on actual authorization card redemptions, we attempted to physically verify San Juan III accountability report data for our selected month (July 1976) against actual transacted authorization cards. We were unable to do so. Controls over redeemed cards were poor, and, despite several searches, program personnel could not provide us with transacted cards that would fully support the issuance data reported on the monthly accountability report. We were able to ascertain that about \$203,000 of food stamp issuances shown on the selected accountability report for San Juan III was reportedly derived from 2,021 redeemed authorization cards. However, 29 cards with a reported issuance value of about \$2,000 could not be found or otherwise accounted for.

Also, in the absence of a systematic computer matching of redeemed authorization cards against a master record of duly certified program participants, we tried to independently determine the validity of the 1,992 authorization cards eventually furnished us by physically checking a large number of cards against related participant case files at San Juan III, examining the cards themselves, and then determining the dollar impact of any improperly documented food stamp issuances. The results of this work are summarized below.

	<u>Coupon issuance</u>	<u>Participant payment</u>	<u>Bonus</u>
Actual	\$203,142	\$39,535	\$163,606
Authorized	<u>175,581</u>	<u>35,348</u>	<u>140,232</u>
Not properly documented (note a)	<u>\$ 27,561</u>	<u>\$ 4,187</u>	<u>\$ 23,374</u>

a/Includes data applicable to the 29 missing cards.

In summary, the authorization cards and case file documents did not fully support the reported transaction totals. About 14 percent of the food stamps issued by San Juan III for the month examined were not properly documented.

Our reviews of 1 day's cashier transactions in three other local offices in the San Juan region (San Juan I, Rio Piedras IV, and Carolina I) for July 1976 and in three local offices in the Caguas region (Aguas Buenas, Caguas I, and Gurabo) for October 1976 identified similar kinds of improperly documented issuances--ranging from 4.3 percent to 14.8 percent of the total issuances for each of the six cashiers for a single day.

Specific reasons why food stamp issuances at the seven local offices we checked were improperly documented included:

1. Missing authorization cards.
2. Recipients apparently receiving duplicate benefits as a result of their improperly redeeming, within the same 30-day authorization period, computer-prepared and/or manually prepared authorization cards, with total allotments doubling the amounts the recipients were entitled to receive.

3. Recipients not certified to receive food stamps for the period covered by the computer-prepared authorization cards.
4. Coupon allotments or purchase requirements computer-prepared authorization cards not in agreement with the recipient household's case file documentation.
5. Authorization cards signed by an unauthorized person or not properly signed.

Aside from documentation discrepancies possibly caused by stolen, fictitious, or deliberately altered authorization cards, improperly documented food stamp issuances also indicate serious administrative control problems within the Commonwealth's food stamp program. Missing authorization cards mean that, even if the food stamp computer is working properly in all respects (something it has not done up to now), it still will be unable to verify food stamp transactions reported by local office cashiers. Food stamp issuances reportedly authorized by cards which subsequently turn out to be misplaced or otherwise unaccounted for due to poor controls will result in differences between actual and authorized transactions on the monthly accountability reports, with the Commonwealth being liable for the differences.

Instances of duplicate benefits show the need for a periodic computer matching of all redeemed authorization cards against the master record of eligible food stamp households. The size of the Commonwealth's food stamp program and the volume of documents, such as authorization cards, generated each month preclude a complete, systematic manual check of redeemed cards against a master list of eligible households.

Food stamp issuances not properly documented (1) because recipients were not certified, according to local case file documentation, to receive stamps for the period covered by the computer-prepared card or (2) because stamp allotments or purchase requirements shown on computer-prepared cards did not agree with local case file documentation indicate discrepancies between local office and computer center records. These discrepancies could result from input documents being erroneously entered into the computer, a lag between the time a local certification worker prepares an input document and the time it enters the computer, or improperly coded input documents being rejected by the computer and not being corrected. Such discrepancies would hinder effective program accountability to the extent that a computer matching of

redeemed authorization cards to the master record of eligible food stamp households would be based on erroneous household information contained in the computer.

Finally, improper signature procedures on authorization cards, although in some cases perhaps a technical violation of a complicated procedure, exemplify local office noncompliance with written procedures and suggest the general lack of supervisory review over cashier operations by local office fiscal agents who should discover errors in signing authorization cards and immediately notify the cashiers. (We found that fiscal agents were not doing this). Improper signature procedures on authorization cards also raise the possibility of ineligible persons receiving unauthorized benefits which, if not detected by the cashier, would likely go undetected by the food stamp program's principal accountability check--the computer matching of redeemed authorization cards against the master record of eligible households. The cashier is to check signatures on redeemed authorizations against signatures on recipients' identification cards. The computer, by itself, has no way of checking the validity of signatures on otherwise apparently valid authorization cards.

#### FACTORS UNDERLYING IMPROPERLY DOCUMENTED FOOD STAMP ISSUANCES

Program officials at the Commonwealth's central and local offices and data processing personnel in charge of the Commonwealth's food stamp computer system attributed the problems we found in documenting issuances to several factors.

- General confusion both among local office certification workers concerning how to fill out the basic input documents used to enter recipient eligibility information into the food stamp computer and among local office cashiers concerning how to make sure that authorization cards were properly signed and transacted.
- Lack of adequate supervisory reviews by local office certification supervisors and fiscal agents who were not reviewing their subordinates' work in order to correct, on a more immediate basis, errors on computer input documents and redeemed authorization cards.
- High turnover of local office certification caseworkers, certification supervisors, and fiscal agents.

--Poor coordination between local offices and the computer center, resulting in no corrective action being taken when information on valid input documents was inadvertently not entered into the computer or when improperly prepared input documents were identified by the computer center.

A consultant retained by the Commonwealth in February 1977 to review the food stamp program's organization and operations discussed with us his views as to even more fundamental causes for improperly documented food stamp issuances in particular and poor administrative performance in general. In the consultant's opinion, Puerto Rico's food stamp program in the spring of 1977 was suffering from

--a lack of analysis of pertinent regulations, procedures, and methods on all levels to (1) determine how the program operated and (2) eliminate any gaps or duplications in program operations;

--inadequate training of Social Services personnel;

--a lack of clear lines of communication between the program director at the central level, local and regional associate directors, and computer center personnel; and

--insufficient criteria for selecting qualified food stamp management and supervisory personnel.

On the basis of our fieldwork which ended in March 1977 at the seven local offices, we believe the various program problems cited by the consultant and Commonwealth officials helped to explain how food stamp issuances not supported by proper documentation could have occurred. These problems generally paralleled basic program deficiencies identified and reported by the Department of Agriculture's Office of Audit since 1974. 1/

#### OFFICE OF AUDIT'S FINDINGS AND CONCLUSIONS

The Agriculture auditors have repeatedly concluded that the Commonwealth must improve its overall guidance, supervision, and administrative control over food stamp program

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1/The Office of Audit is now a unit within the Department of Agriculture's new Office of the Inspector General established in March 1977.

operations at all levels and, correspondingly, must design and implement an effective computer system that could be used in helping to administer and control program certifications and fulfill basic program accountability requirements. According to the Office of Audit, such improvements would help to eliminate continuing program deficiencies, such as the following.

Excessive use and inadequate control  
of manually issued authorization cards

A manually prepared authorization card is issued when a computer-generated card is late, lost, stolen, mutilated, or in error. In July 1976 about 86,000 manual authorizations were being issued monthly in the Commonwealth. Despite the Commonwealth's goal to reduce this number to 10,000 monthly, manual authorizations rose to about 101,000 a month in December 1976 and still totaled about 67,000 a month as of October 1977.

The Office of Audit has been reporting a lack of control over manual authorizations since October 1974 and has pointed out the potential for fraudulent food stamp issuances because manually prepared cards were frequently issued without second-party review, inventory control, or preparation of required supporting documentation, such as computer input documents. Factors identified by the Office of Audit as contributing to excessive use of manual cards included

- untimely recertifications of participants,
- failure to determine reasons for repetitive manual issuances to certain households, and
- improper handling of changes reported by participants. (This could result from either the local office certification worker's failing to prepare the required computer input document, submitting it late, or filling it out improperly; or the computer center's failing to enter the changed information on the input document, entering it late, or entering it incorrectly due to keypunching errors or other problems).

During our December 1977 followup, program officials said that the number of manual authorization cards issued each month remained too high. They believed, however, that recent Commonwealth efforts to improve local and regional food stamp office operations (see p. 23) would eventually result in fewer manual cards and better control over the manuals that are issued. The officials told us that, in their opinion,



the number of manual cards issued monthly could not be reduced below 30,000. According to them, each month there are about 14,000 new food stamp cases, 8,000 cases where a change in household circumstances necessitates a change in the computer-prepared authorization card received by the household, and 8,000 cases where a household's computer-prepared authorization is lost in the mail--all these situations require the issuance of a manual authorization by a local office.

#### Lack of support for retroactive food stamp benefits

According to program regulations, households in the Commonwealth are entitled to receive retroactive food stamp benefits in cases where these otherwise eligible households have not been timely certified for program participation by Social Services. A Federal district court order in November 1974 also stipulated that benefits were retroactive to program initiation in the Commonwealth if applicants could provide the necessary supporting information. In addition, program regulations state that (1) participants who are not promptly recertified for one reason or another or (2) households which attest, by signed statement, that they were unable to purchase all or part of their allotments because Social Services assigned erroneously high purchase requirements must also be issued retroactive benefits.

Through the first 40 months of food stamp operations in Puerto Rico, the Commonwealth issued about \$39 million in retroactive benefits. In October 1977, for example, about 3,400 households were authorized to receive about \$877,000 in retroactive benefits.

On the basis of its reviews in 1975 and 1976, the Office of Audit concluded that much of the documentation necessary to permit verification of the validity and/or accuracy of retroactive benefits had not been retained by Social Services and that the validity of the approximately \$30 million in retroactive benefits granted in the Commonwealth through December 1976 could not be confirmed nor could losses be determined.

During our December 1977 followup work, an Office of Audit official told us that local food stamp offices were now submitting the required documentation supporting issuances of retroactive benefits--our check at two local offices also showed this. The Office of Audit official said, however, that the Commonwealth never reviewed the validity of retroactive benefits issued before 1977. In

addition, he and others indicated that serious problems developed when the Commonwealth began computerized processing of retroactive benefits in April 1977. (See pp. 47 and 48.)

Lack of control over participation in  
the food stamp program by  
Social Services employees

Due to the pervasiveness of the food stamp program in Puerto Rico, some Department of Social Services employees who help administer the program also participate in it themselves or are members of participating households. In November 1977 Social Services estimated that about 1,300, or about 30 percent, of its employees participated in the program. Without adequate controls, this type of situation could lead to conflict of interest, preferential treatment, and fraud.

Since at least mid-1976 the Office of Audit reported instances of improper certifications and erroneous retroactive benefits involving employee participant cases. In its reviews of such cases, the auditors found

- excessive and unsupported program deductions for such items as medical expenses and shelter costs;
- income not correctly calculated or verified as required;
- excessive certification periods, particularly where households had unemployed members;
- absence of the required review and approval for participation by authorized officials; and
- approval of retroactive benefits, although employees could have received a manual authorization card for the period claimed.

In an April 1976 memorandum the Secretary of Social Services had emphasized the need for strengthening controls and supervision over employees or members of their households participating in the food stamp program. The memorandum required, among other items, that the food stamp case files of any participating employees be checked to determine any program abuse and that remedial action be taken where necessary.

In November 1977, however, the Office of Audit reported that:

1. Responsible supervisory personnel were still not always reviewing, monitoring, and approving the certification and/or recertification of Department of Social Services employees or members of their households for food stamp program participation.
2. Sufficient and/or effective internal controls were not yet established in all cases to preclude, or at least identify, program abuses by employees or members of their households.

The auditors attributed these conditions to the failure of some regional and local offices to implement the April 1976 directive from the Secretary of Social Services on employee participation. The magnitude of this problem, the auditors said, could result in criticism of the program and charges of potential conflict of interest and/or preferential treatment.

Inadequate identification of duplicate or erroneously issued authorization cards

Duplicate or erroneous issuances of food stamp benefits can occur when a local certification worker fails to properly complete computer input documents for program participants. For example, when reporting a change in the status of a participating household on a computer input document, the certification worker could use the wrong social security number (the principal means of household identification in Puerto Rico's food stamp program), and the computer might therefore inadvertently send the household authorization cards under each of its identification numbers. Duplicate issuances can also occur when participants (1) mistakenly or fraudulently claim they did not receive computer-generated authorization cards, (2) are issued new manually prepared cards, and (3) then redeem both the computer and manual cards.

As the Office of Audit has reported since 1974, the Commonwealth's food stamp computer system did not and does not have built-in controls to identify all major types of duplicate food stamp issuances. As an example of the seriousness of this inadequate control over duplicate issuances, the Office of Audit cited a September 1974 situation when about 9,000 households erroneously received duplicate authorization cards due to what was termed a major computer operation breakdown. Audit said a large (but undetermined) number of the 9,000 households returned their duplicate cards to local food stamp offices. However, because the Commonwealth at the time lacked a computer system that could

identify any duplicate issuances, it is not known how many of the 9,000 households redeemed duplicate cards.

Audit also estimated that, during a 6-month period in 1975, about 16,500 households redeemed more than two authorization cards in any given month. The auditors concluded that, although some of these redemptions (which totaled \$4.2 million in food stamp bonuses) might not have involved the receipt of duplicate benefits, followup action was needed. (As discussed on p. 34, our analysis of computer data obtained from the Commonwealth indicated that about 1,200 households apparently received duplicate food stamp benefits in August 1977.)

The Commonwealth's revised food stamp computer system, implemented in November 1976, can identify such actual or potential duplicate food stamp issuances as

- redeemed authorization cards that had been issued manually by local offices, but for which the computer had no issuance record;
- authorization cards redeemed after their computer-recorded expiration dates; and
- manual authorizations substituted for the computer-prepared authorizations and then both the manual and computer cards being redeemed.

During both our earlier fieldwork in Puerto Rico and our followup in December, we found that the Commonwealth was not systematically following up on these kinds of questionable redemptions which the computer did identify. As the Office of Audit repeatedly recommended to the Commonwealth, the food stamp computer system should also be able to identify all households that improperly receive more than their authorized amount of monthly benefits by redeeming more than two computer-prepared and/or manual authorization cards during a given 30-day period.

The Commonwealth at one point said it would implement a more comprehensive computer identification of questionable redemptions by September 1977. This computer identification had not yet been implemented as of the time of our December followup; we were told it would be implemented in the near future.

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In general, our December followup--which included observations of local food stamp operations, interviews with

various food stamp program officials in the Commonwealth, and discussions with Agriculture's auditors--indicated that certain program problems, particularly some involving local office procedures and operations, were being worked on and seemingly resolved (see pp. 23 to 27), but that other program problems, long identified by the Office of Audit and centering on manual issuances, retroactive benefits, and the computer, were still unresolved and serious.

#### OTHER FINANCIAL ACCOUNTABILITY TESTS AT LOCAL FOOD STAMP OFFICES

As part of our financial accountability work at the seven local offices, we also looked into local office compliance with program requirements pertaining to (1) deposits of cash collected from food stamp recipients and (2) physical controls over food stamp inventories, authorization cards, and retroactive benefit vouchers. In both areas we found deficiencies indicative of poor management practices and control.

#### Cash deposits

The Commonwealth was not complying with the Food and Nutrition Service instruction, which requires daily deposits to the Federal Reserve bank when a local food stamp office collects \$1,000 or more in purchase requirement payments from recipients. (In Puerto Rico, the Government Development Bank acts as the official agent for the Federal Reserve.) During our review, cash collected by local offices in the San Juan and Caguas regions was ultimately reaching the Government Development Bank but not without considerable delay and an unauthorized interim depositing step.

The local offices deposited cash receipts daily to checking accounts in local banks and made periodic transfers to the Government Development Bank. Substantial residual balances were maintained in some local bank accounts even after transfers were made. Under this procedure, certain local banks had interest-free use of up to hundreds of thousands of dollars in Federal food stamp receipts for extended periods of time--a violation of Service regulations that results in increased Federal borrowing costs.

For example, four local offices in the San Juan region (Canaoanas, Loiza, Guaynabo, and Trujillo Alto) deposited daily cash receipts to local banks in their respective areas. Friday of each week the local offices transferred weekly receipts from the local banks to the Government Development Bank. The four local offices we checked in the

San Juan region made daily deposits into two consolidated local bank accounts: San Juan North and San Juan South. We found that in July 1976 regional accountants for both San Juan North and South were transferring receipts to the Government Development Bank on a biweekly basis.

Our analysis of San Juan North's bank statement for July and August 1976 illustrates the depositing problems we found. The first and only fund transfer for July's food stamp receipts did not occur until about the middle of that month when two transfer checks, amounting to \$153,860 and \$323,117 and payable to the Government Development Bank, were drawn. These checks, however, did not transfer out all of the money in the account--a balance of about \$297,000 was still left at that time. The next transfer to the Government Development Bank, amounting to \$683,602, was not made until early August. The residual balance in the account at the end of July was about \$850,000.

In March 1977 Agriculture's Office of Audit issued a report concerning the Commonwealth's deposit procedures. The report stated that cash deposits to the Government Development Bank averaged \$3.8 million weekly but that a large portion of the money was being held in local banks for excessive periods before being transferred to the central bank. During November 1976 through January 1977, balances remaining in each of San Juan's North and South accounts, after transfers to the Government Development Bank, ranged from about \$216,000 to over \$670,000. At the end of December 1976, a total of about \$1.5 million was in these two accounts.

A San Juan regional accountant told us in early 1977 that he was aware of the Service requirement to deposit food stamp receipts of \$1,000 or more daily with the Government Development Bank but that the Commonwealth's food stamp central office had not set up and monitored procedures to assure local office compliance with this requirement. A test project for implementing daily deposits to the Government Development Bank began in one region in March 1977. Islandwide implementation of this procedure occurred in April. We confirmed that the new daily depositing procedure was being followed at the one region we checked during our December followup. Elimination of the food stamp purchase requirement--tentatively set nationwide for the latter part of 1978--will end the program's cash deposit requirements.

## Physical controls over coupons and program documents

Controls over food stamp coupons at the San Juan III local food stamp office were adequate. Our physical inventory at this office revealed no discrepancies between the physical inventory and the total inventory reported on the fiscal agent's record and the cashier's daily report. The Office of Audit previously reconciled food stamp inventories for 52 local offices and found that coupon inventories reflected on coupon accountability reports showed only minor discrepancies at a few offices. We found that San Juan III's physical controls over undeliverable computer-issued authorization cards and blank authorization cards for manual issuance were also adequate.

Inventories of blank retroactive benefit vouchers at San Juan III, however, were not adequately controlled. Because these vouchers could have been used as substitutes for cash receipts when households purchased food stamps, they should have been tightly controlled. Nonetheless, vouchers were not serialized nor were perpetual inventories maintained of the number on hand. Before issuance, each voucher was to be signed by three persons. At the time we checked this procedure, the San Juan III director was signing for two of the persons due to staff shortages. As discussed previously, the Commonwealth in April 1977 ended the use of retroactive benefit vouchers in its food stamp program. Instead, the food stamp computer, in preparing authorization cards for mailing, automatically reduces the purchase requirement for recipient households certified eligible for retroactive benefits by local office caseworkers. (See pp. 47 and 48 for problems the Commonwealth encountered since April 1977 in its computerized retroactive benefit system.)

## ANALYSIS OF COMMONWEALTH PLANS TO SOLVE IDENTIFIED FOOD STAMP PROBLEMS

The Commonwealth has prepared five corrective action plans addressing problems either reported by the Office of Audit and the Food and Nutrition Service or noted in Commonwealth reviews of program operations. The first plan was issued to the Service in December 1975. The most recent one, originally due in November 1977, had not been formally approved by the Service as of the time of our followup in December.

Our analysis indicated that the first three plans did not contain specific information as to how problems would be corrected. Rather, the three plans stated what the

problem was, what the goal for correcting this problem was, and when this goal was expected to be achieved. The target dates, however, were repeatedly missed, with reasons seldom given as to why. In addition, the plans' general lack of specific actions to be taken made monitoring and followup very difficult.

The fourth corrective action plan, submitted to the Service in April 1977, was a summary of pending problems identified in previous corrective action plans. The fourth plan and subsequent followup correspondence to the Service provided analyses of certain problems and listed specific actions to be taken as well as goals and target dates. However, the validity of the information in the plan was called into question because, as the Commonwealth stated, a lack of qualified personnel prevented central office verification and monitoring of the regional reports on which the plan was based. The Service termed this lack of verification or monitoring "a major management weakness which contributes to all other administrative deficiencies."

The general inadequacies of the corrective action plans we analyzed are shown by the following summary of how the various plans dealt with the need to reduce the excessive issuance of manually prepared authorization cards.

#### Inability to reduce manual issuances

As discussed before, a large number of manual authorization cards were used in the Puerto Rico food stamp program due to untimely recertifications, incorrect processing of changes reported by program participants, rejected computer input documents, and failure to determine reasons for repeated manual issuances to certain households. In October 1975 manual issuances totaled 104,000 a month, or about 5,200 each work day.

Social Services at one time indicated that, by January 1976, monthly manual authorization card issuance would be reduced to 10 percent of September 1975 levels. In its first corrective action plan issued in December 1975, Social Services indicated that this goal could not be met. Instead, it proposed that by June 1976 manual authorization cards would be reduced to either 10,000 or 10 percent of October 1975 levels.

In the second corrective action plan issued in May 1976, Social Services indicated that the target date for reducing manual authorizations to 10,000 a month had been moved back to May 1977. In this second plan, Social Services



indicated that, unless guidance and recommendations were received from the Service, it would not be able to reduce the level of manual authorizations in the near future.

In an addendum to the second plan, Social Services said that, with the design and implementation of a new and supposedly more easily filled out computer input document, it anticipated that errors by local certification workers in filling out input documents would be reduced and, correspondingly, the number of manual authorizations would decrease.

In June 1976 manually issued authorization cards totaled about 95,000; in December 1976, about 101,000; and in January 1977, about 91,000.

In December 1976 amendments to the third corrective action plan, the date for the reduction of manual authorizations to 10,000 a month was moved to October 1977. In that month manual cards totaled about 67,000.

The fourth corrective action plan, issued in April 1977, proposed a series of corrective actions to reduce manual issuances: one specific item (organizing of special task forces to work on the backlog of recertifications in those San Juan offices where the problems of late recertifications and, correspondingly, manual issuances were the most severe) and three general items (better supervisor control over recertification workloads at the local office level, gradual improvement in food stamp computer operations as "bugs" in the computer were eliminated, and remedial training for certification workers identified as having problems correctly feeding information to the computer).

Like its predecessors, the fourth plan did not specify why previous targets for reducing manual issuances had been missed. Instead, it set the end of December 1977 as the time when manuals would be reduced to 30,000 a month. According to the Commonwealth as stated in the fourth plan, the number of manual issuances each month could not be reduced below 30,000. (See p. 14.)

#### Failure to solve computer problems

Another example of the lack of timely and effective correction of longstanding program problems involves major deficiencies in the Commonwealth's food stamp computer system. Some of these deficiencies came to light over 3-1/2 years ago, but, at the time of our December 1977 followup, were still unresolved.

Appendix II contains a detailed chronology of the major events and actions taken by the Commonwealth and the Service to deal with food stamp computer problems since 1974. These problems include the Commonwealth's failure between July 1974 and October 1976 to implement the required computer subsystem for accounting for food stamp transactions and the subsequent inadequate functioning of this accountability subsystem since its implementation in November 1976.

The chronology in appendix II covers only the major points in the saga of Puerto Rico's food stamp computer system; it does not include all official action connected with Commonwealth computer problems. On the basis of our analysis of the entire record, as well as information and observations gathered during our fieldwork and followup in Puerto Rico, it is clear to us that the food stamp computer situation has not suffered from a lack of analyses, meetings, discussions, correspondence, evaluation task forces, warnings, corrective action plans, or target dates. These were things which gave the appearance of progress without producing the actual progress expected. What has been missing is (1) effective management to give priority to problems and bring scarce resources to bear on problems in an efficient way, (2) adequate monitoring and followup of reported progress to see what new and additional initiatives may be needed, and (3) direct technical assistance to help identify and solve existing problems.

#### RECENT DEPARTMENT OF AGRICULTURE AND COMMONWEALTH EFFORTS TO IMPROVE LOCAL OFFICE OPERATIONS

Since we completed our Puerto Rico fieldwork in March 1977, the Food and Nutrition Service and the Commonwealth took their first substantial actions to improve food stamp program performance. We checked on the status and preliminary results of these actions during our December 1977 followup.

In June 1977 the Commonwealth's food stamp consultant (see p. 12) established several teams, usually composed of about eight persons chosen from local, regional, and central office staff, to address short-term problems hindering local office efficiency and effectiveness. These teams sought to update local office operations by

- activating or closing cases where discrepancies existed between local office case files and computer master records;

--performing overdue recertifications to determine a participating household's eligibility after its certification period expired; and

--checking into cases where input documents had been rejected by the computer.

During the summer and fall of 1977, the teams worked at a total of about 30 local offices in 3 regions identified as being the least up-to-date in their daily certification operations.

Beginning about June 1977 the Commonwealth's food stamp consultant also reorganized and standardized administrative procedures and operations in the 9 regional offices and the 109 local offices so that the offices could stay current in their day-to-day work and provide adequate service and control over the long run. Prior to this effort, the consultant told us "there were 109 different ways of doing things among all the local offices." The reorganization, based on new procedural, productivity, and personnel standards developed by the consultant, was reportedly completed at the local office level by November 1977 and at the regional office level by January 1978.

The new local office standards specified, for example, (1) the exact job or jobs that each staff member would perform and a step-by-step analysis of these jobs, (2) the number of certification cases or stamp issuances that a caseworker or cashier would be expected to handle daily, (3) office equipment and physical layout, and (4) a detailed daily and weekly work routine whereby all applicants or clients were seen by appointment only, and Fridays were set aside for such things as catching up on backlogged paperwork and correcting rejected computer input documents.

Program officials indicated that the reorganization and standardization of local office procedures and operations had improved program performance by reducing client waiting times; citizen complaints about poor local office service; and the numbers of manual issuances, cases erroneously inactive, and errors made by certification workers feeding information to the computer.

During our December 1977 followup, we visited one regional office and two local offices in San Juan to check on program performance improvements due to the reorganization and standardization of procedures and operations. We also checked the latest available Commonwealth statistics (usually as of October or November 1977) on program

variables, such as manual issuances, inactive cases, and input document errors, to gage preliminary results of the reorganization and standardization. The results were preliminary because, as of the date of the statistics, the new uniform procedures had been implemented for only a short period in some local offices.

The local and regional office personnel we talked to during our followup generally favored the reorganization and standardization of procedures and operations, although at least in some cases more staff and office space were apparently required to implement the new ways of doing things. At the local offices, we observed no waiting lines and the case files we checked appeared to be in good shape. Overall, we got the impression that the two offices were better organized and prepared to perform their basic certification and issuance functions--particularly the office (San Juan III) where we did most of our previous fieldwork.

Program statistics partly back up this impression of improvement at the local office level. (See app. III.) Manual issuances and inactive cases decreased considerably between January 1977 and the fall of 1977, both islandwide and for the region and two local offices where we did our followup. However, certification worker error rates in filling out the basic computer input documents remained too high--the islandwide rate was 13 percent in November 1977, ranging from 7 to 18 percent among the 9 regions. Error rates for San Juan, Bayamon, and Ponce--the 3 regions with the largest caseloads--were 18, 16, and 11 percent, respectively. These were the highest regional error rates. In addition, for the two local offices we checked in detail during our followup, we used Commonwealth data to identify those certification workers filling out the most input documents each month. Although these workers were presumably among the most experienced and knowledgeable in each office, their error rates were from 19 percent up to 55 percent for certain months.

These regional and local office error rates show the need for the Commonwealth to continue its efforts to identify certification workers having the most trouble preparing input documents and to conduct the necessary training and retraining programs. Without this type of continued effort, input document error rates will remain unacceptably high, thereby undermining program operations and accountability. (This problem of high input document error rates is discussed in detail on pp. 37 to 41.)

In addition to the Commonwealth efforts to improve program performance, the Food and Nutrition Service in July 1977 approved a \$591,000 contract with an industrial engineering firm to develop new overall organizational relationships, procedures, and standards for the Commonwealth's food stamp program. The firm would have about 10 persons (including 3 from Social Services and 3 from the Food and Nutrition Service) working full time in Puerto Rico. The firm planned to

- select 10 local offices and collect data there on current certification and issuance procedures and on processing times for certification of households (this phase of the contract was completed in December 1977);
- study this data and establish new standard procedures, costs, and processing times (this phase was expected to be completed in March 1978);
- select 4 of the original 10 local offices for implementing the new standards (the four implementation tests were expected to run from April to June 1978); and
- demonstrate the effectiveness of the new standards based on the results of the 4 local office tests (the contract terminates in July 1978 with the firm, over about an additional 2-1/2-year period, monitoring on a part-time basis any Commonwealth implementation of the new standards).

Simultaneous Commonwealth and Service actions to correct local office operational problems raise the possibility that these actions might duplicate each other or work at cross purposes. A high-level steering committee made up of Service headquarters and regional officials (along with one Office of Audit official) was established to, in general, help the Commonwealth resolve its food stamp management problems and, in particular, oversee the contract with the industrial engineering firm. This is an effort to, among other things, avoid duplication with current Commonwealth corrective action at the local office level. An advisory group which includes Service, Office of Audit, and Commonwealth representatives was also formed to coordinate, on a more immediate basis, the various efforts underway to improve local office operations. Service officials told us that the contract work addresses local caseworker certification activity but not followup actions to correct rejected input documents or investigate exception listings generated by the food stamp computer.

In February 1977 the Service also established a sub-regional office in San Juan to monitor Commonwealth progress in correcting its identified management and computer problems in the food stamp program. The office is normally staffed by a supervisor and three staff members. As of the time of our review, none of the subregional office staff had formal computer training or experience even though monitoring the correction of food stamp computer problems is a major part of the office's mission. One staff member concentrated on quality control assessments of certification worker eligibility decisions, one on financial management matters, and one on efficiency and effectiveness reviews of overall program operations.

### CONCLUSIONS

Until recently, the record of major management and computer problems plaguing the Puerto Rico food stamp program and the corresponding Service and Commonwealth failure to solve these problems were dismal. This is not to say that the problems were ignored, only that effective concerted action was lacking. The Service and Commonwealth actions, since around the time our fieldwork ended in March 1977, to improve local food stamp operations are consequently welcome but long overdue. However, we still believe more needs to be done to eliminate the major computer problems that, as of the time of fieldwork and followup, continued to hinder program operations and accountability. These problems are analyzed in chapter 3.

### CHAPTER 3

#### NEED FOR IMPROVEMENT IN OPERATIONS INVOLVING THE FOOD STAMP COMPUTER SYSTEM

During our financial accountability reviews at the seven local food stamp offices in 1976 and 1977, we became convinced that an effective computer system was crucial to the operation of the food stamp program throughout the Commonwealth. We believe that the computer, as designed at the time of our fieldwork and followup, was capable of fulfilling the program's accountability requirements if major existing problems were first corrected. 1/

Part of our computer analysis was based on two sets of computer tapes obtained from the Commonwealth: (1) records for about 820,000 authorization-to-purchase cards redeemed in August 1977 (the latest month for which final accountability reports had been submitted as of the time of our December 1977 followup) and (2) the August 1977 computer master record of eligible food stamp households. 2/ The following data reflects August 1977 redemptions:

	<u>Number of authorization cards (note a)</u>	<u>Amount authorized</u>	<u>Participant payments</u>	<u>Bonus</u>
Computer- prepared	739,115	\$63,522,836	\$15,005,110	\$48,517,726
Manually prepared	<u>81,364</u>	<u>13,959,264</u>	<u>2,903,491</u>	<u>11,054,773</u>
Total	<u>820,479</u>	<u>\$77,481,100</u>	<u>\$17,908,601</u>	<u>\$59,572,499</u>

a/Participating food stamp households in Puerto Rico must usually redeem two "one-half option" authorization cards to receive their entire monthly allotment of stamps. In August 1977 about 397,000 Puerto Rico households redeemed authorization cards.

1/App. II contains a general description of the Commonwealth's revised computer system, the Food and Nutrition Service's basic requirements for such systems, and a chronology of problems affecting the Commonwealth's system and actions taken to resolve them between April 1974 and March 1978.

2/The computer analyses in chapter 3 were based on this August 1977 data. We also did identical analyses based on November 1976 redemption data and the March 1977 master record of eligible households that were obtained from the Commonwealth during our earlier fieldwork. The results of our August 1977 and the November 1976 and March 1977 analyses were similar.

The major problems we found in the operations of the revised computer system as of the time our fieldwork ended (March 1977) included:

- Inability to generate the appropriate data required to verify the monthly food stamp accountability reports. As discussed below, we observed operational problems that contributed to delays in generating this data. (In April 1977 the Commonwealth submitted a preliminary monthly accountability report (for November 1976) said to have been the first report verified through the use of data produced by the revised system).
- Failure to comprehensively identify questionable redemptions of food stamp authorization cards. There was also a corresponding failure to systematically follow up those instances in which the limited computer match of redeemed authorization cards with the master record of eligible food stamp households did turn up questionable redemptions. Without this comprehensive identification and systematic followup, the Commonwealth will be unable to identify and collect any benefits improperly received through a household's redeeming erroneous, altered, duplicate, stolen, counterfeit, or expired authorizations. Our analyses showed that such improperly received benefits could involve many households and result in large losses to the Federal Government.
- A high volume of errors in basic household information being prepared on input documents for entry into the food stamp computer and inadequate controls and followup to insure that identified input document errors are corrected. Input errors and poor control over identified errors mean that the computer's issuance and accountability operations could be based on erroneous information.
- Ineffective or nonexistent controls over the unique identifier codes assigned to food stamp recipients. Better controls are needed to help prevent issuance of duplicate authorization cards.

Our December 1977 followup indicated that most of these computer system problems still existed and, in fact, were exacerbated by additional problems that developed since our fieldwork. For example, although the computer since April 1977 was generating data for the monthly food



stamp accountability reports, lack of control over the timely submission of redeemed authorization cards to the computer center caused delays and backlogs in producing the necessary data. Also inadequate computer programming necessitated manual adjustments to this data. Our check showed that these adjustments could and did cause errors in the accountability reports submitted to the Food and Nutrition Service. Furthermore, serious problems cropped up when the Commonwealth computerized its processing of retroactive food stamp benefits in April 1977.

The correction of the computer system problems found during our fieldwork and followup requires a top priority effort by both the Commonwealth and the Service. Without this kind of effort, the probability of significant improvement in Puerto Rico's food stamp program performance is low.

The subsequent sections of this chapter provide a broader analysis of computer system problems. Chapter 4 and appendix I contain our recommendations for improving the system.

#### LACK OF COMPREHENSIVE IDENTIFICATION AND FOLLOWUP OF QUESTIONABLE AUTHORIZATION CARDS

The revised computer system cannot comprehensively identify all major types of questionably redeemed food stamp authorization cards. The Commonwealth, in addition, does not adequately follow up on those types of questionable redemptions that the computer system can identify.

A comprehensive matching of redeemed authorization cards against computer records is important to help identify any erroneous, altered, duplicate, counterfeit, expired, or stolen cards, thereby providing a basis for followup to recover improperly received benefits. Limited tests run by us and by Agriculture's Office of Audit indicate that a substantial number of redeemed authorization cards either go unmatched (something the computer system can identify) or appear to be duplicates (something the computer can only partially identify). These tests raise fundamental questions about the validity of at least a portion of the millions of dollars in food stamp benefits issued monthly by the Commonwealth and demonstrate the need and importance for comprehensive identification and aggressive followup of questionable redemptions.

During our December 1977 followup, Commonwealth officials told us that they planned to expand the computer system's capability for identifying questionable redemptions and

implement procedures to ensure more effective followup of such redemptions.

Procedures for issuing and redeeming authorization cards

A food stamp authorization card includes the recipient household's unique identification number (usually the social security number of the household head), name, address, card serial number, date issued, card's expiration date, and amount of food stamps the household is entitled to receive. On the basis of information in its master records, the computer automatically prepares monthly authorization cards for the recipient households and a listing of serial numbers of all cards issued. The computer-issued authorizations are then mailed to recipients. A household receiving such an authorization actually gets two cards in the mail--each card entitles the household to one-half of the total number of food stamps it is authorized over a given 30-day period.

Under certain conditions described previously (see p. 13), certification workers in the local offices manually prepare and issue prenumbered authorization cards. Certification workers are to prepare and submit the standard computer input document for each manual card issued. Information listed on the input document for a manual authorization is to include the recipient household's unique identification number, name, and address, as well as the card's issuance and expiration dates, serial number, amount, and serial number of a previously issued computer-generated card that the manual is replacing, if any. When the data processing center receives the input documents, the information is to be checked before it is keypunched and entered into the computer.

These procedures for both computer-prepared and manual cards were implemented to help ensure that the data processing center has a record of all food stamp authorizations issued.

When a recipient redeems a manually or computer-prepared authorization card for food stamps, the local office cashier stamps the redemption date on the card. Each day the cashier sends a batch of redeemed cards to the data processing center along with a batch control card or transmittal sheet that contains that day's date, the number of cards included, the amount of cash received from the recipients, and the bonus amount.

As batches are received in the data processing center, staff is required to verify each batch of redeemed

authorization cards against the total number of cards shown on the batch control or transmittal sheets. After verification, the information is keypunched for computer processing.

As part of the subsequent processing cycle, the computer compares the serial numbers of the cards issued with the serial numbers of cards redeemed to determine that only authorized cards were redeemed for food stamps. Also the authorization card's redemption date is compared with the date the card was issued to determine whether the card was redeemed after its expiration date. Finally, the computer checks whether a household redeemed both a computer-prepared authorization and the manual card that replaced it. Any discrepancies identified by these computer checks are to be researched and resolved.

#### Problems in identifying and following up questionable authorization card redemptions

At the end of our fieldwork in March 1977, the Commonwealth produced a preliminary exception list of November 1976 food stamp transactions. The Commonwealth's list, identifying the three types of questionable redemptions that the computer could identify at that time, showed that, of about 605,000 authorization cards redeemed in November 1976,

- 436 cards (amounting to \$61,701 in total allotments) had been issued manually as substitutes for computer authorization cards but could not be matched by the computer; that is, the serial numbers reported were not on the computer file of serial numbers issued;
- over 1,000 cards with allotments totaling \$94,258 had been redeemed after their computer-recorded expiration dates; and
- there were 437 possible duplicate redemptions for \$46,836 in total allotments where both manual substitutes and the corresponding computer-issued cards were redeemed.

During March 1977 we interviewed personnel in the Commonwealth's food stamp central office who were responsible for taking followup action on questionable redemptions. Regarding the three items listed above, they advised us that:

- Any unmatched redeemed authorization cards were probably cards issued manually by certification workers who forgot to report them to the data

processing center for recording in accordance with existing procedures.

--Central office personnel examine the dates on authorization cards that are supposedly redeemed after their expiration dates. Past reviews disclosed that about 85 percent of these cards were valid; that is, the cards were erroneously flagged as having expired. Since the computer assigns the redemption date on the batch control card to all individual redeemed cards in the batch, any cards with an earlier redemption date that are inadvertently included in the wrong batch could show up as expired when the computer compared the redemption date with the previously recorded issuance date. As a result, many valid cards were erroneously identified as expired.

--In the future, central office officials planned to investigate cases involving questionable redemptions of authorization cards.

The Commonwealth devised (but had not implemented as of the time of our fieldwork) a computer program that attempted to identify all households which received more than their authorized food stamp allotments by redeeming more than two authorization cards in a given 30-day period. However, an Office of Audit analysis disclosed that this program would identify overparticipation by a household only if the household redeemed more than two authorization cards at the same local office on the same day using the same social security number. To achieve a more comprehensive, realistic identification of questionable redemptions, the auditors recommended that the computer program be changed to check for overparticipation based on social security number only.

During our December 1977 followup, Commonwealth officials said that a computer program to comprehensively identify food stamp overparticipation by certain households would be implemented in the near future. The program would reportedly check for overparticipation using a household's social security number only, as recommended by the Office of Audit. Commonwealth officials also said that, after this computer program was implemented, the central office would hire additional staff and establish controls to ensure more effective followup of computer-identified questionable redemptions. Although central office personnel were responsible for followup on the periodic computer listings of unmatched authorization cards, expired cards, or redemptions of both computer-prepared cards and their manual substitutes, there was no

control to make sure that appropriate action was taken on a timely basis in all cases. A Commonwealth official told us that some questionable redemptions were followed up on, but most were not due to a lack of staff and controls at the central office level.

Computer analyses we did, as well as work done by the Office of Audit, indicate that duplicate authorization card redemptions and unmatched manual authorizations are serious problems requiring both comprehensive identification and aggressive followup. For example, using a household's social security number to identify all the authorizations that the household redeemed during a given period, we found the following cases where households in August 1977 redeemed more than two authorization cards issued less than 30 days apart--this meant that these households possibly received unauthorized food stamp benefits and is the kind of potential overparticipation which the Commonwealth's food stamp computer could only partially identify as of the time of our followup. 1/

<u>Number of households</u>	<u>Number of redemptions</u>	<u>Amount authorized</u>	<u>Participant payments</u>	<u>Bonus</u>
1,193	3,933	\$467,844	\$75,637	\$392,207

As indicated, about 1,200 households and about \$392,000 in bonus food stamps were involved in possible duplicate redemptions during August 1977. 2/ We could not estimate a

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1/In the Puerto Rico food stamp program, recipient households each month receive two one-half option authorization cards which are valid for a 30-day period. This period does not necessarily coincide with a calendar month. Consequently, a household could legitimately redeem up to four authorizations in a given calendar month by redeeming two cards toward the end of one expiration period and the two subsequently issued cards toward the beginning of the next period. Our work on duplicate redemptions took this factor into account.

2/An identical analysis we did based on November 1976 redemptions showed that 1,816 households and about \$531,000 in bonus foods stamps were involved in possible duplicate redemptions during that month. Results of this analysis were turned over to Office of Audit personnel in October 1977 to complement their ongoing reviews of Puerto Rico food stamp computer problems.

precise total dollar amount for the apparent overissuances because, on the basis of the limited data we had, we could not always determine which of the authorizations (some for varying stamp allotments and purchase requirements) were valid and which were duplicate.

The 1,200 households generally redeemed two computer-prepared authorization cards and one manually prepared authorization (again, we excluded those households that legitimately redeemed more than two cards due to the overlap of card expiration periods and the calendar month). Some households with apparent duplicate redemptions, however, followed a different pattern. One 3-person household redeemed four authorization cards (two computer-prepared and two manuals) within a 5-day period at the same local office for a total bonus of \$215 in food stamps when the authorized bonus was \$123. These four authorizations had the same expiration date, indicating that all were issued on the same day. Another 3-person household redeemed two computer-prepared authorizations issued for a total authorized bonus of \$100. In addition, the same household redeemed one manual authorization issued for a family of eight with an authorized bonus of \$284. These redemptions occurred within 1 day of each other at different local offices.

The types of questionable redemptions described above could result from fraudulent redemptions and/or computer data errors but, in any event, show the need to systematically identify and follow up such redemptions.

We also analyzed about 81,000 manual authorization cards redeemed in August 1977. The analysis showed that about 26,300 manually issued cards (or 32 percent of the total manuals redeemed in that month) accounting for a bonus of about \$2,300,000 could not be matched because the food stamp computer, as of the end of August 1977, did not contain a record of the households that redeemed the manuals as ever having been certified to receive food stamps. This lack of documentation supporting manual authorizations meant that a high potential for program loss existed because some households redeeming unsupported manuals might not have been properly certified.

In a similar analysis, the Office of Audit used computer tapes we obtained from the Commonwealth to analyze the approximately 84,000 manuals redeemed in November 1976. This analysis indicated that about 10,300 manuals (or 12 percent of all manuals redeemed in that month) accounting for a bonus of about \$1,400,000 could not be matched because the food stamp computer, as of March 1977, did not contain a

record of the households that redeemed the manuals as ever having been certified to receive food stamps.

In our opinion, Commonwealth food stamp officials must both implement a comprehensive computer matching of redeemed authorizations against master issuance records and ensure effective followup action as appropriate. Otherwise, the Puerto Rico food stamp program has no systematic way to identify and recover improperly received benefits, which Office of Audit and our analyses show could involve many households and sizable amounts of money.

Need for interjurisdictional matching  
of food stamp and other welfare data

Our Office recently conducted a survey to determine whether some persons were improperly receiving public assistance benefits from more than one welfare administration. As part of this survey, we checked whether there were any households simultaneously receiving food stamps in Puerto Rico and aid to families with dependent children (AFDC) payments from local governments in the New York City metropolitan area. We found that there apparently were.

A computer comparison, using social security numbers, produced 680 raw matches of households certified as eligible to receive (1) food stamps in Puerto Rico during March 1977 and (2) AFDC payments--plus an automatic eligibility for food stamps--during the same month in certain New York State jurisdictions (specifically the five boroughs comprising New York City and Westchester, Suffolk, and Nassau Counties). These matches indicated that some households might be receiving duplicate food stamp benefits by falsely claiming residence in more than one food stamp project area at a given time.

To refine the matches and take into account the fact that certain households might have moved from Puerto Rico to New York (or vice versa) during March and were therefore legally entitled to benefits from Puerto Rico during one part of that month and from New York during another part, we compared the social security numbers of the 680 matches to the social security numbers for households certified as eligible to receive food stamps in Puerto Rico or AFDC payments from New York during a

subsequent month (August 1977). This second comparison produced 276 matching social security numbers of households that apparently received food stamp benefits in Puerto Rico during both March and August 1977 and also AFDC benefits (plus the automatic eligibility for food stamps) in New York during both those months.

Our check of the 276 matches showed that in many instances there was no similarity in the household names associated with the matching social security numbers. However, the matches demonstrate the need to perform such interjurisdictional comparisons on a routine, periodic basis and conduct followup as appropriate. This matching and followup would eliminate the apparent receipt of duplicate benefits in some cases and correct erroneous program data in the others.

An analysis we did of Commonwealth of Puerto Rico confidentiality statutes and regulations indicated that these laws and regulations might currently prohibit the Commonwealth from matching its welfare records with similar records from other jurisdictions unless certain preliminary steps were first carried out (for example, a formal notification of food stamp recipients that their household records could or would be used in an interjurisdictional matching). We believe the Commonwealth, together with other State and local jurisdictions, should study the legal, technical, and administrative aspects of periodically matching food stamp and other welfare records interjurisdictionally and take the appropriate steps as may be necessary to authorize and/or implement this matching on a permanent basis.

HIGH VOLUME OF ERRORS IN DATA ENTERED  
IN THE COMPUTER AND INADEQUATE FOLLOWUP  
AND CORRECTION OF IDENTIFIED ERRORS

Despite recent improvement, a high volume of errors remains in household history information being prepared for entry into the computer. There is also incomplete followup action to correct input errors that are identified. The accuracy of the household history information is important because it is used as the basis for issuing computer-prepared authorizations to purchase food stamps and for accounting for the bonus stamps issued.

Inaccurate or untimely information could also cause the computer to issue an authorization card for the wrong amount or prevent it from issuing a card when one should be issued. In either case, the food stamp recipient must return to the



local office and obtain a correct manually issued card. This visit creates additional paperwork for local office certification workers, an increase in transactions that must be prepared for and processed by the computer, and an added inconvenience for the food stamp recipient.

### Why errors occur

To obtain household history information needed to issue authorization cards, a certification worker interviews the food stamp recipient at a local office. The certification worker must transcribe the necessary household information onto a standard input document in a rigidly prescribed format so that the information is ready to be keypunched for entry into the computer. New or updated information is added daily to the computer. Ten times each month, on a prearranged cycle, the computer issues authorization cards based on household history information then in the system.

When the revised computer certification subsystem was implemented in November 1976, a new form to input household information data was introduced. Many local offices, however, continued sending in data on old input forms which could no longer be handled by the revised system. As a result, almost all the data was rejected and very few authorization cards could be issued by the computer. Instead, these authorizations had to be issued manually. At the time of our fieldwork, we were told that this problem had been corrected.

During our fieldwork we interviewed four certification workers who, according to a Commonwealth analysis, made errors on 57 to 96 percent of the new input documents they prepared. We found that each had received a 2-week training course for new employees which included 1 day of instruction on how to transcribe information onto input forms. In addition, they had received 3 days of training prior to the introduction of the new input document. They told us that they received instructions on new program procedures but felt that the training was sometimes inadequate and too late.

The Commonwealth's data processing center conducted a control demonstration at a local office in early 1977. Certification workers transcribed 1 day's certification information onto input documents. The information was verified by one regional office and two local office supervisory staff members. Even so, the computer rejected 18 percent of the documents because the information was incorrectly transcribed.

The data processing staff controls keypunch errors by making analyses of the cards punched by keypunch contractors. Whenever the keypunch error rate rises above 1 percent, the contractor is notified to take corrective action. Two analyses which we examined showed error rates of 1.4 and 1.8 percent. We believe that the keypunch error rate was being held within reasonable limits and was not the major source of errors.

To determine the islandwide extent of data input errors at the time our fieldwork ended, we analyzed a Commonwealth report concerning input to the computer's household information file for March 1977. We found that about 39,000 out of about 169,000 input documents (23 percent) were rejected from computer processing. Also, at two local offices, we examined lists of computer input transactions which the computer had identified as erroneous and found that most of the errors were attributable to incorrectly prepared input information.

During our followup we obtained additional input document error rate data that the Commonwealth compiled since the time of our fieldwork. (The error rate data is included in the table in app. III.) From the 23-percent error rate reported for March, the error rate reported for October dropped to 8 percent but then rose to 13 percent for November. Regional error rates for November ranged from 7 to 18 percent, with the two largest project areas in terms of total caseloads also experiencing the highest error rates (18 and 16 percent). Also, at the two local offices we visited during the followup, those certification workers who consistently processed the most input transactions each month also had very high monthly input error rates. For one of the offices, the same certification worker who turned out the most input transactions each of 6 months checked between March and November 1977 simultaneously had that office's highest monthly error rates that ranged from 23 percent in March to as high as 55 percent in October.

Commonwealth officials said that monthly computer summaries of input document error rates, by local office, by caseworker, and by type of error, are now regularly sent to the regional and local offices for action. In particular, local office managers and supervisors are to review the summaries in order to identify those certification workers with the highest error rates and the type of specific supplementary training that is most needed. It appeared that this review and training was occurring at the two local offices we checked in December but that there was little or no regional or central office control to ensure appropriate followup.

One local office supervisor told us that a local office input error rate of less than 50 percent was good. We disagree. A 13-percent islandwide rate is too high and indicates that, while positive action to reduce errors has recently taken place, at least some food stamp personnel still do not have an adequate knowledge of how to transcribe information onto the standard input document.

#### Inadequate correction of identified errors

Controls and followup actions are not adequate to make sure that input document errors identified by the computer are corrected and properly reentered into the system.

When the computer identifies an error in input data, it produces error lists which identify the transaction and give the reason why it was rejected from processing. Each day the lists are sorted and sent to regional offices, which, in turn, are to send the lists to the appropriate local offices for corrective action.

In January 1977 the director of the Commonwealth's food stamp program wrote to regional offices requesting a 24-hour turnaround on input error correction. Although staffs at both regional offices we visited during our fieldwork recognized that errors on household history data were a problem, they did not require local offices to meet the turnaround time. Local office policy gave priority to recipient interviews, and certification workers had little time to review error lists. As a result, they spent an average of one-half hour each week correcting input errors and had an error backlog of several weeks' work.

Certification workers we interviewed in March 1977 said they knew how to use the error lists to make necessary corrections. However, we found instances where they attempted to make corrections on "warnings" printed on error lists even though no corrective actions were needed on such warnings. In addition, these certification workers told us that, although the computer had rejected an input data item, they would continue to return the same data and eventually the computer would accept it. This could have occurred because, although the same basic information was sent in each time, the information might have eventually been put in the correct format that the computer could accept.

The revised computer system is designed to store information on input errors. This procedure involves accounting for the errors by recording them until the data

can be corrected and properly reentered in the system. However, data processing personnel told us that, because of limitations on computer storage and the high volume of errors, information on input errors cannot be retained in the computer until corrections are made. As a result, control is lost when information on these data errors is dropped from the computer's records. Agriculture's Office of Audit previously recommended that the data processing staff modify the computer so it could retain input error records until corrected and identify case history records which have corrections pending. As of the time of our followup, the system had still not been modified.

Our followup at two local offices showed that daily input error listings were worked on and that corrected data was resubmitted to the computer system within a reasonable period (but not within 24 hours). However, neither office received the daily listings on a weekly (or more frequent) basis. At the time of our visit in the second week in December, the latest daily listing that one of the offices then used was dated early November. In addition, there was no effective control at the central office level to ensure that all the local offices were correcting the identified input errors and resubmitting corrected data promptly. What control that did exist occurred at the regional and local levels where supervisors were to check regularly for compliance with error correction procedures. A program official said the Commonwealth tentatively planned to establish a control section at the central office level which would be responsible for promptly correcting all identified input document errors.

We believe that, until a systematic procedure is set up and enforced to help make sure that all identified data input errors are corrected and the correct data promptly reentered into the system, the high volume of errors on computer input documents will continue to cause the food stamp program serious problems.

#### NEED FOR BETTER CONTROLS OVER FOOD STAMP RECIPIENT IDENTIFICATION NUMBERS

Controls over unique identification numbers assigned food stamp households are often ineffective because the food stamp computer is not programmed to crosscheck the records fully to see if certain household identification numbers appear more than once or to determine whether assigned numbers are valid. Performing comprehensive computer checks of identification numbers and establishing systematic follow-up procedures for cases flagged by these checks would help prevent households from receiving duplicate food stamp

benefits either erroneously or fraudulently under more than one identification number.

When a household first applies for food stamps, a local office certification worker interviews the household head to obtain information for the household history record. The social security number of the head of the applicant household is used as a unique food stamp program identification number. However, if the household head does not have a social security number, the certification worker assigns, as a substitute, a nine digit "dummy" identification number from a block of sequential numbers provided by the data processing center. The social security or dummy number then becomes the unique key to identify the recipient household.

Computer programs that process data normally contain instructions, or "edits," to check the accuracy of data received. The Commonwealth's food stamp computer, however, is not programmed to test or check to see if a new household's social security number is valid. Two common tests for social security number validity are as follows: (1) the first three digits must fall within 001 to 587 or 700 to 728 and (2) none of the three number groups should be all zeros. To determine the extent of apparently invalid social security numbers being used in the Commonwealth's food stamp program, we ran an analysis of computer master records for August 1977 and found 335 households whose head of household social security numbers were invalid based on the two tests mentioned above.

Further, computer edit checks are not made to determine whether a dummy identification number is one of the numbers authorized for issuance by the data processing center. The computer will accept any nine digit number that has not been used previously. We ran an analysis of August 1977 computer data and found about 17,500 households with dummy numbers. We did not develop a computer program to determine whether these dummy numbers were previously authorized for use.

We also ran a check of the possibility that a recipient household might be in the computer food stamp records twice--once under the household head's social security number and once under the spouse's social security number. Only 26,400 of the records on the August 1977 computer master file of eligible food stamp households contained information on the social security number of the spouse. Our comparison using only households then currently certified for food stamp participation showed 437 instances in which the same number was used as a spouse's social security number in one household

record and as a head of household social security number in a second record. In many instances that we checked, there was no similarity between the two household records, other than identical social security numbers--one of which might have been entered erroneously. In 111 instances, however, the same last name, same address, or both appeared on the two records.

At the time of our followup work, a Commonwealth program official told us that the computer was programed to identify (1) households participating under different identification numbers but the same name and (2) cases where a household got food stamps once under a household head social security number and once under the spouse's social security number. The official said, however, that these programs were run very infrequently and we found there were no systematic procedures to follow up on the exception listings which were produced.

On the basis of this information provided during our followup, we believe that additional computer instructions are still needed both to check the validity of recipient household identification numbers and to fully crosscheck records (by address as well as by name) to help prevent a household from receiving benefits under more than one identification number. There is also a corresponding need to establish procedures for (1) periodic computer identification of cases involving invalid or duplicate identification numbers and (2) systematic followup of such cases.

#### OPERATING PROBLEMS CONTRIBUTING TO DELAYS IN PRODUCING REQUIRED ACCOUNTABILITY DATA

The revised computer system was implemented in November 1976. However, as of our March 1977 fieldwork, the computer had not yet produced the required data for verifying monthly food stamp accountability reports. During our survey of the revised system, we observed problems that contributed to delays in producing this data.

#### Many documents containing special magnetic ink characters could not be read

Specialized equipment in the revised computer system was not able to read all information preprinted in magnetic ink on food stamp authorization cards or accompanying batch control cards. As a result, unreadable cards had to be manually prepared for input to the computer which increased the workload and delayed producing the required data for verifying monthly accountability reports.

Computer-prepared authorization cards and control cards for batching redeemed authorizations contain information that is preprinted in magnetic ink. Specialized equipment is necessary to read and record this preprinted data for input to the computer. In April 1976 the data processing staff found that its special card-reading equipment could not read and process all of the authorization or batch control cards. Consequently, the unreadable cards were sent to local commercial banks for processing. Even so, the banks' equipment could not read all the cards. Unreadable cards still had to be manually prepared for computer processing. The problem was attributed to irregularly cut forms and the low quality of magnetic ink used.

When the revised system was implemented in November 1976, authorization cards were being read at commercial bank facilities. However, difficulty in reading cards still existed. For example, over 34,000 of 520,000 computer-issued cards processed for November 1976 could not be read by the bank equipment and had to be manually keypunched for entry into the system. A continuing problem of this sort consumed both time and resources that could have been applied elsewhere as needed.

In December 1976 Social Services' legal department met with the contractor that supplied the forms and gave the contractor 1 month to meet specifications for the forms. Since that time, the Commonwealth has brought suit against the contractor, and the matter is now in litigation. During our December 1977 followup, a Commonwealth program official said that, although this litigation was still pending, the problem in reading the preprinted information off food stamp authorization cards and batch control documents had been corrected since the time of our earlier fieldwork.

Cashiers submit duplicate daily reports  
which delay processing of accountability data

Local office cashiers are required to prepare a daily report summarizing their food stamp inventory, the authorization cards redeemed, and the disposition of cash. The local office fiscal agent is to verify and sign the report before it is sent to the data processing center for keypunching and computer processing. If cashiers subsequently discover an error on the report, they prepare and send in a corrected report with a handwritten note stating that it is a correction to a previous report.

In the original design of the revised system, the computer was programed to process every report it received. No

provisions were made for detecting duplicate reports. When the data processing staff discovered that there were too many reports in the system, it modified the computer edit program to reject and list the reports with the same or duplicate cashier codes. This computer edit program kept duplicate reports out of the system. However, as of the time of both our fieldwork and followup, food stamp central office personnel still had to review all rejected reports to determine which ones should be reentered into the system.

We believe the revised system needs to be further modified so that the computer can identify and accept for processing only the corrected cashier reports. This procedure would eliminate a manual review of the previously rejected reports, thereby eliminating an extra step which otherwise would delay production of the data needed to verify accountability reports.

Untimely submission of redeemed authorizations by local offices

Since the November 1976 implementation of the revised computer system, untimely submissions of redeemed authorization cards by local food stamp offices delayed, and continue to delay, computer generation of required accountability data. These delays contributed to a several months' backlog in computer processing of this data. Untimely authorization card submissions to the computer center stemmed from inadequate document control and the lack of a specific cutoff date for local office submission of the cards and related batch documents.

During our December 1977 followup work, we learned that a local office recently sent in about 350 authorization cards redeemed in November 1976. This extremely late submission necessitated a reprocessing of November 1976 accountability data and the preparation of new monthly accountability reports for that month. Because of November 1976 reprocessing and the untimely submission of authorization cards for other months, the computer, at the time of the December followup, was attempting to reconcile accountability data for five different months--November, October, May, and April 1977, and November 1976.

During our followup Commonwealth officials said that actions had been taken since October 1977 to improve the timeliness of authorization card submissions, such as

--establishing a submission cutoff date of the second day of the succeeding month,



- designating certain regional personnel as responsible for ensuring that all redeemed authorization cards are submitted by the cutoff date, and
- installing equipment in the computer center to facilitate counting redeemed cards and comparing these totals to batch control totals.

ADDITIONAL COMPUTER SYSTEM PROBLEMS  
IDENTIFIED DURING THE DECEMBER 1977 FOLLOWUP

Our followup work disclosed a computer system problem involving manual adjustments made by central office personnel to computer-generated accountability data. During the followup we also learned of (1) a serious computer problem that developed since our fieldwork ended in March 1977 and (2) a Commonwealth plan to install equipment for retrieving information from the computer's master record of eligible food stamp households on a "realtime" basis. Like the deficiencies discussed previously in this chapter and this report, these computer system problems impair overall program operations and raise doubts about the validity of accountability data. We also questioned the Commonwealth's using computer resources for developing and implementing the new information retrieval system when other, more pressing problems confront Puerto Rico's food stamp program.

Manual adjustments to accountability data

Central office personnel manually adjust or revise certain data that is submitted on the Commonwealth's monthly accountability reports to the Service. These adjustments include subtracting expired authorization cards from the computer's authorized paid and bonus totals, providing retroactive benefit data in the format prescribed by Service instructions, and separating the computer's one set of totals for the San Juan region into two separate sets representing the two project areas which comprise San Juan. All these adjustments could and should be done by the computer to save time and eliminate the chance of human error.

The Office of Audit had previously criticized manual adjustments by Commonwealth personnel to computer accountability data. (See app. II, p. 67.) The auditors said the adjustments could not be traced or verified. To check this, we took the latest month (August 1977) for which the Commonwealth had sent final accountability reports to the Service as of the time of our followup. Analysis of program records and interviews with central office personnel during our followup enabled us to trace the arithmetic

adjustments (we did not attempt to verify the numbers used in the adjustments), but our check led to the discovery of an error in the manual adjustments for the San Juan region. Program personnel told us that this error would require new August 1977 accountability reports to be submitted to the Service. In addition, there was uncertainty among program personnel over whether documentation supporting manual adjustments to accountability reports back to November 1976 had been retained.

#### Problems in computer processing of retroactive food stamp benefits

At the time of our followup, Office of Audit and Commonwealth program officials informed us of serious problems that occurred starting in April 1977 when the food stamp computer began issuing retroactive benefits.

Previously, local food stamp offices were responsible for all aspects of retroactive benefit transactions. The benefits were manually issued to program participants in the form of vouchers which could be redeemed when food stamps were purchased. Under the new procedure, local offices would certify a household as eligible for retroactive benefits, prepare the supporting documentation, submit a copy of this documentation to the food stamp computer center, and maintain a record of the amount due. The computer was to record the retroactive benefits that a household was eligible to receive and automatically include them in the monthly authorization cards it prepared by lowering the household's purchase requirement. If the entire retroactive benefit was not used up in a given month because it exceeded the purchase requirement, the computer would maintain a month-to-month balance for the household until the entire benefit was used. The computer would send local offices lists of retroactive benefits issued each month so that local records could be updated.

Commonwealth officials told us that a combination of computer keypunching, programing, and operational problems caused situations where downward adjustments to reduce a household's retroactive benefit balance in the computer either were ignored or rejected, or else produced upward adjustments. This permitted certain households to receive unauthorized benefits. The officials said that the problems mentioned above were now resolved but that the affected retroactive benefit balances had not yet been corrected, which resulted in some households continuing to receive unauthorized benefits. At the time of our followup, the Commonwealth did not have an estimate of the loss to the Federal Government due to the computer's

retroactive benefit problems nor the number of households that had received unauthorized benefits. Between April and October 1977 (the latest month for which statistics were available during our followup) the Commonwealth issued about \$7.3 million in retroactive benefits.

The Commonwealth officials said that a special, one-time reconciliation between computer and local office retroactive benefit balances was planned for late December 1977 and January 1978 to correct certain balances and insure the accuracy of all others. The officials said claims would be established in those instances in which households received unauthorized benefits.

Proposed information retrieval system  
may divert needed resources  
from critical computer problems

During our followup Commonwealth officials informed us of their plans to install a new computerized system for retrieving information from the food stamp computer's master record of eligible households and then immediately displaying this information on certain designated terminals. The officials said the realtime information retrieval system was tentatively scheduled to be implemented in the early part of 1978 and would be used to better, more quickly respond to citizen inquiries about various food stamp problems.

In a meeting with Commonwealth officials, we strongly questioned development and implementation of such an information retrieval system given the limited computer resources (in terms of both personnel and equipment) at the Commonwealth's disposal to solve the series of major problems confronting Puerto Rico's food stamp computer system. We told the officials that, while the new system's purpose was commendable, there were other, more critical items that needed to be dealt with first. Such items included the need to develop, test, and implement computer programs for more comprehensively identifying unauthorized redemptions, controlling the handling of identified input document errors, and correcting erroneous retroactive benefit balances; the several months' backlog of computer reconciliations necessary for submitting verified monthly accountability reports to the Service; and the requirement to reprogram the computer to reflect program changes brought about by the Food Stamp Act of 1977.

Some of these items are longstanding problems that have impaired Puerto Rico food stamp operations for years. All require immediate attention and resolution and

consequently should be given a higher priority than the proposed information retrieval system. In response to our questioning the apparently high priority given this system, Commonwealth officials assured us that the other computer problems listed above would be resolved before the information retrieval system was implemented.

## CONCLUSIONS

The Commonwealth's revised food stamp computer system, as designed at the time of our fieldwork and followup, is capable of providing key aspects of control over food stamp program operations and producing the data required for verifying monthly accountability reports. However, the major problems we observed must first be corrected using approaches different than those that produced the litany of inaction described in the chronology of computer problems in appendix II. (See pp. 64 to 69.)

We believe that, after 3-1/2 years of serious food stamp computer problems in Puerto Rico, the time has come for the Food and Nutrition Service to intervene, either directly or through the use of data processing consultants, to solve the problems as soon as possible and get full assurance that the new system and related procedures will be adequate to help manage a program as large and complex as the Commonwealth's food stamp operation. The role of the Service in this matter needs to go beyond monitoring. Its role should be that of a direct partner with the Commonwealth in solving the computer problems on a priority basis. Unless the Service assumes such a direct and active role, computer problems that began in 1974 and still existed as of the time of our followup may continue to plague the Puerto Rico food stamp program well into the foreseeable future.

There is also a specific need to determine the validity of the data shown on the monthly food stamp accountability reports now being submitted by the Commonwealth, especially in view of the various substantial computer system problems disclosed by the Office of Audit in June 1977 (see pp. 67 and 68, app. II.)--2 months after the first accountability report said to be verified by computer data was submitted to the Service. As this chapter indicates, we found similar problems during our December 1977 followup. In addition, the computer programs used to perform the required matching of redeemed authorization cards against the master record of eligible food stamp households should be tested to establish their capability to detect all duplicate issuances and redemptions of authorization cards.

This does not mean that the computer is the only thing wrong with the program. For example, procedures and operations at the local and regional levels must be improved. As discussed in the previous chapter, the Service and the Commonwealth have recently taken some steps which appear to be addressing these types of problems; however, this potential for real program improvement might be wiped out if a poorly operating computer system goes uncorrected.

## CHAPTER 4

### CONCLUSIONS, RECOMMENDATIONS, AND AGENCY COMMENTS

#### CONCLUSIONS

The Commonwealth of Puerto Rico's food stamp program, the Nation's largest in terms of the percent of population participating and the total value of bonus stamps issued monthly, continues to be plagued with major problems which seriously and adversely affect its operational and financial integrity.

Basic management and computer system problems have existed and have been identified since the program began in Puerto Rico over 3-1/2 years ago. Commonwealth target dates for implementing corrective action addressing these problems have repeatedly been set, revised, and missed. The Food and Nutrition Service, long aware of the Commonwealth's food stamp problems, has not, until recently, taken enough direct concerted action to correct them.

At an early stage in this review, we thought that a complete review of the Puerto Rico food stamp program might be in order. We later were convinced that a sufficient amount of problem identification and analysis had already occurred and that what was needed, instead, was a highly visible direct action program by both the Department of Agriculture and the Commonwealth--involving such efforts as the establishment of a joint task force of Service, Office of Audit, and Commonwealth representatives to implement specific actions for solving the longstanding management and computer problems as efficaciously and quickly as possible.

As discussed in chapter 2, the Service, during our review, set up a steering committee composed of Service and Office of Audit officials to assist the Commonwealth in resolving its food stamp management problems. This is a long overdue step in the right direction. However, the mandate of the steering committee should be broadened to include computer, as well as management, problems because long-term management improvement at the local and other levels of the food stamp program is impossible without an effective, efficient food stamp computer system.

The steering committee should also insure that ongoing Commonwealth and Service efforts to improve local office operations not duplicate or contradict each other; that such efforts include, in addition to upgrading certification and issuance procedures, devising and implementing better procedures for input error corrections and followup of invalid

identification numbers and questionable redemptions of food stamp authorization cards; and that regional and central office operations be analyzed and improved where necessary.

In addition, there is a continuing need to solve the specific computer problems identified by our analyses and those done by the Office of Audit. In particular, the computer printouts and programs supporting the food stamp accountability reports submitted by the Commonwealth for November 1976 and subsequent months should be reviewed and analyzed to determine the validity of the information shown on these reports. Technical procedures underlying the required computer matching of redeemed authorization cards and the master record of eligible food stamp households should be verified as to their comprehensiveness and reliability.

RECOMMENDATIONS TO THE  
SECRETARY OF AGRICULTURE

We recommend that the Secretary of Agriculture have the Administrator, Food and Nutrition Service:

--Direct that the Service steering committee formed to help resolve Puerto Rico food stamp management problems address the program management deficiencies outlined in this report and, in particular, ensure that (1) no duplicate or contradictory actions be taken by the Service and Commonwealth groups now attempting to improve local food stamp office administrative operations, (2) these groups establish effective procedures for local, regional, and central office personnel to correct input data errors and follow up both invalid recipient identification numbers and questionable redemptions of food stamp authorization cards, (3) Office of Audit participation is sought in all efforts to increase program effectiveness due to the auditors' expert knowledge and long experience with the Puerto Rico food stamp program, and (4) efforts to improve both local office and computer system operations take into account likely program changes brought about by implementation of the Food Stamp Act of 1977.

--Create, under the general guidance and supervision of the Service's Puerto Rico food stamp steering committee, a technical assistance group composed of Service, Office of Audit, Commonwealth, and/or private sector representatives. This group should

be responsible for the long-term improvement of the Commonwealth's food stamp computer system and be specifically charged with devising, implementing, monitoring, and following up ways to solve the computer system's longstanding problems. The steering committee should closely coordinate the work of its management and computer groups because of the interrelationships between management and computer problems and solutions. One of the first items on the computer group's agenda should be a verification of the accuracy and reliability of the computer data and programs used in preparing the Commonwealth's monthly food stamp accountability report and in matching redeemed authorization cards against the computer's master record of eligible food stamp households.

- Require the Department of Social Services, with technical assistance from the newly formed computer group recommended above, to undertake corrective actions for improving the food stamp program's revised computer system. Some specific actions that we believe are needed to improve the system are listed in appendix I.

#### AGENCY COMMENTS AND OUR RESPONSE

In March 1978 we obtained oral comments from Food and Nutrition Service officials who reviewed a summary of the findings, conclusions, and recommendations in this report. These officials generally agreed with the recommendations but discussed several corrective actions taken in January and February 1978 that the officials felt should be reflected in the report. These actions included (1) formation by the Service of a two-person technical assistance team responsible for improving the Puerto Rico food stamp computer system, (2) reassignment of four Service personnel in Puerto Rico to bolster the subregional office staff that monitors Commonwealth corrective action efforts, and (3) an "early warning" letter sent to the Commonwealth that indicated if certain agreed-upon corrective actions (such as improvement of supervisory management, correction of retroactive benefit problems, and hiring additional computer management and operations personnel) were not taken within 30 days, Service reimbursement of Social Services' food stamp administrative costs could be jeopardized.

According to the Service, the technical assistance team--composed of a senior Service computer management official and a computer programmer/analyst hired by the Service--was



concentrating its initial efforts on (1) revising the computer to permit a daily matching of redeemed authorization cards with actual transactions shown on cashier daily reports and (2) reducing the number of rejected input documents caused by local office error. The computer currently matches redeemed authorization cards with cashier daily reports on a monthly basis. This means that, if redeemed cards for a certain day are submitted after that month's matching had occurred, the matching for the entire month (not just the day affected) would have to be rerun by the computer. The Service stated that a daily matching of the type now being implemented by the technical assistance team should conserve computer processing time and identify missing redeemed authorization cards more promptly.

To reduce local office errors on input documents, the technical assistance team initiated a demonstration project in the San Juan region whereby each local office in the region established an input document quality control desk. Social Services employees manning this desk are responsible for ensuring the accuracy, completeness, and legibility of the household information and benefit calculations contained on the input documents before these documents are submitted to the computer center. The Service informed us that, for the local office in San Juan where this quality control test began, the input document error rate dropped from about 20 percent to about 2.5 percent. Service plans call for the eventual islandwide implementation of these quality control procedures.

The Service also told us that the Commonwealth recently produced a computer listing of households that in August 1977 apparently received more than 100 percent of their authorized food stamp benefits. According to the Service, this listing showed that the problem of overparticipation was less significant than our analysis indicated. (See pp. 34 and 35.) Subsequent to our meeting with the Service officials, we provided detailed information on our computer analysis of apparently duplicate authorization card redemptions for August 1977 to the technical assistance group in Puerto Rico so it could reconcile the two analyses and determine the true magnitude of the overparticipation problem.

On the basis of the Service officials' information concerning recent corrective actions, we believe these efforts are consistent with a primary thrust of the conclusions and recommendations in this report that a high priority be assigned for solving the Commonwealth's food stamp computer system problems.

In additional comments, the Service officials stated that the following basic factors contributed to food stamp program problems in Puerto Rico and should be recognized.

1. The accelerated 1974 implementation of the program due to a judicial consent decree that the Service and the Commonwealth had agreed to.
2. A Federal district court decision requiring extensive and complicated issuances of retroactive benefits.
3. The fact that, up to the time the food stamp program began there, Federal welfare programs in Puerto Rico were legally constrained to a relatively low caseload and expenditure level, and it therefore took considerable time for the Commonwealth's small welfare agency (the Department of Social Services) to gear up to manage an operation as large and complex as the food stamp program.
4. A volatile internal political situation in which, for example, a drastic change in Social Services' middle and upper management personnel can and did occur following a gubernatorial election.

We also obtained oral comments on this report from Commonwealth officials during our December 1977 followup. These officials generally agreed with our recommendations-- particularly the recommendation calling for the formation of a technical assistance team to help correct computer system problems. The officials stressed, however, that, while problems still confronted the food stamp program in Puerto Rico, considerable corrective action and improvement had occurred since our fieldwork ended in March 1977. The officials said these efforts would continue until program problems were resolved. We have revised appropriate sections of the report on the basis of comments from Commonwealth officials.

CORRECTIVE ACTIONS NEEDED TO IMPROVE  
THE FOOD STAMP COMPUTER SYSTEM

1. To help reduce the high volume of errors in the data that is entered into the computer, computer analyses of certification worker input errors should be produced, distributed, and reviewed on a periodic, timely basis to identify both the types of errors occurring most frequently and the individuals responsible for high error rates. Social Services should then
  - provide additional training to all certification workers and supervisors in those areas where error rates are significant and appear to be attributable to unclear instructions,
  - provide specific training to the caseworkers and supervisors where the error problem appears to stem from their lack of training, and
  - set up a program to monitor the day-to-day work of certification workers and supervisors to determine whether staff members can effectively prepare input documents or whether additional training is necessary for certain personnel.
  
2. To correct identified input errors in a timely manner, the following systematic procedure to follow up and correct input errors should be established and enforced.
  - Social Services should set a realistic time within which all identified input errors must be corrected and the corrected data reentered into the computer system.
  - As errors are identified by the computer, they should be recorded on a separate computer file. Sufficient storage capacity should be provided to hold relevant data on all erroneous documents until the errors have been corrected.
  - The Commonwealth's data processing center should print a daily list of computer-identified input errors, reasons for the errors, and previously identified errors

that have been corrected. This list should be sent concurrently to the applicable local and regional offices on a routine, timely basis. The local offices should review the list, make needed corrections, and notify the data processing center of corrections made.

The regional offices should use the list as a control document to make sure that local offices follow up on all input errors. For example, each daily exception list should be retained by the region until subsequent lists show that each error has been corrected and the pertinent data properly reentered into the computer system.

3. To make sure that recipient identification numbers are valid, the data processing center should develop, test, and implement computer programs that will identify and reject invalid social security and dummy identification numbers. The programs should

--compare dummy identification numbers to those numbers authorized for use, and

--compare social security numbers to the ranges which are valid; that is, the first three digits must fall within 001 to 587 or 700 to 728, and none of the three number groups should be all zeros.

To further preclude recipient households from receiving benefits under more than one identification number, the data processing center should develop and implement a computer program that will search the computer records for duplicate combinations of household addresses. This new program, as well as the existing programs to identify duplicate household participation, should be run on a periodic basis. All cases of duplication identified by the computer should be thoroughly investigated. The same computer searches should be made each time a new recipient household is added to the files.

4. To help make sure that each manual authorization card issuance is properly entered into the computer system, Social Services should require

local offices to use the serial numbers on manually issued cards to obtain a daily control total of the number of these cards issued. This number should be reconciled by the local offices with the total number of manual cards issued that is shown on the transmittal form sent with records of manual issuances to the data processing center daily. The center should assure that this same number of records is entered into the computer.

5. To provide a more certain method for identifying authorization cards redeemed after their expiration dates, only those cards redeemed during the business day should be included with the daily batch control document sent to the data processing center. One way of achieving this would be to determine, by reference to the cashier's daily report, the total number of cards redeemed. This number should be used as a control total. The number of redeemed cards sent daily to the data processing center should always agree with the independently derived control total. If there are exceptions, these cards should be handled separately and never be included in the daily batch.
6. To ensure that food stamp identification numbers and authorization cards are authentic, Social Services should establish, at the departmental level, a control group of adequate size to accomplish authorization card and identification number verification. The data processing center should periodically send exception lists of invalid identification numbers as well as unmatched, duplicate, stolen, altered, expired, or otherwise erroneous authorization card redemptions to central, regional, and local food stamp offices for review and appropriate corrective actions. The local and regional offices should return information on the corrective actions to the central office and to the data processing center for entry into the computerized system.

Central office copies of the exception lists and corrective actions taken should be sent to the newly established control group at the departmental level. The control group would be responsible for making sure that each identification number exception is completely resolved and that all

redemptions of authorization cards are reconciled with computer records of authorized card issuances.

7. In conjunction with the appropriate State and local welfare agencies in other jurisdictions, Social Services should study the legal, technical, and administrative ramifications of conducting a periodic, computer matching of Puerto Rico food stamp household records with the records of households receiving public assistance benefits in other designated areas. Social Services should take such steps as necessary to authorize and/or implement this type of matching on a permanent basis to help reduce the incidence of improperly received benefits and erroneous program data.
8. To improve processing of corrected cashier daily activity reports, the computer system should be modified to ignore the original report when corrected reports are received. One method to accomplish this would be to add a unique identifying code on all corrected reports. The computer could be programmed to test for this code and reject all other reports carrying the same cashier identification number.
9. To increase processing accuracy and efficiency, the data processing center should develop, test, and implement computer programs that would eliminate the need for manual adjustments to computer-generated food stamp accountability data.

DESCRIPTION AND CHRONOLOGY OF PUERTO RICO'S  
FOOD STAMP COMPUTER SYSTEM

The Department of Agriculture's Food and Nutrition Service, the Federal agency responsible for administering the food stamp program nationwide, requires that computer systems used by States to help administer the program must:

1. Maintain household issuance records which contain updated, active records for all eligible households.
2. Prepare and mail authorization-to-purchase cards which entitle recipient households to purchase food stamps.
3. Verify the accuracy of authorized and actual food stamp issuances reported to the Service on the program's monthly accountability reports.
4. Help assure that all food stamp issuances are proper by identifying any erroneous, altered, duplicate, counterfeit, stolen, or expired authorization cards.
5. Prepare monthly program participation reports providing summary information on all households which redeem authorization cards during the report month.

The Commonwealth of Puerto Rico has a food stamp computer system designed to meet these requirements. The system is maintained by the Commonwealth's data processing center which is organizationally within the Department of Social Services. There are two major subsystems within the overall system: the certification subsystem which is designed to meet the first two requirements listed above and the accountability subsystem which is designed to meet the other three requirements.

CERTIFICATION SUBSYSTEM

The certification subsystem is designed to maintain a household issuance record. Generally, this record includes data on an eligible household's background and participation in the food stamp program.

When citizens of Puerto Rico apply for food stamps at local offices, certification workers obtain relevant information including social security number, name, address, family size, and financial circumstances. The certification worker then determines whether the household is eligible to

receive food stamps. If eligible, the household is certified and the information is forwarded to the data processing center on a standard input document. This information is the basis for establishing a computerized household issuance record.

The second major requirement the certification subsystem must fulfill is to prepare and mail food stamp authorization cards. The Commonwealth's certification subsystem establishes 10 monthly cycles for issuing authorization cards. An authorization card has a serial number preprinted in magnetic ink. The computer adds the recipient household's name and address, the card's issuance and expiration dates, and amount of the food stamp entitlement. As each card is printed, the system records the issuance in the computer. The authorization cards are mailed to the recipients who later redeem them when they purchase food stamps.

Certification workers in local offices may issue manual authorization cards when new recipients are certified, when a case must be reactivated, and when recipients report (1) errors on their computer-issued authorization cards or (2) that they did not receive their computer authorizations by mail. These manual issuances must be reported to the data processing center (on the standard input document) along with serial numbers of voided computer-issued cards, if any.

The certification subsystem also provides reports of system activity for use by regional and local offices. The reports include information on each new recipient added to the household issuance record. Reports also show errors in input document data and the reasons for errors.

### ACCOUNTABILITY SUBSYSTEM

This subsystem handles the accountability portion of the food stamp program and works in conjunction with the certification subsystem. There are two principal input documents for the accountability subsystem: local office cashier daily activity reports and redeemed food stamp authorization cards.

#### Cashier daily activity reports

Local office cashiers prepare a daily report which summarizes their food stamp inventory, redemption of authorization cards, and cash transactions. These reports are to be verified by local office fiscal agents and then sent to the data processing center. After key-punching, the reports are checked, or edited, by the computer and entered into the system.



If the computer detects any errors on the reports, relevant information is printed out on error lists. These lists are sent to personnel in the food stamp central office who make the necessary corrections and return the information to the data processing center for reentry into the system.

#### Redeemed authorization cards

When recipients redeem authorization cards for food stamps, local offices separate these cards into two daily batches. One batch includes manually issued cards and the other includes computer-issued cards. These batches, along with batch control cards, are sent to the data processing center. The data processing center keypunches information from the manually issued authorization cards for entry into the system. Information on the computer-issued authorization cards, however, is entered into the system by a magnetic ink character reader. The computer edits the information from the authorization cards and the batch control cards. Listings of error conditions are sent to the food stamp central office which makes the necessary corrections.

#### Service accountability requirements for data processing centers

The Service requires that food stamp data processing centers verify the accuracy of authorized and actual monthly food stamp issuances. To fulfill this requirement, the accountability subsystem is designed to produce data necessary to verify the monthly food stamp accountability report. For this report which should be submitted to the Service on a monthly basis, the computer summarizes, by local office, data from cashier daily activity reports and from its records of redeemed authorization cards. The summaries show the amounts of actual and authorized food stamp sales. The computer also compares each cashier daily activity report with the returned authorization cards redeemed by the cashier on that particular day and lists any differences between the two amounts. The information provided by these reports can enable the food stamp central office to identify cases where redeemed authorization cards are apparently missing and assists in correcting possible cashier errors.

The computer tabulation of redeemed authorization card data is entered on the monthly accountability report as the official total of authorized bonus food stamps issued during the report month. The Commonwealth is financially liable to the Federal Government for any differences, as shown on the accountability report, between the actual total of bonus stamps issued as tabulated from cashier daily activity

reports and the authorized total as tabulated by the computer from redeemed authorization cards.

Another Service requirement is that food stamp data processing centers help assure that all stamp issuances are proper; that is, that information contained on redeemed authorization cards is identical to household history information entered into the computer by local certification workers. To accomplish this, the accountability subsystem compares the redeemed authorization cards with computer records of authorization card issuance to identify any improper or, at least, questionable redemptions. The system prints out lists showing exceptions, such as unmatched or expired cards, invalid serial numbers, and certain duplicate redemptions. These lists are sent to central office personnel who are to research the circumstances surrounding the questionable redemptions and to take corrective action as required. The records of redeemed authorization cards are also used to update household issuance data in the certification subsystem.

The Service further requires that food stamp data processing centers prepare monthly statistics on household participation. To do this, the accountability subsystem uses statistics from the computer's issuance history records. These statistics include all households that have redeemed authorization cards during a particular month. The statistics are reported on the monthly report of participation and coupon issuance submitted to the Service.

#### PROPOSED COMMONWEALTH ONLINE COMPUTER SYSTEM

The Department of Social Services in 1976 issued a request for proposal on an "online" food stamp computer system to replace its present system. Social Services proposed installing at each local food stamp office computer terminals and printers which would be linked directly, or online, with a central master computer. The proposed online system would electronically update household issuance records and issue food stamp authorization cards at local offices while recipients wait--no certification input documents would be used. The proposed system would also include budget, inventory, and accountability subsystems.

Officials of the Food and Nutrition Service's Mid-Atlantic Regional Office told us that, in their opinion, the Commonwealth was not ready for an online system. These officials also said that the Commonwealth would experience difficulty in finding qualified personnel to run an online system and that the proposed system might lack proper controls. The Department of Agriculture's Office of Audit

reported in August 1977 that, due to the complexity of an online system and Puerto Rico's current food stamp program problems, the implementation of an online system would aggravate, rather than eliminate, these problems.

CHRONOLOGY OF COMPUTER SYSTEM  
PROBLEMS: APRIL 1974 TO MARCH 1978

Following is a chronology of major events and actions taken by the Commonwealth and the Service to solve problems associated with the Commonwealth's food stamp computer system.

- April 1974      The Commonwealth advised the Food and Nutrition Service that its proposed food stamp computer system could perform required program certification and accountability functions.
- July 1974      The food stamp program began in Puerto Rico. The certification subsystem was working but encountering operational problems, such as delays in processing input documents due to certification worker coding errors. The accountability subsystem was not working at all.
- October 1974    The Office of Audit informed the Service that because the accountability subsystem was not in operation, there was
- "no basis to verify the integrity of the multimillion dollars in food stamps reported issued since July 1974."
- The auditors cited frequent format changes in the basic input document as a primary reason for delays in implementing the accountability subsystem and for problems in the certification subsystem.
- December 1974    This had been the Commonwealth's target date for implementing the accountability subsystem. Target date was missed.
- August 1975      The Service informed the Commonwealth that (1) the accountability subsystem was not functioning with the required degree of control and accuracy and (2) the inability of the subsystem to detect

duplicate authorization cards was "the most critical deficiency in the Puerto Rico food stamp program." The Service also cited a "fundamental organizational weakness" in the program because of fragmentation of responsibility between regions, central office, computer center, and computer consultant. The result was a lack of management control and accountability.

- September 1975 The Commonwealth awarded a contract for redesigning its food stamp computer system and set June 1976 as the target date for implementing the revised system.
- October 1975 The Service again told the Commonwealth that the computer system was not efficiently performing any of the essential central food stamp program functions and thereby adversely affected the entire operation of the program in Puerto Rico.
- June 1976 Target date for implementing the revised computer system was missed.
- July 1976 The Commonwealth informed the Service that the target date was missed because of a failure to complete revision of the basic input document and conduct necessary caseworker training on how to fill out this document.
- September 1976 The Service sent the Commonwealth an "informal warning" that, because the Service could not tolerate further delays to the successful implementation of the revised computer system, all or a portion of the Federal funds allocated for the Commonwealth's food stamp administrative costs might be canceled if a solution to the computer problem was not offered within 30 days.
- November 1976 A revised certification subsystem was implemented, but the revised accountability subsystem was still not operational.

- December 1976 The Commonwealth signed a \$1.5 million contract (the Service shared 50 percent of the cost) with a major public accounting firm. Under the terms of the contract the firm would tabulate an estimated 15,000,000 authorization-to-purchase cards redeemed from the time the food stamp program began in Puerto Rico (July 1974) until the time the revised certification subsystem was implemented (November 1976). The tabulated data was to be matched against food stamp bonus issuances as reported on the manually prepared cashier reports and monthly accountability reports submitted for the 28 months ended October 1976. No attempt was to be made to match redeemed authorization cards against master records of households eligible for food stamps during those months because documentation to do this was no longer available. The target date for completing this contract was June 1978.
- January 1977 The Commonwealth missed its rescheduled target date for implementing the revised accountability subsystem.
- February 1977 The Office of Audit recommended that the Service immediately issue a "formal warning" to Puerto Rico and take positive management action to help assure that the accountability subsystem became operational immediately.
- March 1977 The Service issued a formal warning to the Commonwealth which stated that, if certain certification subsystem problems (that is, high error rates in certification worker coding of the input documents, failure of the computer center and the local offices to promptly and appropriately follow up on input documents found to be in error, and the inability of the certification subsystem to track rejected input documents and identify corrected ones) were not solved and if the accountability subsystem was not implemented, the Service might cancel Federal funds (about \$612,000) allocated to cover

Puerto Rico's fiscal year 1977 computer costs.

- April 1977 The Commonwealth submitted a monthly accountability report (for November 1976) said to have been verified through use of data generated by the revised accountability subsystem.
- May 1977 A report of a Service evaluation team cited the absence of (1) effective management, (2) updated written instructions, and (3) adequate food stamp training programs as contributing to the inadequacy of Puerto Rico's food stamp computer system.
- June 1977 The Office of Audit informed the Service that, because of inadequate computer programs, controls, and procedures, it was doubtful that a full reconciliation for November 1976 (the first month for reporting under the revised accountability subsystem) or subsequent months could be accomplished unless deficiencies were corrected. The cited deficiencies included:
- Thousands of manually prepared authorization cards not supported by documentation in the computer's master record of eligible food stamp households. The Office of Audit said that, due to this problem, a high potential for loss existed because the recipient households might not have been properly certified for food stamp program participation.
  - Many apparently redeemed authorization cards which could not be located.
  - Faulty computer equipment which either skipped or duplicated information entered from input documents.
  - Manual adjustments to reconciliation transactions by Commonwealth personnel which could not be traced or verified.

--Lack of assurance that all input transactions had been entered into the computer for the month being reconciled.

--An inadequate computer program for identifying instances where households obtained more than 100 percent of their authorized food stamp benefits during a given 30-day period.

- September 1977 In a followup to its most recent corrective action plan, the Commonwealth stated that it planned more intensive training of food stamp certification workers on how to fill out computer input documents.
- October 1977 The Service said that, beginning with the September 1977 report, the Commonwealth would be able to submit computer-prepared monthly accountability reports within approximately 30 days of the report month (a final report had not been submitted for September as of December 1977). The Service also agreed to a revised schedule for submission of overdue monthly accountability reports and said its March 1977 formal warning would remain in effect until the last overdue accountability report was submitted in May 1978.
- November 1977 The Service reported that Puerto Rico had submitted "final" food stamp accountability reports for November 1976 through February 1977 and also for August 1977. Our tabulation of data from these reports show a total discrepancy between actual and authorized bonus amounts of about \$47,000 for November 1976 and \$7,000 for August 1977.
- December 1977 The Office of Audit issued a report on the Commonwealth's revised accountability system as of mid-October 1977. The report noted deficiencies that generally paralleled the items which the auditors discussed with the Service in June 1977. (See above.) The Office of Audit concluded that a complete and accurate reconciliation for November 1976 or any subsequent month could still not be accomplished due to the problems noted

in the report. The Office of Audit recommended that the Commonwealth solve these problems on a top priority basis.

A Service evaluation of the computer system found a need to improve and expedite document flow, particularly between the local and central office level; to provide help to the computer center in processing the backlog of accountability report reconciliations; and to hire top-level computer personnel. The Service proposed sending two computer specialists (one systems management expert from the Service and one computer analyst/programer hired by the Service) to Puerto Rico for up to 1 year to assist the Commonwealth in solving its food stamp computer problems.

February 1978 The Service formed a two-person technical assistance team responsible for improving the computer system. The Service also informed the Commonwealth that the deadline was mid-June 1978 for solving the accountability subsystem problems discussed in the March 1977 formal warning.



PUERTO RICO FOOD STAMP PROGRAM PERFORMANCE DATAJANUARY TO NOVEMBER 1977 (NOTE A)

	<u>Islandwide</u>			<u>San Juan region</u>		
	<u>Input document error rate (percent)</u>	<u>Manual authorizations issued</u>	<u>Inactive cases on the food stamp computer</u>	<u>Input document error rate (percent)</u>	<u>Manual authorizations issued</u>	<u>Inactive cases on the food stamp computer</u>
<u>1977</u>						
January	33	90,532	106,471	41	28,313	34,872
February	(b)	87,143	96,019	(b)	26,582	31,773
March	23	86,879	93,353	26	25,435	31,646
April	17	99,062	83,067	21	24,287	20,116
May	14	74,381	75,544	18	22,387	24,579
June	16	73,089	63,941	20	22,369	19,344
July	(b)	64,691	56,939	(b)	14,396	16,223
August	12	71,464	51,630	19	21,412	13,929
September	13	71,936	45,031	24	20,616	13,371
October	8	66,769	32,104	10	16,894	10,259
November	13	(b)	28,516	18	(b)	9,445

	<u>Rio Piedras IV local office</u>			<u>San Juan III local office</u>		
	<u>Input document error rate (percent)</u>	<u>Manual authorizations issued</u>	<u>Inactive cases on the food stamp computer</u>	<u>Input document error rate (percent)</u>	<u>Manual authorizations issued</u>	<u>Inactive cases on the food stamp computer</u>
<u>1977</u>						
January	50	2,052	3,252	38	235	172
February	37	2,136	3,393	28	210	146
March	35	2,237	3,888	20	247	154
April	27	3,002	4,000	22	240	99
May	17	3,128	1,143	18	191	85
June	22	2,351	1,152	21	154	89
July	(b)	907	993	(b)	136	87
August	20	1,660	1,063	29	187	59
September	24	1,265	975	28	175	61
October	13	622	739	16	92	40
November	11	(b)	(b)	26	(b)	(b)

a/Based on unverified Commonwealth data.

b/Data not available.