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UNITED STATES GENERAL ACCOUNTING OFFICE  
WASHINGTON REGIONAL OFFICE  
FIFTH FLOOR  
803 WEST BROAD STREET  
FALLS CHURCH, VIRGINIA 22046

JUN 17 1975

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Mr. David Legge, Acting Director  
Office of Municipal Audit and Inspection  
499 Pennsylvania Ave., N.W. Room 403  
Washington, D.C. 20001

Dear Mr. Legge:

Enclosed for your information is a copy of our letter to Mr. J. P. Yeldell, Director, Department of Human Resources, concerning the D.C. Government Food Stamp Program. This letter summarizes our June 2, 1975, meeting with appropriate D.C. Government Food Stamp officials at which we presented certain observations and suggestions arising from our study of specific instances where system weaknesses permitted internal fraud of the program. Mr. J. David Gray of your staff was in attendance at that meeting.

If additional information is required or if you have any question concerning our study, please contact me or Phil Morrison of my staff at 557-2151.

Sincerely,

*H. L. Krieger*

H. L. Krieger  
Regional Manager

Enclosure

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JUN 17 1975

Mr. J. P. Yeldell, Director  
Department of Human Resources  
D.C. Government  
1350 E Street, NW.  
Washington, D.C. 20004

Dear Mr. Yeldell:

We met on June 2, 1975, with the Director, Food Stamp Program; the Administrator, Public Assistance Administration, and other D.C. Government personnel (see enclosure) to present certain observations arising from our study of specific instances where system weaknesses have permitted employees to commit fraud within the D.C. Government Food Stamp Program. We were primarily concerned with providing those responsible for the proper functioning of the program with thoughts on how system controls could be improved. Mainly, they deal with points that should be considered in any redesign of computer related controls. In view of your overall responsibility for this program, we felt it would be useful to summarize these points for you.

We noted three areas where system procedures and program controls could be improved to prevent or detect internal fraud. The first two areas deal with the ability to introduce into the food stamp system bogus recipient accounts, thereby, causing bogus Authorization to Purchase cards to be issued. The third area concerns management's monitoring efforts and the use of Management Exception Reports generated through automated edit routines.

1. The overall control of the D.C. Food Stamp Program rests on the automated system's internal controls for managing participation data by case number. The present system allows for a "liquid" availability of case numbers which permits their internal manipulation; thereby, reducing the effectiveness of the automated controls.

The system could be improved by assigning case numbers only after the applicant's eligibility has been

established and by placing greater emphasis on controlling and managing the use of case numbers. An automated master control file could be established and maintained whereby the identity of the person assigned each case number is recorded. This file could then be matched by case number with the daily and monthly runs to insure that Authorization to Purchase cards are issued only to those recipients assigned the respective case numbers.

2. The certification center supervisor is not providing the review necessary to verify that each input document represents a valid applicant who actually visited the center and was determined eligible by a certifying officer.

Supervisory review procedures could be established whereby, on a regular basis, input documents are reconciled with a controlled intake register and the certification officer's daily activity sheet.

3. The present system provides for validity edits of both daily and monthly runs whereby name, address, and case number data are tested against the data base of active food stamp recipient accounts. These edit routines result in the production of several Management Exception Reports, which identify inconsistencies and potentially invalid situations. These reports, however, are not being reviewed for management purposes.

Management should continuously monitor the system's operations to insure that it is both efficient and effective. Furthermore, management should insure that appropriate followup and corrective actions are taken when potentially adverse circumstances are identified through either Management Exception Reports or other means.

Those in attendance generally agreed that the assignment of case numbers is not adequately controlled and that there is a need to improve supervisory procedures for reviewing system input documents. They agreed with the suggested course of action pertaining to supervisory review procedures, but were reluctant to implement any temporary automated controls in the current system because

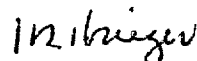
this may delay the implementation of an automated system currently being developed which will be based on assigned D.C. identification numbers.

The D.C. identification number system may not be functional for at least 6 months to 1 year and thus losses resulting from fraudulent activities not detected through this control could be incurred during this period. The D.C. Government remains liable for any such losses through fines and penalties levied by the U.S. Department of Agriculture. You may wish to consider in arriving at your action on this point that by obtaining approval from the Department of Agriculture on changes that improve system operations, there is a 50 percent sharing of their costs.

With regard to GAO's third observation, those in attendance concurred that the Management Exception Reports should be better utilized and agreed that actions in line with our suggestions were appropriate and should be implemented.

A copy of this letter is being made available to the Food and Nutrition Service, the Department of Agriculture. We would appreciate your comments on the points discussed and a brief description of any action you plan with regard to them. We will be happy to provide any further information you may require.

Sincerely,



H. L. Krieger  
Regional Manager

Enclosure

D.C. GOVERNMENT OFFICIALS

ATTENDING JUNE 2, 1975, CONFERENCE

Department of Human Resources

Jacqueline Johnson - Acting Administrator, Public  
Assistance Administration

Bertram Hallum - Public Assistance Administration

Malone Broome - Public Assistance Administration

Norman Bush - Public Assistance Administration

John Whiting - Chief, Food Stamp Control Branch,  
Public Assistance Administration

Louis Davis - Food Stamp Branch, Public Assistance  
Administration

Martin Shuey - Office of Information Systems

John Saunders - Office of Policy, Procedures, and  
Regulations

Louis E. Wipert - Office of Inspection and Program  
Analysis

Office of Municipal Audit and Inspection

J. David Gray