

**Memorandum**

MAR 7 1994

Date

From

June Gibbs Brown
Inspector General*June G Brown*

Subject

Review of Emergency Assistance Payments Claimed by the
Maryland Department of Human Resources Under Title IV of
the Social Security Act (A-03-93-00562)

To

Mary Jo Bane
Assistant Secretary for
Children and Families

The purpose of this memorandum is to alert you to the issuance of our final audit report on March 9, 1994. A copy is attached.

The report summarizes the results of our review of payments made by the Maryland Department of Human Resources (DHR) under the Emergency Assistance to Needy Families With Dependent Children program (EAFDC) for the period October 1, 1990 through September 30, 1992. During that period DHR made 54,883 EAFDC payments totaling \$10,729,942 and was reimbursed \$5,380,658 in Federal financial participation (FFP).

The EAFDC program was authorized under section 406 of Title IV-A of the Social Security Act through enactment of Public Law 90-248 in January 1968. The intent of the EAFDC program is to provide temporary financial assistance and social services to needy families in emergency situations in order to prevent the destitution of a child and/or to provide living arrangements.

We reviewed 220 of the EAFDC payments made during the period of our review (Fiscal Years [FYs] 1991 and 1992). Initially, 79 payments or 36 percent of those reviewed could not be supported by DHR. The DHR could not locate a client application form for 65 of the 79 questionable payments; and, the entire case file was missing for 32 of these payments.

We issued a draft report to DHR summarizing our results. Because of the serious weakness in control over client application forms and case files, particularly at the Baltimore City Department of Social Services (DSS), we offered to work with DHR to validate the questionable payments. The DHR responded by providing us additional information on 29 of the questionable payments.

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Based on DHR's submission of additional documentation to support its EAFC payments, we believe that 55 payments or 25 percent of the payments reviewed were either not supported by a case file and/or a client application form (37 payments), or were ineligible for FFP under the EAFC program (18 payments).

By projecting the results of our review to all EAFC payments made by DHR during FYs 1991 and 1992, we estimate that payments of at least \$1,237,687 were not adequately supported. The FFP in these unsupported payments total \$618,844.

We are recommending that DHR perform a special review of internal controls at the Baltimore City DSS which was responsible for most of the questioned payments, and re-emphasize to all DSS' the need to document their eligibility decisions. We are also recommending that DHR provide Administration for Children and Families with additional documentation to support the questioned payments or refund \$618,844 to the Federal Government.

The DHR provided additional documentation to support some of the questioned payments in our draft report. However, DHR stated that it would further address our findings and recommendations after issuance of the final report.

Please advise us, within 60 days, on any further actions taken or planned on our recommendations. If you need further information, please call me or have your staff contact John A. Ferris, Assistant Inspector General for Administrations of Children, Family, and Aging Audits, at (202) 619-1175.

Attachment

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**REVIEW OF EMERGENCY ASSISTANCE
PAYMENTS CLAIMED BY THE
MARYLAND DEPARTMENT OF HUMAN
RESOURCES UNDER TITLE IV-A OF THE
SOCIAL SECURITY ACT**



A-03-93-00562



DEPARTMENT OF HEALTH & HUMAN SERVICES

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Our Reference: Common Identification Number A-03-93-00562

Carolyn W. Colvin
Secretary
Maryland Department of Human Resources
Saratoga State Center
311 West Saratoga Street
Baltimore, Maryland 21201-3521

Dear Secretary Colvin:

This audit report presents the RESULTS OF OUR REVIEW OF EMERGENCY ASSISTANCE PAYMENTS CLAIMED BY THE MARYLAND DEPARTMENT OF HUMAN RESOURCES UNDER TITLE IV-A OF THE SOCIAL SECURITY ACT, FOR THE PERIOD OCTOBER 1, 1990 THROUGH SEPTEMBER 30, 1992. The purpose of our review was to determine if the Emergency Assistance to Needy Families with Dependent Children payments (EAFC) claimed by the Maryland Department of Human Resources (DHR) in Fiscal Years (FYs) 1991 and 1992 for Federal financial participation (FFP) met the provisions of the Act, implementing Federal regulations, the State plan and other applicable laws and regulations.

Of the 220 EAFC payments that we reviewed, 55 payments, or 25 percent, were either not supported by a case file and/or a client application form, or were otherwise ineligible for FFP under the EAFC program. Projecting these results to the \$10,729,942 in EAFC payments made by DHR in FYs 1991 and 1992, we estimate that payments of at least \$1,237,687 were not adequately supported. The FFP in these unsupported payments totals \$618,844.

We determined that 37 of the 55 payments that we questioned in our sample resulted from an apparent weakness in control over client application forms at the Department of Social Services (DSS) level, particularly at the Baltimore City DSS. This control weakness was exacerbated by the fact that entire case files were missing for 24 of the 37 payments.

Without application forms and case files, there is insufficient assurance that: (1) a client requested an EAFC payment, (2) the payment was made on behalf of legitimate needs of a client; and (3) the payment was eligible for FFP. We believed

the weakness in control over EAFC application forms and case files potentially threatened the integrity of the EAFC program and needed to be corrected. In a draft audit report issued to DHR on November 29, 1993, we offered to work jointly with DHR to validate the questionable payments.

By letter dated December 28, 1993 (Appendix D), DHR responded to the draft audit report. The DHR stated that it had provided us with additional case files, client applications, canceled checks and EAFC payment histories. The DHR stated that it would further address our findings and recommendations upon receipt of the final report.

We have taken into account the additional information provided by DHR in response to our draft report and have made certain changes to this report. We believe, however, that the extent to which case files and client applications remain unaccounted for represents an internal control weakness that must be addressed by DHR.

We are, therefore, recommending that DHR perform a special review of internal controls over case files and client application forms at the Baltimore City DSS which was responsible for most of the missing case files and client applications; and to reemphasize to all DSS' the need to document their eligibility decisions. We are also recommending that DHR either provide the Administration for Children and Families (ACF) with additional information to support the questioned payments or refund \$618,844 to the Federal government.

BACKGROUND

The EAFC program was authorized under Section 406 of Title IV-A of the Social Security Act through the enactment of Public Law 90-248 in January 1968. The intent of the EAFC program is to provide temporary financial assistance and social services to needy families in emergency situations in order to prevent the destitution of a child and/or to provide living arrangements.

According to 45 CFR 233.120(b), FFP is available for emergency assistance to or on behalf of a needy child under 21 and any other member of the household in which the child is living if:

- ♦ such child is (or, within 6 months prior to the month in which such assistance is requested, has been) living with any of the relatives specified in Section 406 (a)(1) of the Act in a place of residence maintained by one or more of such relatives as his or their own home;

- ♦ such child is without resources immediately accessible to meet his needs;
- ♦ the emergency assistance is necessary to avoid the destitution of such child and provide living arrangements for him in a home; and
- ♦ the child's destitution or need for living arrangements did not arise because he or his relative refused without good cause to accept employment or training for employment.

FFP is available only for emergency assistance which the State authorizes during one period of 30 consecutive days in any 12 consecutive months (hereafter referred to as the 30-day period), including payments which are to meet needs which arose before such 30-day period or are for such needs as rent which extend beyond the 30-day period.

Section 233.120(a) requires that the State plan specify the eligibility conditions imposed for the receipt of emergency assistance, the emergency conditions that will be met, and the services that will be provided.

The EAFC program is administered on the Federal level by ACF, formerly the Family Support Administration (FSA). In 1991, FSA merged with the Office of Human Development Services to form ACF. In the State of Maryland, DHR administers the EAFC program through its Income Maintenance Administration. Local DSS' within each county and the City of Baltimore are responsible for determining eligibility and processing payments for grants. State regulations governing the EAFC program are found in the State of Maryland, Department of Human Resources, Income Maintenance Administration, Manual for Emergency Assistance to Families with Children (EAFC Manual).

During FYs 1991 and 1992 (October 1, 1990 through September 30, 1992), DHR made 54,883 payments totaling \$10,729,942 under the EAFC program and was reimbursed \$5,380,658 in FFP.

SCOPE OF AUDIT

We conducted our audit in accordance with generally accepted government auditing standards. The objective of our review was to determine if the EAFC payments claimed by DHR in FYs 1991 and 1992 for FFP met the provisions of the Act, implementing Federal regulations, the State plan and other applicable laws and regulations.

To achieve our audit objective, we reviewed 220 EAFC payments made in FYs 1991 and 1992. We first selected two simple random

samples consisting of 100 payments out of the universe of 28,807 payments made in FY 1991; and 100 payments out of the universe of 25,714 payments made in FY 1992. Our statistical samples were limited to payments that ranged between \$50 and \$250. In addition, we reviewed all payments made in FY 1991 and 1992 that exceeded \$250. There were a total of 20 of these payments--14 in FY 1991 and 6 in FY 1992. We did not include the results of our review of these 20 payments in the projected statistical estimates of questionable FFP. We also did not review any payments of less than \$50, nor did we include these smaller payments in our computation of questioned costs.

For the 220 EAFC payments selected for review, we visited or contacted the DSS responsible for initiating each payment and requested their supporting case files so that we could determine, through review of the client application form and other documentation, if program requirements were complied with. A total of 20 DSS offices were visited or sent us information (See Appendix A).

Our audit was conducted from March through June 1993 at the headquarters of the Maryland Department of Human Resources, the ACF Region III office in Philadelphia, Pennsylvania and the DSS offices throughout the State of Maryland as identified in Appendix A of this draft report.

We returned to DHR in December 1993 to review supporting documentation provided by DHR for several cases questioned in our draft report. The results contained in this final report reflect adjustments made as a result of our review of the additional documentation.

RESULTS OF REVIEW

The results of our review indicate that 55 of the 220 EAFC payments reviewed were unsupported by proper documentation and, therefore, are ineligible for FFP. As shown in Appendix A, the 55 questionable payments were found at 12 of the 20 DSS visited. The Baltimore City DSS was responsible for 37 (67 percent) of the erroneous payments.

Based on the results of our review of 220 EAFC payments made in FYs 1991 and 1992 (See Appendices B and C), we are questioning the allowability of \$1,237,687 of the \$10,729,942 in payments made by DHR and claimed for FFP during the period of October 1, 1990 through September 30, 1992. The DHR received FFP of \$618,844 for these ineligible payments as shown below.

SUMMARY OF AUDIT RESULTS			
<u>FY</u>	<u>Total Payments</u>	<u>Questioned</u>	<u>FFP Questioned</u>
1991	\$ 5,784,612	\$ 980,893	\$ 490,447
1992	4,945,330	256,794	128,397
Total	<u>\$10,729,942</u>	<u>\$1,237,687</u>	<u>\$ 618,844</u>

Missing Application Forms and Case Files

Of the 220 EAFC payments selected for review, 37 were not supported by client applications and 24 of the 37 payments were lacking entire case files. Without such documentation, there is insufficient assurance that: (1) clients requested EAFC payments; (2) payments were made on behalf of legitimate client needs; and (3) payments were eligible for FFP.

The 45 CFR Part 205.60(a) states that the State agency will maintain or supervise the maintenance of records necessary for the proper and efficient operation of the State Plan, including records regarding applications, determinations of eligibility, and the provision of financial assistance. The 45 CFR Part 206.10(a) states that the State agency shall require a written application, signed under a penalty of perjury, on a form prescribed by the State agency, from the applicant.

In Maryland, clients apply for Emergency Assistance at local DSS offices throughout the State. The intake process includes an interview by a case worker who makes the initial determination of eligibility. The case worker's supervisor must also approve the request for assistance and authorize the grant. The DHR requires applicants to fill out a comprehensive application form which is to be maintained at the local DSS for a 1-year period. Following that period the documentation is maintained at a centralized records center.

Payments are usually in the form of two-party checks payable to the vendor of services and the recipient. Checks can be sent directly to the vendor or held for pick up by the client. All canceled checks are maintained at the local agency that prepared the check.

We requested the DSS offices to furnish us case files for all 220 of the payments selected for review. The DSS responded by initially providing us 188 case files containing 155 client application forms. In our draft report, we offered to work with DHR personnel to locate the 32 missing case files and the 65 missing client applications forms needed to support the payments. The DHR responded by proving us an additional 8

case files and 28 client application forms. In total, DHR provided us 196 case files containing 183 client application forms. Still missing were 24 case files (including applications) and 37 client application forms as shown below.

DSS' WITH MISSING DOCUMENTATION							
DSS	Case Files		Applications		Total		
	1991	1992	1991	1992	1991	1992	Total
Baltimore City	12	4	10	1	22	5	27
Anne Arundel	-	-	1	-	1	-	1
Howard	-	-	-	1	-	1	1
Prince George's	4	1	-	-	4	1	5
Baltimore County	1	1	-	-	1	1	2
Washington	-	1	-	-	-	1	1
Total	<u>17</u>	<u>7</u>	<u>11</u>	<u>2</u>	<u>28</u>	<u>9</u>	<u>37</u>
Cases Reviewed					114	106	220
Percent of Error					25%	8%	17%

The above chart shows a decrease in both the number and percentage of unsupported payments made in FY 1992. Nevertheless the nine missing client applications represent 8 percent of the payments that we reviewed for that year, and we believe that the problem remains significant.

Other Questionable Payments

As shown above, 183 of the 220 EAFC payments selected for review were supported by case files and client application forms. Our review of the documentation supporting the 183 payments showed that 165 payments were fully supported and eligible for FFP. As shown below, we determined that 18 payments were not eligible for FFP under the EAFC program.

- ♦ Nine payments (all over \$250) were not related to the EAFC program. These payments, which totaled \$3,290, were related to modifications to the benefit status or amounts provided to Aid to Families with Dependent Children (AFDC) recipients, and were incorrectly coded to subcategory 8000, thus charging the expenditure to the EAFC program rather than to the AFDC program.
- ♦ Seven payments totaling \$1,404 were not supported by adequate documentation showing the existence of an emergency or that only one emergency assistance grant had been provided in a 12-month period.

- One case file for a payment of \$60 to prevent disruption of utility services did not contain a shutoff notice from the local water company, as required by Section 6000, Paragraph 6730 of the State's EAFC Manual.
- Two case files for payments totaling \$500 did not contain sufficient evidence to explain the factors that precipitated the request for assistance and substantiate the need for emergency appliance assistance.
- Two payments totaling \$464 were for clients seeking emergency rental and shelter assistance. One payment was for a client who voluntarily relocated to Maryland for personal reasons and applied for emergency assistance to pay the first month's rent and security deposit for a residence. There was no evidence of a court ordered eviction which is a requirement under the State Plan. The other payment was for a client's shelter at a local motel. The case file did not contain any documentation from the motel or evidence explaining the need for assistance.
- Two case files for payments totaling \$380 for utility and appliance assistance lacked sufficient evidence to substantiate receipt of only one emergency grant in a 12-month period.
- ◆ Two payments totaling \$380 were not supported by adequate evidence in the case file to substantiate the child's existence, age, dependency and residency. Title 45 CFR 233.120 (b)(1)(i) states that FFP is available for emergency assistance to or on behalf of a needy child under 21 and any other member of the household in which the child is living if such child is (or, within 6 months prior to the month in which such assistance is requested, has been) living with any of the relatives specified in Section 406 (a)(1) of the Act in a place of residence maintained by one or more of such relatives as his or their own home. There was no documentation in the case files to determine if the payments were made in accordance with these requirements. These two payments consisted of:
 - One payment to restore electrical services which was not sufficiently supported by independently prepared third party evidence that would attest to the child's existence, age, relationship to

the applicant or residency in the applicant's home. Such documentation is required by Section 3100, Paragraph 3100 of the State's EAFC Manual.

- One payment to prevent eviction from the residence which lacked documentation showing the relationship between the applicant and child and whether the child was living in the applicant's household.

Conclusions and Recommendations

Based on the results of our review of 220 EAFC payments made in FYs 1991 and 1992, we are questioning the allowability of \$1,237,687 of the \$10,729,942 in EAFC payments claimed for FFP by DHR under Title IV-A in FYs 1991 and 1992. The DHR received FFP of \$618,844 for these questionable payments.

We are most concerned with an apparent weakness in control over client applications and case files. The fact that 17 percent of the payments we reviewed lacked client applications potentially threatens the integrity of the EAFC program and warrants additional review by DHR to ensure that the DSS' control the documentation required to support the eligibility of payments for FFP under the EAFC program. Most of the missing applications involve payments made by the Baltimore City DSS which was responsible for 27 of the 37 missing applications. This DSS could not support 32 percent of its payments that were included in our review.

We therefore, recommend that DHR:

1. Perform a special review at the Baltimore City DSS of internal controls over EAFC client applications and case files.
2. Re-emphasize to all DSS' the need to document their eligibility decisions.
3. Provide ACF with additional information such as applications, bills, eviction notices etc. to support the EAFC payments questioned in this report, or refund \$618,844 to the Federal government.

DHR Response and Office of Audit Services Comments

By letter dated December 28, 1993, DHR responded to a draft of this report. In our draft report, we offered to assist DHR in validating the allowability of the questioned payments. The DHR responded by providing us with additional case files and client application forms which were unavailable during our

initial review. The DHR also provided us with requested canceled checks and EAFC payment histories. The DHR stated that it would further address our findings and recommendations upon receipt of the final audit report.

The DHR provided us with additional documentation on 29 payments that we had questioned in our draft report. This documentation includes 8 case files, 28 client application forms, and additional information pertaining to one payment which we had questioned for other reasons. We reviewed the documentation and believed that it was adequate to support 24 of the questioned 29 payments. Our final report was revised accordingly.

The DHR also provided us with copies of 25 of the 26 canceled checks that we requested. Our purpose in reviewing these checks was to determine if the checks were signed by both a client and a vendor, and that the name shown as the signature for the client was the same name shown on the check. No discrepancies were noted, but the checks alone are not proof of eligibility for an EAFC payment.

If, subsequent to the issuance of this final report, DHR locates additional documentation to support any of the questioned payments, it should provide the documentation to ACF for review during the audit resolution process.

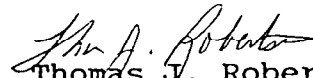
Final determination as to actions taken on all matters reported will be made by the HHS action official named below. We request that you respond to the HHS action official within 30 days from the date of this letter. Your response should present any comments or additional information that you believe may have a bearing on the final determination.

In accordance with the principles of the Freedom of Information Act (Public Law 90-23), HHS/OIG Office of Audit Services reports issued to the Department's grantees and contractors are made available, if requested, to members of the press and general public to the extent information contained therein is not subject to exemptions in the Act, which the Department chooses to exercise. (See Section 5.71 of the Department's Public Information Regulation, dated August, 1974, as revised.)

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To facilitate identification, please refer to Common Identification Number A-03-93-00562 in all correspondence relating to this report.

Sincerely yours,



Thomas J. Robertson
Regional Inspector General
for Audit Services

Direct Reply to HHS Action Official:

Director, Office of Financial Operations
Administration for Children and Families, Region III
Mail Stop #12
P.O. Box 13716
Philadelphia, PA. 19101

APPENDIX A

DEPARTMENTS OF SOCIAL SERVICES
INCLUDED IN REVIEW

<u>DSS</u>	<u>Payments Reviewed</u>	<u>Payments Questioned</u>
Baltimore City	114	37
Cecil Cty	2	0
Harford Cty	5	1
Baltimore Cty	18	2
Carroll Cty	1	0
Frederick Cty	1	0
Washington Cty	9	1
Allegany Cty	1	1
Garrett Cty	1	0
Montgomery Cty	14	1
Howard Cty	4	1
Anne Arundel Cty	13	2
Prince Georges Cty	17	6
Charles Cty	3	1
St. Mary's Cty	4	1
Talbot Cty	1	0
Dorchester Cty	4	0
Wicomico Cty	6	1
Somerset Cty	1	0
Worcester Cty	<u>1</u>	<u>0</u>
Total Payments	<u>220</u>	<u>55</u>

APPENDIX B

SAMPLING METHODOLOGY AND RESULTS FISCAL YEAR 1991

On a simple random selection basis, we examined 100 emergency assistance payments made by the State of Maryland Department of Human Resources (DHR), from a population of 28,807 payments during the period of October 1, 1990 to September 30, 1992 (Federal Fiscal Year 1991). Our sample claims were selected from a range that was between \$50 and \$250.

We defined an error as the amount of FFP claimed for any payment which was ineligible for any of the several reasons identified in this report.

Of the 100 payments sampled, we determined that 24 payments were ineligible for FFP for one or more reasons. Using a standard scientific estimation process, we concluded that there is a 95 percent probability that from October 1, 1990 to September 30, 1991, DHR claimed Federal reimbursement for ineligible payments of at least \$975,279. Federal reimbursement (FFP) was \$487,640.

In FY 1991 the point estimate and precision upon which this finding is based are \$1,423,132 +/- \$447,853.

APPENDIX C

SAMPLING METHODOLOGY AND RESULTS FISCAL YEAR 1992

On a simple random selection basis, we examined 100 emergency assistance payments made by the State of Maryland Department of Human Resources (DHR), from a population of 25,714 payments during the period of October 1, 1991 to September 30, 1992 (Federal Fiscal Year 1992). Our sample claims were selected from a range that was between \$50 and \$250.

We defined an error as the amount of FFP claimed for any payment which was ineligible for any of the several reasons identified in this report.

Of the 100 payments sampled, we determined that 11 payments were ineligible for FFP for one or more reasons. Using a standard scientific estimation process, we concluded that there is a 95 percent probability that from October 1, 1991 to September 30, 1992, DHR claimed Federal reimbursement for ineligible payments of at least \$254,544. Federal reimbursement (FFP) was \$127,272. In FY 1992 the point estimate and precision upon which this finding is based are \$510,053 +/- \$255,509.

William Donald Schaefer
Governor



Carolyn W. Colvin
Secretary

December 28, 1993

Mr. Thomas J. Robertson
Regional Inspector General
for Audit Services
Department of Health and Human Services
Region III
3535 Market Street
Philadelphia, Pennsylvania 19104

Dear Mr. Robertson:

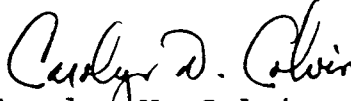
We are responding to your draft audit report of Maryland's Emergency Assistance to Needy Families with Dependent Children Program (EAFC, ID# A-03-93-00562), dated November 29, 1993.

On December 1, we requested that your staff auditor return to Maryland to review additional casefiles and EAFC applications which were unavailable during the initial examination. This follow-up review was conducted from December 6 to December 15. In addition to the above-referenced casefiles and applications, we provided canceled checks and EAFC payment histories as requested in the draft audit report (p.8, option 1).

We have been informed that the EAFC audit report will be finalized in January 1994. Based on the casefiles, applications, and documentation provided to the auditor, we are confident that the final report will reflect substantial improvement and compliance. Therefore, we believe that it would be premature and inappropriate to comment on the findings contained in the draft report. Upon receipt of the final report, we will address all findings and recommendations.

Thank you for your cooperation.

Sincerely,


Carolyn W. Colvin
Secretary