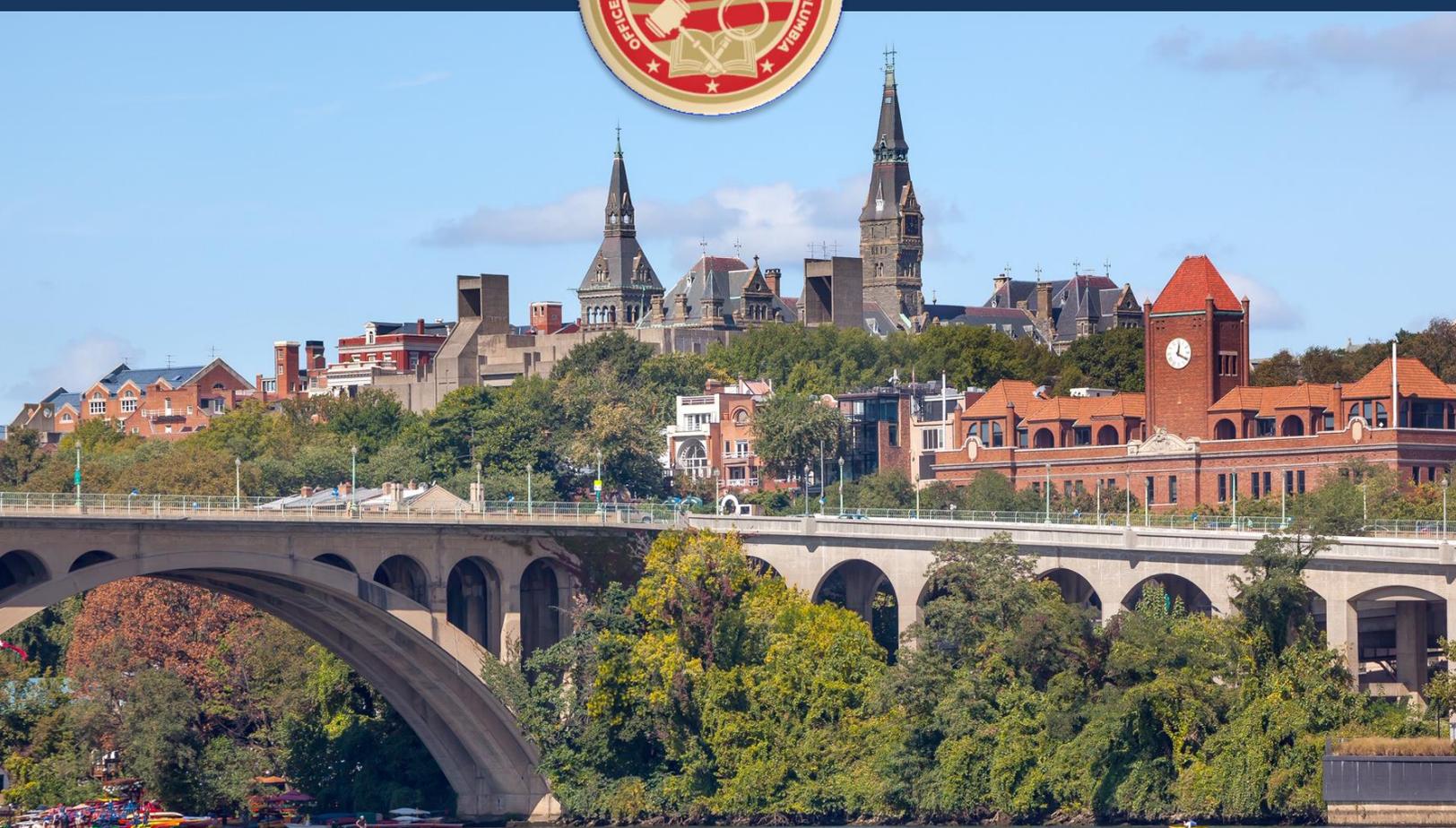


# DISTRICT OF COLUMBIA OFFICE OF THE INSPECTOR GENERAL

OIG Project No. 20-I-07-JA

August 2020



## DEPARTMENT OF HUMAN SERVICES

**Inadequate Internal Controls Within the Economic Security Administration  
May Have Contributed to the Loss of \$1.8 Million**

### *Guiding Principles*

*Workforce Engagement \* Stakeholders Engagement \* Process-oriented \* Innovation  
\* Accountability \* Professionalism \* Objectivity and Independence \* Communication \* Collaboration  
\* Diversity \* Measurement \* Continuous Improvement*

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- inform stakeholders about issues relating to District programs and operations; and
- recommend and track the implementation of corrective actions.

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\* Leadership

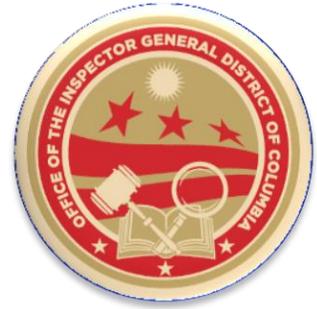


# DHS: Inadequate Internal Controls Within the Economic Security Administration May Have Contributed to the Loss of \$1.8 Million

## EXECUTIVE SUMMARY

### WHY WE DID THIS EVALUATION

As a result of an OIG criminal investigation in 2019, two former District Department of Human Services (DHS) Social Service Representatives (SSRs) within the Economic Security Administration (ESA) were convicted of collectively defrauding \$1.8 million from the DHS' Supplemental Nutrition Assistance Program (SNAP) and Temporary Assistance for Needy Families (TANF) benefits programs.



To minimize the potential recurrence of the fraud, the Office of the Inspector General (OIG), in collaboration with DHS, initiated this project to assess DHS' internal control system against the U.S. Government Accountability Office's (GAO) *Standards for Internal Control in the Federal Government* (Green Book).<sup>1</sup> The Green Book identifies five internal control components – control environment, risk assessment, control activities, information and communication, and monitoring – which “must be effectively designed, implemented, and operating together in an integrated manner for an internal control system to be effective.”<sup>2</sup>

### OBJECTIVES

Our objectives of this evaluation were to: (1) assess the administration of SNAP and the TANF program; (2) assess the programs' system of internal control; and (3) make recommendations, as appropriate.

### WHAT WE FOUND

Overall, we found that there are opportunities for DHS to improve its internal control system. DHS management has opportunities to strengthen its internal control system over the SNAP and TANF programs to meet the goals established by federal laws and regulations. It should be noted that management is responsible “for all activities of an entity, including the design, implementation, and operating effectiveness of an entity's internal control system.”<sup>3</sup>

DHS has an opportunity to improve all five components of its internal control system. Specifically, we found DHS could better clarify employee roles and responsibilities, improve its performance expectations related to both transaction speed and accuracy of eligibility determinations, improve its fraud reporting requirements, and improve its planning for onboarding staff.

<sup>1</sup> U.S. GOVERNMENT ACCOUNTABILITY OFFICE, GAO-14-704G, STANDARDS FOR INTERNAL CONTROL IN THE FEDERAL GOVERNMENT, § OV2.04 at 7 (Sept. 2014), <https://www.gao.gov/products/GAO-14-704G>.

<sup>2</sup> *Id.* § OV2.14 at 12.

<sup>3</sup> *Id.* § OV2.14 at 12.

## **EXECUTIVE SUMMARY**

Additionally, we found that DHS leadership could improve its risk assessment program to develop appropriate fraud risk responses. By enhancing its risk assessment program, DHS leadership can improve its control activities, to include physical controls over vulnerable assets, refinement of information technology systems, and oversight of contracted support.

Moreover, with effective control activities in place, DHS has an opportunity to broaden the types of information it uses to inform and communicate its operations and monitor its internal control system.

DHS' internal control system is the first line of defense against fraud, waste, and abuse in the SNAP and the TANF program. Weak or nonexistent internal controls may be adversely affecting the DHS' mission "to empower every District resident to reach their full potential by providing meaningful connections to work opportunities, economic assistance, and supportive services."<sup>4</sup>

Deficiencies within DHS' internal control system may have contributed to two former DHS employees embezzling \$1.8 million in benefits meant for needy District residents. Effective internal controls, designed, implemented, and operating in an integrated manner, will allow DHS to deter fraud, or at least identify fraudulent activities, sooner.

### **WHAT WE RECOMMEND**

We offered 23 recommendations to strengthen DHS' internal control system related to the administration and oversight of the SNAP and TANF programs.

### **MANAGEMENT RESPONSE**

DHS concurred with 17 recommendations and disagreed with six recommendations. However, DHS' actions taken and/or planned are responsive and meet the recommendations intent.

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<sup>4</sup> *About DHS*, D.C. DEP'T OF HUMAN SERVS., <https://dhs.dc.gov/page/about-dhs> (last visited January 30, 2020).

GOVERNMENT OF THE DISTRICT OF COLUMBIA  
Office of the Inspector General

Inspector General



August 3, 2020

Laura Zeilinger  
Director  
D.C. Department of Human Services  
64 New York Avenue, N.E., 6<sup>th</sup> Floor  
Washington, D.C. 20002

Dear Director Zeilinger:

Enclosed is our final report, *Department of Human Services (DHS): Inadequate Internal Controls Within the Economic Security Administration May Have Contributed to the Loss of \$1.8 Million* (OIG No. 20-I-07-JA). We conducted this evaluation in accordance with standards established by the Council of the Inspectors General on Integrity and Efficiency (CIGIE) *Quality Standards for Inspection and Evaluation* (Blue Book) and the U.S. Government Accountability's Office (GAO) *Standards for Internal Control in the Federal Government* (Green Book).

This evaluation was not identified in our *Fiscal Year (FY) 2019 Audit and Inspection Plan*. We initiated this evaluation due to indications of a weak internal control environment that may have contributed to DHS employees' embezzlement of District funds. The objectives of this evaluation were to: (1) assess the administration of the Supplemental Nutrition Assistance Program (SNAP) and Temporary Assistance for Needy Families (TANF) program; (2) assess the programs' system of internal control; and (3) make recommendations, as appropriate.

We provided the Department of Human Services (DHS) with our draft report on April 13, 2020. Due to the District's response to the COVID-19 Public Health Emergency, DHS provided its response to the draft report on July 3, 2020.

DHS concurred with 17 of our 23 recommendations contained in the draft report. We acknowledge that many actions taken by DHS, as identified in its response, occurred after the scope of our evaluation. The findings identified in our report are based on the evidence at the time of our fieldwork. We applaud the actions taken by DHS since we began our evaluation and the actions taken and/or planned are responsive and meet the intent of the recommendations. DHS' responses to the draft report are included verbatim in Appendix D.

Director Zeilinger  
OIG Report: *Inadequate Internal Controls within the  
Economic Security Administration May Have Contributed to  
the loss of \$1.8 Million* (OIG No. 20-I-07-JA)  
August 3, 2020  
Page 2 of 3

We appreciate the cooperation and courtesies extended to our staff during this evaluation. If you have any questions concerning this report, please contact me or Matthew Wilcoxson, Deputy Inspector General for Operations, at (202) 727-2540.

Sincerely,

  
Daniel W. Lucas  
Inspector General

DWL/mnw

Enclosure

cc: See Distribution List

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Mr. Jed Ross, Director and Chief Risk Officer, Office of Risk Management (via email)

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## BACKGROUND

We initiated this inspection engagement in collaboration with District Department of Human Services (DHS) leadership as a result of an OIG criminal investigation involving two (now former) DHS employees. The investigation revealed two employees, operating separate schemes, were able to fraudulently obtain Supplemental Nutritional Assistance Program (SNAP) and Temporary Assistance for Needy Families (TANF) benefits meant for needy District residents. Circumventing DHS underpayment controls allowed these two individuals to collectively embezzle more than \$1.8 million in benefits. The conditions that contributed to these crimes present opportunities for DHS to improve its internal control system.

DHS' mission is to “empower every District resident to reach their full potential by providing meaningful connections to work opportunities, economic assistance, and supportive services.”<sup>5</sup> In FY 2019, DHS had 1,335 full time equivalent (FTE) employees who executed the agency's gross operating budget of \$557.8 million.<sup>6</sup>

## OVERVIEW OF THE SNAP AND TANF PROGRAMS

**SNAP Program.** SNAP is a federal program, which “provides nutrition assistance to millions of eligible, low-income individuals and families and provides economic benefits to communities.”<sup>7</sup> Congress reauthorizes SNAP funding as a part of the Farm Bill. “SNAP offers nutrition assistance to eligible, low-income individuals in order to buy food they need for good health.”<sup>8</sup>

**TANF Program.** TANF is a federal program that provides the District with a block grant. DHS in turn “leverages the grant to provide cash assistance to help heads-of-household meet the needs of their family . . . and multiple services to help TANF customers obtain and retain employment.”<sup>9</sup> The federal TANF program extends benefits to individuals for up to 60 months. On April 1, 2018, the District removed the 60-month TANF time limit in order to ensure cash is kept “in the home [to protect] children regardless of how long a family has been receiving TANF.”<sup>10</sup>

**SNAP and TANF Eligibility Process.** To apply for SNAP and/or TANF, an individual must be a District resident and a U.S. national, citizen, legal alien, or permanent resident.<sup>11</sup>

District residents are only required to fill out the “Combined Application for DC” to start the benefits process. The application includes sections for SNAP, TANF, and Medicaid. District

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<sup>5</sup> *DHS Mission*, D.C. DEP'T OF HUMAN SERVS, <https://dhs.dc.gov/page/dhs-mission> (last visited Feb 11, 2020).

<sup>6</sup> D.C. OFFICE OF THE CHIEF FIN. OFFICER, FISCAL YEAR 2020 APPROVED BUDGET, DEPARTMENT OF HUMAN SERVICES, JA0 (Jul. 25, 2019), [https://cfo.dc.gov/sites/default/files/dc/sites/ocfo/publication/attachments/ja\\_dhs\\_chapter\\_2020j.pdf](https://cfo.dc.gov/sites/default/files/dc/sites/ocfo/publication/attachments/ja_dhs_chapter_2020j.pdf).

<sup>7</sup> D.C. DEP'T OF HUMAN SERVS., FY 2019 PERFORMANCE OVERSIGHT RESPONSES Part 1 of 3, 20 [https://dccouncil.us/wp-content/uploads/2019/02/dhs19\\_Part1.pdf](https://dccouncil.us/wp-content/uploads/2019/02/dhs19_Part1.pdf) (last visited Feb. 19, 2020).

<sup>8</sup> *Id.*<sup>9</sup> *Id.* at 21.

<sup>9</sup> *Id.* at 21.

<sup>10</sup> *What's New with TANF?*, D.C. DEP'T OF HUMAN SERVS., <https://dhs.dc.gov/node/117422> (last visited Dec. 26, 2019).

<sup>11</sup> *Id.*

residents submit applications to one of five DHS Service Centers, where applicants will meet with a Social Service Representative (SSR)<sup>12</sup> to help identify any missing documentation, advise on eligibility for other programs, and determine eligibility.

To determine eligibility for TANF and SNAP benefits, DHS' Economic Security Administration (ESA) utilizes the District of Columbia Access System (DCAS). SSRs enter information from the Combined Application for DC into DCAS, which is then used to determine eligibility. DCAS is intended to automatically generate appropriate notices regarding initial approval or denial of benefit eligibility and the certification and recertification of benefits for customers as required by law.

Within the Service Centers, DHS uses a system called PathOS to manage employee workload. All managers, supervisors, and SSRs use PathOS, which collects data regarding a customer's Service Center experience, such as customer wait time and SSR case determination processing times.

## EVALUATION APPROACH

We used the Government Accountability Office (GAO) *Standards for Internal Control in the Federal Government* (GAO-14-704G, the Green Book)<sup>13</sup> to assess DHS' efficiency and effectiveness in the administration of SNAP and the TANF program. The Green Book sets internal control standards for federal government entities and may be adopted by state, local, and quasi-governmental entities as a framework for an internal control system.<sup>14</sup>

Internal control is "a process used by management to help an entity achieve its objectives."<sup>15</sup> See Figure 1 on the following page.

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<sup>12</sup> Social Service Representatives (SSRs) review and process District resident benefit applications and recertification packets for public benefits eligibility.

<sup>13</sup> U.S. GOV'T ACCOUNTABILITY OFFICE, GAO-14-704G, *supra* note 1.

<sup>14</sup> *Id.* § 4.10 at 20.

<sup>15</sup> *Id.* at Frontispiece.



**Figure 1: Internal Control Process** (Source: *OIG Analysis of the GAO Standards for Internal Control in the Federal Government*).

Further, internal control helps assure accurate financial reporting and helps to deter fraud, waste, and abuse. The Green Book explains “[m]anagement is directly responsible for all activities of an entity, including the design, implementation, and operating effectiveness of an entity’s internal control system,”<sup>16</sup> and “personnel throughout an entity play important roles in implementing and operating an effective internal control system.”<sup>17</sup> The internal control system comprises five components that “must be effectively designed, implemented, and operating together in an integrated manner, for an internal control system to be effective.”<sup>18</sup> The five components of internal control are:<sup>19</sup>

- **Control Environment:** The foundation for an internal control system. It provides the discipline and structure to help an entity achieve its objectives.
- **Risk Assessment:** Assesses the risks facing the entity as it seeks to achieve its objectives. This assessment provides the basis for developing appropriate risk responses.
- **Control Activities:** The actions management establishes through policies and procedures to achieve objectives and respond to risks in the internal control system, which includes the entity’s information system.
- **Information and Communication:** The quality information management and personnel communicate and use to support the internal control system.
- **Monitoring:** Activities management establishes and operates to assess the quality of performance over time and promptly resolve the findings of audits and other reviews.

<sup>16</sup> *Id.* § OV2.14 at 12.

<sup>17</sup> *Id.* § OV1.06 at 6.

<sup>18</sup> *Id.* § OV2.04 at 7-8.

<sup>19</sup> *Id.*

Our evaluation of DHS' administration of SNAP and the TANF program and DHS' internal control system is grounded in these five components and discussed in greater detail in the following sections.

## **FINDINGS**

Overall, we found that DHS has an opportunity to improve SNAP and TANF outcomes by closely adhering to the statutory and regulatory framework established by the U.S. Department of Agriculture (USDA) and the U.S. Department of Health and Human Services (HHS), and adopting the Green Book as a framework to design, implement, and operate an effective internal control system. Specifically, our assessment found challenges with organizational structure, design and implementation of control activities, risk assessment, information and communication, and monitoring control activities. Absent deliberate adherence to statutory and regulatory requirements and an effective internal control system, DHS is at risk of financial and non-financial losses through errors, theft, noncompliance with laws and regulations, and not achieving established program goals.

The Green Book indicates that “management is directly responsible for all activities of an entity, including the design, implementation, and operating effectiveness of an entity’s internal control system”, and that “personnel throughout the entity play important roles in implementing and operating an effective internal control system.”<sup>20</sup> In the following sections – in the context of the Green Book’s five components of internal control – we identify and discuss conditions that contributed to an ineffective internal control system, and where appropriate, make recommendations to improve the effectiveness of DHS’ internal control system.

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<sup>20</sup> *Id.* § OV1.06 at 6.

## FINDING 1: DHS’ CONTROL ENVIRONMENT CAN BE IMPROVED TO HELP PROVIDE DISCIPLINE AND STRUCTURE THAT SUPPORT ITS OBJECTIVES

We found DHS’ internal control environment could be improved to ensure the integrity of its operations. Specifically, we identified opportunities for improvement related to the agency’s commitment to integrity and ethical values, clarification of employees’ roles and responsibilities, processes for establishing organizational objectives and reporting improprieties, and definition of succession and contingency plans. According to the Green Book, “[t]he control environment is the foundation for an internal control system. It provides the discipline and structure, which affect the overall quality of internal control.”<sup>21</sup>

Absent discipline and structure in its internal control environment, DHS is at risk of inadequate performance, particularly as it relates to consistency of outcomes and determinations within ESA.

Figure 2 identifies DHS’ organizational structure that contributes to the administration and oversight of SNAP and the TANF program. DHS’ organizational structure is critical to establishing the agency’s internal control environment. While ESA is responsible for the administration of SNAP and the TANF program, DHS is responsible for the functioning of ESA. Key entities in DHS’ organizational structure involved in the administration of SNAP and TANF are briefly described below.

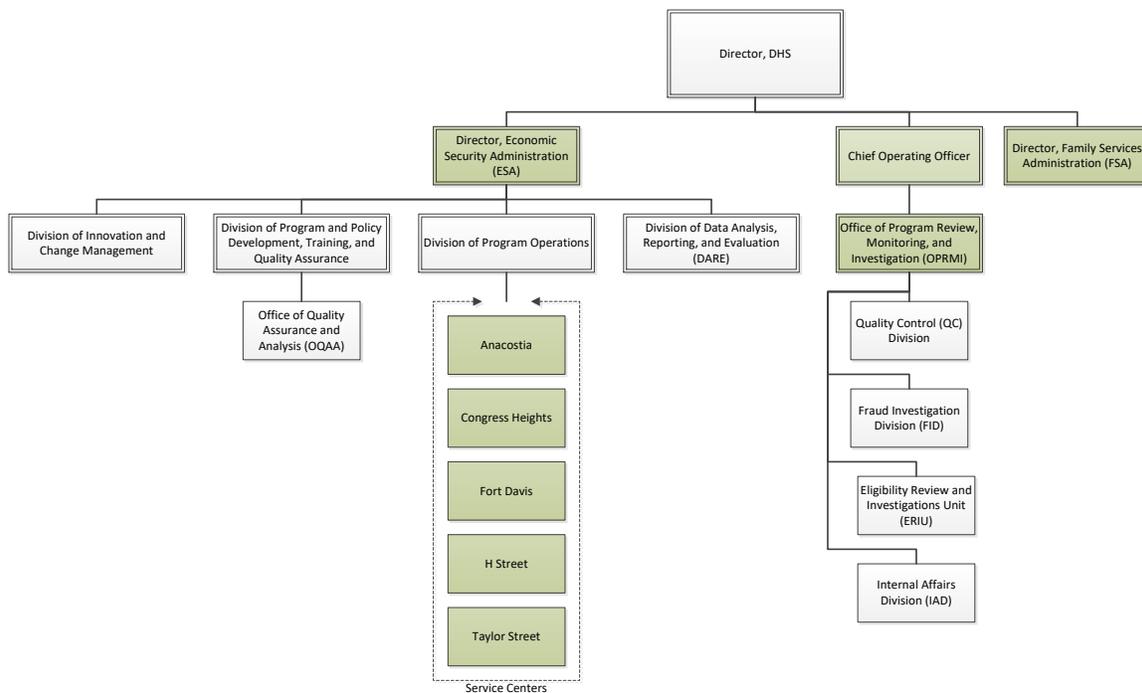


Figure 2: DHS Organization Chart. Source: OIG Analysis.

<sup>21</sup> *Id.* at 21.

**Agency Management/Office of the Director:** This organizational entity “provides executive management, policy direction, strategic and financial planning, human capital management, information technology, capital programs, legislative and community relations, legal guidance, and performance management. . . . [Under the Chief Operating Officer, the Office of Program Review, Monitoring, and Investigation (OPRMI) is responsible for DHS-wide] agency risk management, fraud investigation, homeless shelter monitoring, and a quality control division.”<sup>22</sup>

**Family Services Administration (FSA):** This entity “helps individuals and families experiencing homelessness, low-income people, adults at-risk for abuse or neglect, teenage parents, youth, troubled families, and refugees to become increasingly stable and fully self-sufficient through an array of social services, assessments, and case-management and crisis-intervention services.”<sup>23</sup>

**Economic Security Administration (ESA):** This entity administers the Temporary Assistance for Needy Families (TANF) program and Supplemental Nutritional Assistance Program (SNAP). ESA determines eligibility for SNAP and TANF benefits, as well as these other programs:

- Employment and Training;
- Medical Assistance,
- Child Care Subsidy;
- Burial Assistance;
- Interim Disability Assistance;
- Parent and Adolescent Support Services; and
- Refugee Cash Assistance.

ESA’s Division of Program Operations oversees five Service Centers (Anacostia, Congress Heights, Fort Davis, H Street, and Taylor Street), as well as 170 plus Service Center Representatives (SSRs) and Service Center Supervisors.<sup>24</sup> In FY 2019, the Mayor funded 25 additional SSR positions.<sup>25</sup>

## **Roles can be Refined to Provide Clarity of Responsibility and Establish Expectations**

DHS carries out federal statutory and regulatory requirements for SNAP and TANF on behalf of the District via ESA. The federal government requires DHS to enforce standards and procedures to prevent SNAP and TANF fraud and abuse.<sup>26</sup>

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<sup>22</sup> D.C. DEP’T OF HUMAN SERVS., *supra* note 7, at 1.

<sup>23</sup> *Id.*

<sup>24</sup> *Id.* at 108.

<sup>25</sup> *Id.* at 107.

<sup>26</sup> *See, e.g.*, 7 U.S.C. § 2020 (e)(20) and 42 U.S.C. § 602 (a)(6).

There are several DHS entities involved in the oversight and administration of SNAP and TANF, including:

- The Chief Operating Officer reports to the DHS Director and leads multiple support functions within DHS. One of these functions includes OPRMI, which investigates allegations of suspected public assistance benefit fraud related to SNAP, TANF, and Medicaid, and refers substantiated cases for prosecution or program disqualification. OPRMI also investigates “unusual incidents,” such as employee misconduct, harassment and assault, which compromise the integrity of DHS programs or which threaten the health or safety of DHS customers, District government employees and the public.<sup>27</sup>
  - DHS assigned OPRMI’s Quality Control Division (QCD) as the federally-mandated DHS entity that conducts payment accuracy reviews for SNAP and Medicaid.<sup>28</sup>
  - DHS assigned OPRMI’s Fraud Investigation Division (FID) as the “investigatory and law enforcement bureau for federal and District public assistance programs, relating to fraud, waste and abuse of government resources and public assistance benefits by customers and retailers.”<sup>29</sup>
  - DHS assigned OPRMI’s Eligibility Review and Investigations Division (ERID) to “conduct[ ] investigations on DHS customers to ensure they qualify to receive benefits in Washington, D.C.”<sup>30</sup>
  - DHS identified OPRMI’s Internal Affairs Division (IAD) as the the entity which “receives, records, and investigates allegations of employee, volunteer and contractor violations of federal and District statutes, District government personnel regulations, and DHS policies.”<sup>31</sup>
- ESA determines and maintains eligibility for cash, food, child care, and medical benefits. There are several divisions within ESA supporting its mission, including:
  - The Division of Innovation and Change Management (DICM) is responsible for the implementation and enhancements of worker productivity and customer outcomes. DICM works with the DCAS system owner, D.C. Department of Healthcare Finance (DHCF), to address DCAS issues.<sup>32</sup>

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<sup>27</sup> D.C. DEP’T OF HUMAN SERVS., *supra* note 7, at 1.

<sup>28</sup> *Id.* at 7.

<sup>29</sup> *Id.*

<sup>30</sup> *Id.*

<sup>31</sup> *Id.*

<sup>32</sup> *Id.* at 3.

- The Division of Program Operations is “responsible for administering an assistance delivery system for public assistance eligibility determination and benefits issuance to include but not limited to Medical Assistance (Medicaid), SNAP, and TANF.” The Division delivers ESA services through its five Service Centers.<sup>33</sup>
- The Office of Quality Assurance and Analysis (OQAA), within ESA’s Division of Program and Policy Development, Training, and Quality Assurance, provides “internal monitoring of ESA’s compliance with federal and District laws and court orders; identifies, investigates, and reports customer fraud in obtaining assistance; and addresses the accurate and timely determination of eligibility and administration of benefits.”<sup>34</sup>
- The Division of Data, Analytics, Research and Evaluation (DARE), formerly known as the Office of Data Analysis and Reporting, functions as the central unit handling ESA data. DARE “[designs] and publishes data and management reports for both internal as well as external stakeholders; performs quantitative analysis on customers and program data; supports system data analysis to identify potential system related issues and errors; assists program operation in tracking, managing, understanding and utilizing data to improve the quality of services; supports the design and implementation of both systems and policies across the administration; and interfaces with internal and external stakeholders and partners in regards to data and reporting.”<sup>35</sup>

We found confusion at DHS regarding roles and responsibilities with respect to administration of SNAP and the TANF program. Most notably, ESA’s OQAA and OPRMI’s Quality Control Division (QC) monitored SNAP’s performance within DHS, but we learned that the two entities did not agree on application of criteria, which resulted in differing opinions on SNAP performance and case error rates. The lack of agreement occurred because DHS leadership did not determine which of the two entities was ultimately responsible for reconciling case errors.

We also found ill-defined roles related to addressing DCAS issues. For SSRs experiencing issues with DCAS, there was no defined mechanism for tracking issues to resolution. According to interviews, SSRs were instructed to report software performance issues directly to ESA’s DCAS Helpdesk. Issues the Help Desk was unable to resolve were forwarded to DHCF for resolution. DICM is responsible for addressing DCAS issues within DHS but had no knowledge of the issues the Help Desk forwarded to DHCF.

Further, we observed at Service Centers and confirmed during interviews with staff and supervisors at various Service Centers that DHS contractors retained to conduct a business process redesign (BPR) were directly interceding in daily operations. Service Center staff stated that BPR contractors called and directed their actions without involving DHS supervisors.

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<sup>33</sup> *Id.* at 2.

<sup>34</sup> D.C. DEP’T OF HUMAN SERVS., PUBLIC ASSISTANCE COST ALLOCATION PLAN 31 (Oct. 1, 2018).

<sup>35</sup> *Id.* at 24.

Figure 3 illustrates the interaction of different entities involved in the management and administration of SNAP and the TANF program.

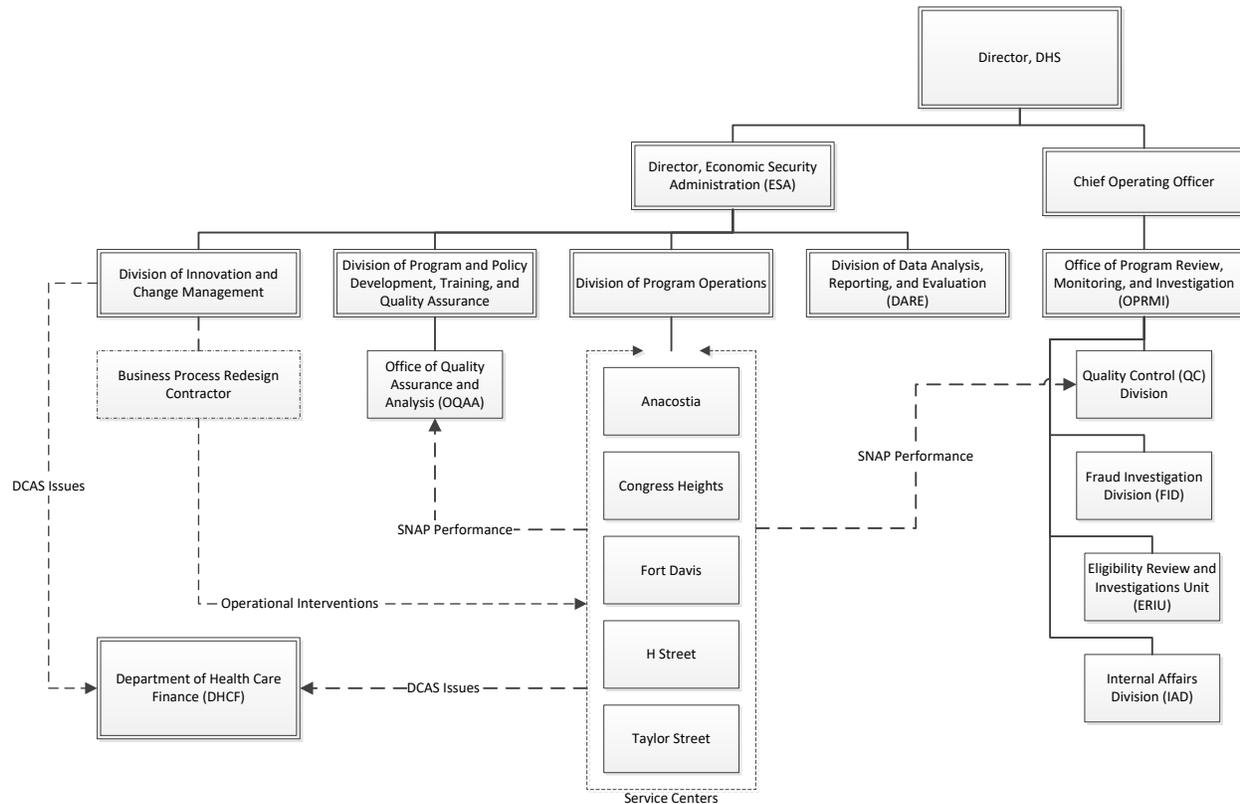


Figure 3: SNAP and TANF Process Interactions. Source: OIG Analysis.

An effective internal control system requires management to establish “an organizational structure with an understanding of the overall responsibilities, and assign[] these responsibilities to discrete units to enable the organization to operate in an efficient and effective manner, comply with applicable laws and regulations, and reliably report quality information.”<sup>36</sup> Without clearly written roles and responsibilities, DHS staff may be performing duplicative work or work that produces conflicting outcomes. An ill-defined organizational structure impairs the effective delivery of benefits to District residents.

We recommend the Director, DHS:

1. Establish roles that clearly delineate and deconflict responsibilities in order to support agency goals and objectives.

Agree \_\_\_\_\_ Disagree \_\_\_\_\_ X \_\_\_\_\_

<sup>36</sup> U.S. GOV’T ACCOUNTABILITY OFFICE, GAO-14-704G, *supra* note 1, § 3.03 at 27-28.

***DHS' July 2020 Response to Recommendation 1:***

*In terms of monitoring SNAP and TANF program case errors, DHS has clearly-defined roles and responsibilities. Per the CFR citations noted in the DHS Office of Program Review Monitoring and Investigation (OPRMI) Organization Order, OPRMI/Quality Control Division (QCD) is the only DHS entity designated to determine and report SNAP error rate findings to the USDA/FNS for the District. ESA/Office of Quality Assurance and Analysis (OQAA) has no authority to change the final determinations made by OPRMI/QCD, but uses findings and other inputs to recommend improvements in accuracy and performance. There is a healthy tension between these functions and how the regulations are interpreted. In terms of DCAS issues, there is a clear escalation path from the DCAS Help Desk (which is part of the Division of Innovation and Change Management, or DICM) to the DCAS Triage Team (DCHF system programmers). The DICM team receives regular information about all the submitted issues/tickets and works with the programmers on prioritizing the fixes. There is no gap in information in terms of issues and status of repairs. The issue of BPR contractors messaging staff directly was previously addressed.*

**ESA Prioritized Eligibility Determination Transaction Speed at the Expense of Accuracy**

Service Center staff felt that they were subject to intense scrutiny for failing to meet time metrics, regardless of the relationship to the quality of the work. Supervisors and contractors monitored how much time Service Center employees took with each customer. If the supervisor or contractor felt an employee was taking too long with a customer, they would insert themselves during the process to redirect the activities of the Service Center staff. Service Center staff felt some customer cases required more time due to their complexity, but supervisors and contractors did not take this into consideration prior to redirecting the work of the staff. Staff believed the focus on expediency contributed to increased case error rates. Information ESA provided to the OIG demonstrated that it was meeting the SNAP case determination timeframe of 30 days. However in recent years, error rates in case files have increased from 7.5 percent in FY 2016, to 15.9 percent in FY 2017, and 14.5 percent in FY 2018, respectively. The USDA Food and Nutrition Service (FNS) cited the increase in error rates as a concern that was shared with DHS leadership. As case error rates have increased, there appears to be no corresponding corrective actions employed by DHS leadership to reduce SNAP case error rates.

Effective internal controls indicate management should adjust “excessive pressures on personnel in the entity. Pressure can appear in an entity because of goals established by management to meet objectives . . . [e]xcessive pressure can result in personnel ‘cutting corners’ to meet the established goals.”<sup>37</sup> In this instance, a timeliness goal is established for both SNAP and TANF eligibility determinations. SNAP determinations must be completed within 30 days of receiving an application, as required by 7 U.S.C. § 2020(e)(3), and TANF eligibility determinations must be completed within 45 days, as required by 45 CFR § 206.10(a)(3)(i). Additionally, SNAP case files must be reviewed for accuracy, as required by 7 CFR § 275.12(a).

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<sup>37</sup> *Id.* § 5.07 at 33.

DHS interventions to improve timeliness of SNAP and TANF determinations may have led to the emphasis on speed at the expense of accuracy. In accordance with DHS' BPR principles, ESA redesigned its processes to have SSRs "complete an eligibility determination (approval/denial) for new or renewal applications at first contact with every customer."<sup>38</sup> ESA referred to this explicit goal as "one and done."<sup>39</sup> By focusing on expediency rather than the accuracy of its work product, ESA continued to experience high case file error rates, which expose DHS to the risk of noncompliance with federal requirements.

We recommend the Director, DHS:

2. Re-evaluate and revise current ESA performance goals to include SNAP and TANF eligibility determination accuracy and timeliness.

Agree \_\_\_\_\_ Disagree \_\_\_\_\_ X \_\_\_\_\_

***DHS' July 2020 Response to Recommendation 2:***

*This finding was perplexing - the new business process redesign (BPR) specifically de-emphasizes speed and focuses on meaningful metrics including completion rate, elimination of repeat visits and worker productivity. DHS has continually tracked and reported SNAP error rates as one of the agency's Key Performance Indicators and for federal reporting, independent of the BPR. There is now data that tracks the time it takes to process a case, but that information is used to address workload capacity and if a case needs supervisory support, not employee performance. The agency has reinforced this message with supervisors and staff.*

**Reporting Fraud, Waste, and Abuse Among ESA Staff was Inconsistent**

Interviews with Service Center staff and supervisors revealed that there was not a consistent understanding of how to address and report the discovery of possible waste, fraud, waste, abuse, or ethical violations. Further, during visits to the five Service Centers, we did not observe posters or pamphlets informing employees on how to report fraud, waste, abuse, or ethical violations to appropriate authorities.

The Green Book requires management to establish "processes to evaluate performance against the entity's expected standards of conduct and address any deviations in a timely manner."<sup>40</sup> Further, the Green Book indicates that individual personnel can "also report issues through reporting lines, such as staff meetings, upward feedback processes, a whistle-blowing program, or an ethics hotline."<sup>41</sup> Per District regulations, District employees "shall immediately and directly report credible violations of the District Code of Conduct and violations of this chapter to the District of Columbia Office of Government Ethics, the District of Columbia Office of the Inspector General, or both."<sup>42</sup>

<sup>38</sup> D.C. DEP'T OF HUMAN SERVS., ELIGIBILITY OPERATIONS PROCEDURES MANUAL 7 (Feb. 22, 2018).

<sup>39</sup> *Id.*

<sup>40</sup> U.S. GOV'T ACCOUNTABILITY OFFICE, GAO-14-704G, *supra* note 1, § 1.08 at 23.

<sup>41</sup> *Id.* § 1.09 at 23.

<sup>42</sup> 6B DCMR § 1801.

When we discussed this matter with DHS leadership, they stated that they “developed and marketed OPRMI’s fraud allegation hotline, web form, email, and mailing address through [the] DHS website and public campaign (found on Metro buses and in stations).” We reviewed DHS’ new employee orientation training presentation and found it identified OPRMI as the avenue to refer “allegations of suspected public assistance benefit fraud.” However, suspected public assistance benefit fraud committed by District residents is only one aspect of potential fraud that can be committed against DHS’ programs and resources by District residents or employees. Correspondingly, both BEGA and the OIG exist to investigate all suspected violations of the District’s Code of Conduct and fraud committed against District programs and resources, respectively.

While DHS has made efforts to inform its employees to identify and report concerns to its internal oversight functions, confusion remains among Service Center staff regarding their responsibility to “immediately and directly report credible violations” of the District’s Code of Conduct to either the Office of Government Ethics or the Office of the Inspector General.<sup>43</sup> Service Center staff members are in public-facing roles and have a fiduciary responsibility to ensure proper determination and administration of SNAP and TANF benefits. Absent a clear understanding of how to respond to suspected Code of Conduct violations and/or fraud, waste, and, abuse, employee and recipient misconduct could go unreported, potentially resulting in a financial loss to the SNAP and TANF programs.

We recommend the Director, DHS:

3. Ensure staff at all levels know and understand the appropriate channels to report suspected fraud, waste, and abuse.

Agree \_\_\_\_\_ X \_\_\_\_\_ Disagree \_\_\_\_\_

***DHS’ July 2020 Response to Recommendation 3:** For years, ESA had its own reporting mechanism for fraud that did not go to OPRMI that may have been a source of confusion. In the summer of FY19, the Chief Accountability Officer went to each of the ESA service centers to provide in-person training to all service center managers and staff about fraud, including the appropriate channels to report fraud, waste and abuse DHS also added a module to New Employee Orientation in FY19 to educate incoming DHS employees on how to report fraud. DHS plans to do even more to ensure employees are educated about how to identify and report fraud, so [sic] also applied for and received grant funds from USDA/FNS in FY20 to implement a SNAP Fraud Framework. The grant funds will allow OPRMI to develop an online training curriculum for all agency staff to complete on a regular basis. The online curriculum is scheduled to be completed and rolled out in FY21.*

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<sup>43</sup> *Id.*

4. Ensure information on how to report possible fraud, waste, and abuse is available and accessible to the public within all Service Centers.

Agree \_\_\_\_\_ X \_\_\_\_\_ Disagree \_\_\_\_\_

***DHS’ July 2020 Response to Recommendation 4:** As part of a USDA/FNS SNAP Integrity Grant that DHS was awarded in FY18, several communication mechanisms were implemented to ensure the public at service centers know how to report suspected fraud, waste and abuse. There are signs at service centers telling the customers how to report fraud, waste and abuse. Additionally, a public service campaign on buses and at metro stations was conducted to inform the public how to report suspected fraud. Finally, in FY19 a video was created that explains how to report fraud, which ran on the service center lobby monitors. Pamphlets on fraud are available at all service centers and distributed to customers. The Fraud Hotline and Unusual Incident Report system will continue to be used for the public to report suspected fraud, waste and abuse.*

### **DHS’ Investigative Responsibilities and Authorities are Unclear**

As it relates to SNAP program fraud, 7 CFR § 272.4 requires DHS to “establish and operate [a] fraud detection [unit] . . . [which] shall be responsible for detecting, investigating, and assisting in the prosecution of [SNAP] Program fraud.” Further, 45 CFR §§ 235.110(a)(1)-(2) requires DHS to establish and maintain “[m]ethods and criteria for identifying situations in which a question of fraud in the [TANF] program may exist” as well as “[p]rocedures *developed in cooperation with the [District of Columbia’s] legal authorities for referring to law enforcement officials situations in which there is valid reason to suspect that fraud has been practiced*” (emphasis added).

In implementing the above federal requirements, DHS created three distinct entities, each of which is identified as conducting specific investigations. DHS assigned OPRMI’s Fraud Investigation Division (FID) as the “state investigatory and law enforcement bureau for federal and District public assistance programs, relating to fraud, waste, and abuse of government resources and public assistance benefits by customers and retailers.”<sup>44</sup> OPRMI’s Eligibility Review and Investigation Division (ERID) is identified as the team that “conducts investigations on DHS customers to ensure they qualify to receive benefits in Washington, D.C.”<sup>45</sup> Finally, OPRMI’s Internal Affairs Division (IAD), is responsible for “[receiving], [recording], and [investigating] allegations of employee, volunteer and contractor violations of federal and District statutes, District government personnel regulations, and DHS policies.”<sup>46</sup>

It appears that DHS organized its resources to meet federal regulatory requirements. However, DHS could/did not provide us with the requisite D.C. statutory authorities for DHS to function as an investigative and law enforcement entity. As it applies to FID and IAD, there are no D.C.

<sup>44</sup> DEP’T OF HUMAN SERVS., *supra* note 7, at 7.

<sup>45</sup> *Id.*

<sup>46</sup> *Id.*

Code provisions that would allow DHS to perform as a “state investigatory and law enforcement bureau” or to investigate “allegations of federal and District statutes.” Without such statutory authorities, DHS runs the risk of jeopardizing a successful criminal investigation and prosecution by other law enforcement entities. Further, DHS may be investigating and adjudicating violations of criminal statutes without due process on the part of the employee or client.

We recommend the Director, DHS:

5. Ensure DHS’ investigative mission areas are within current investigative and law enforcement authorities provided to it by D.C. Code.

Agree \_\_\_\_\_  \_\_\_\_\_ Disagree \_\_\_\_\_

***DHS’ July 2020 Response to Recommendation 5:** DHS/OPRMI (including its Fraud Investigation Division, FID, and Internal Affairs Division, IAD) is not a law enforcement entity but does partner with law enforcement [entities]. The OPRMI Organization Order will be updated to reflect that FID and IAD are not state investigatory law enforcement bureaus, but do partner with the District’s state law enforcement bureaus to achieve its mission. OPRMI is updating its current State Law Enforcement Bureau (SLEB) agreement to partner with additional law enforcement entities and this should be submitted to USDA/FNS for approval by the end of FY20. The OPRMI Organization Order will be updated and submitted for approval by the end of Quarter 1 FY21.*

6. Ensure DHS employees, who perform investigative functions on behalf of the agency, have clearly defined boundaries within which they can operate.

Agree \_\_\_\_\_  \_\_\_\_\_ Disagree \_\_\_\_\_

***DHS’ July 2020 Response to Recommendation 6:** OPRMI has never intended to be a state law enforcement bureau and does not operate in this way. OPRMI refers all cases that have any criminal intent to OIG or MPD. Although the language in the OPRMI Organization Order presently states that IAD and FID are state law enforcement bureaus, OPRMI has always understood its role and sent any criminal intent cases to appropriate authorities for investigation. OPRMI is updating its current State Law Enforcement Bureau (SLEB) agreement to reflect its partnership] with law enforcement entities and will submit to USDA/FNS for approval by the end of FY20. The OPRMI Organization Order will be updated and submitted for approval by the end of Quarter 1 FY21.*

7. Establish a memorandum of understanding with law enforcement authorities for the investigation of suspected crimes committed against DHS programs.

Agree \_\_\_\_\_ X \_\_\_\_\_ Disagree \_\_\_\_\_

*DHS' July 2020 Response to Recommendation 7: OPRMI is updating its current State Law Enforcement Bureau (SLEB) agreement to clarify its role and reflect its partnership with law enforcement entities. This should be submitted to USDA/FNS for approval by the end of FY20. O*

## **FINDING 2: DHS' RISK ASSESSMENT PROCESS IS INEFFECTIVE TO SUPPORT THE DEVELOPMENT OF APPROPRIATE RISK RESPONSES**

ESA management did not identify, analyze, and respond to potential risks in its program. There are opportunities for DHS to establish a systematic risk assessment process to include identifying, analyzing, and responding to risks related to achieving its defined objectives. Specifically, during our inspection, we identified that TANF program fraud was not considered as a part of ESA's overall risk assessment processes.

A risk assessment "provides the basis for developing appropriate risk responses. Management assesses the risks the entity faces from both external and internal sources."<sup>47</sup> Both FNS (7 CFR § 276.1) and HHS (45 CFR § 235.110) require DHS to conduct a risk assessment of their respective benefit programs. When asked who was responsible for assessing risks to these programs, DHS division leaders placed the onus on various other divisions. Unclear responsibilities as they relate to evaluating DHS operations ultimately led to a fragmented risk assessment framework, leaving DHS vulnerable to risks of fraud, waste, and abuse in its benefits programs.

### **ESA's Risk Assessment Process has not Been Fully Developed**

ESA staff performed fragmented risk assessments of SNAP and the TANF program. We found that the SNAP risk assessment was performed by various entities within DHS. QC aggregated data from DCAS in order to report to FNS. DARE also aggregated data from DCAS, and provided limited analysis of this information to ESA leadership. QA reviewed specific case file errors, which were quantified and provided to ESA leadership. ESA leadership leveraged this information to improve training and process improvement efforts. Service Centers performed their own analysis of risks, which was used to improve operations within their location. We also found that ESA leadership had completed a minimal level of risk assessment of the TANF program by conducting a minimal analysis of TANF performance data, which was provided to HHS on a quarterly basis. DHS leadership identified its risk committee as a means to help DHS identify and respond to risks; however, we were informed the committee was dormant.

Title 7 CFR § 275.1 requires DHS to implement "a system for monitoring and improving its administration of the [SNAP]." Further, 7 CFR § 276.1 (a) (3) holds DHS responsible for preventing losses of federal funds in the certification of households for SNAP participation.

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<sup>47</sup> U.S. GOV'T ACCOUNTABILITY OFFICE, GAO-14-704G, *supra* note 1, at 34.

Title 45 CFR § 235.110 requires DHS to establish and maintain “[m]ethods and criteria for identifying situations in which a question of fraud in the [TANF] program may exist, and [p]rocedures developed in cooperation with the [District of Columbia’s] legal authorities for referring to law enforcement officials situations in which there is valid reason to suspect that fraud has been practiced.” In an effective risk assessment process, “[m]anagement should identify, analyze, and respond to risks related to achieving the [agency’s] defined objectives.”<sup>48</sup>

In multiple interviews with DHS leadership, leadership did not provide a consistent answer as to which division had the ultimate responsibility to assess SNAP and TANF program risks. DHS staff associated risk with the number of cases processed to ensure benefits were being provided to District residents. However, ESA management stated that risk assessments were conducted during external engagements, such as the annual Single Audit and oversight provided by FNS. DHS leadership provided the OIG with disparate data sets, including Social Security Numbers associated with deceased individuals, E-SNAP (Emergency SNAP) applications, manual underpayments, non-traditional working hours, and usage reports. However, DHS staff did not aggregate these data sets to allow for a comprehensive risk assessment process to inform their decisions regarding SNAP and TANF program performance.

Without a comprehensive risk assessment process that evaluates program vulnerabilities, DHS may not be able to effectively identify, analyze, and respond to potential risks of loss through errors, theft, or noncompliance with laws and regulations regarding SNAP and the TANF program.

We recommend the Director, DHS:

8. Designate a single entity for DHS-wide risk assessments to allow for a systemic evaluation across all programs and operations.

Agree \_\_\_\_\_ Disagree \_\_\_\_\_ X \_\_\_\_\_

*DHS’ July 2020 Response to Recommendation 8: DHS has more than one entity that is responsible for assessing risk. There is a long-standing Agency Risk Assessment and Control Committee (RACC) that meets quarterly to assess agency-wide risks. Beginning at the end of FY19, an Error Rate Risk Committee began to meet monthly to address error rates and begin broadening its attention to also focus on identifying fraud risk. The committee includes representatives from ESA/OQAA, ESA’s Division of Analytics, Research and Evaluation (DARE), and OPRMI (QC and FID). The group focuses on DCAS issues, fraud risks in public benefits determinations, and error rate risks. This entity’s work will continue in FY20 and FY21. There is also a fraud detection analytical capacity in OPRMI that will continue to expand. The risk assessments and fraud detection efforts include TANF cases.*

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<sup>48</sup> *Id.* § 7.01 at 37.

9. Develop and implement a comprehensive risk assessment process that addresses all aspects of agency operations, enabling management to continually identify, analyze, and respond to risks related to achieving the agency's defined objectives.

Agree \_\_\_\_\_ X \_\_\_\_\_ Disagree \_\_\_\_\_

***DHS' July 2020 Response to Recommendation 9:** DHS agrees and has developed a robust risk assessment process. There is a long-standing Agency Risk Assessment and Control Committee (RACC) that meets quarterly to assess agency-wide risks. Beginning at the end of FY19, an Error Rate Risk Committee began to meet monthly to address error rates and begin broadening its attention to also focus on identifying fraud risk. The committee includes representatives from ESA/OQAA, ESA's Division of Analytics, Research and Evaluation (DARE), and OPRMI (QC and FID). The group focuses on DCAS issues, fraud risks in public benefits determinations, and error rate risks. This entity's work will continue in FY20 and FY21. There is also a fraud detection analytical capacity in OPRMI that will continue to expand. The risk assessments and fraud detection efforts include TANF cases.*

### **ESA has not Considered the Potential for Fraud While Assessing SNAP and TANF Risks**

Of the limited risk assessment DHS staff conducted, we found no indication that fraud risks were considered. OPRMI's QC reviewed case files for accuracy and completion but did not assess the information to determine whether it was willfully misrepresented. OPRMI's ERID was tasked with "investigating error prone and worker-referred TANF [SNAP, and other benefits] cases." Based on our understanding, ERID examines cases that SSRs have flagged for review; however, there was no indication ERID provided a proactive examination of SNAP and TANF cases to ensure customers had not improperly qualified for benefits or received inaccurate benefits.

Additionally, DHS informed us that there was a member of the administration who was specifically tasked with monitoring TANF for fraud. However, during our interview, the individual stated that it was the responsibility of "[three other entities] within DHS to provide [these] types of fraud detection and analysis [sic]."

DHS leadership shared with us their "Fraud Mitigation Strategy" as we were concluding our fieldwork. This strategy outlined several "fraud root cause[s]," related to the embezzlement schemes, including:

1. Fraud detection dependent on leads and observations. Insufficient fraud detection analytics capacity.
2. Eligibility workers were able to misappropriate benefits to self/friends/family.
3. Too many staff could perform manual underpayments, and were aware of the threshold that did not require additional review.
4. Staff had DCAS roles that they should not have had.
5. Observers of suspicious behavior don't know how to report concerns.

6. Customers not aware of prohibited activity or how to safeguard their benefits.
7. Not enough knowledge among eligibility workers to mitigate, detect and report fraud to OPRMI.
8. Fraud alerts on suspicious cases for eligibility workers and investigators are not fully integrated with DCAS.
9. Limited capacity of Fraud Investigation Division.
10. Not all data matches (Death, Incarceration, New Hire, PARIS [public assistance reporting information system]) performed as expected by FNS.
11. DHS not identifying and tracking fleeing felons to FNS expectations.

DHS is developing a plan of action to address the aforementioned fraud root causes.

“Management should consider the potential for fraud when identifying, analyzing, and responding to risks.”<sup>49</sup> The need to assess SNAP and TANF fraud risks is also a requirement outlined in the CFR. Title 7 CFR § 272.4 requires DHS to “establish and operate [a] fraud detection [unit] . . . [which] shall be responsible for detecting, investigating, and assisting in the prosecution of [SNAP] Program fraud.” Further, 45 § CFR 235.110 requires DHS to establish and maintain “[m]ethods and criteria for identifying situations in which a question of fraud in the [TANF] program may exist.” DHS staff missed opportunities to proactively assess whether SNAP and TANF benefits were either being misappropriated or corruptly obtained. The lack of consideration for fraud in its risk assessments was further compounded by unclear responsibilities within DHS as to who is responsible for identifying, analyzing, and responding to all fraud risks within SNAP and the TANF program.

We recommend the Director, DHS:

10. Ensure fraud risk factors are considered as part of DHS’ comprehensive risk assessment process.

Agree \_\_\_\_\_ X \_\_\_\_\_ Disagree \_\_\_\_\_

***DHS’ July 2020 Response to Recommendation 10:*** *In FY19, DHS OPRMI put in place internal controls to improve its fraud detection capacity, including implementing a data analytical unit to work in partnership with ESA. Additionally, OPRMI received Fraud Framework grant funds from USDA/FNS in FY20 and is using the funds to build an IT system for fraud case management tracking and proactive data analytics to detect incidents of fraud. This new system should begin to be implemented in FY21.*

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<sup>49</sup> *Id.* § 8.01 at 40.

11. Assign responsibility to a single entity within the agency to assess fraud risks related to SNAP and the TANF program.

Agree \_\_\_\_\_ Disagree \_\_\_\_\_ X \_\_\_\_\_

*DHS' July 2020 Response to Recommendation 11: DHS does not agree that assessing fraud risks related to the implementation of the SNAP and TANF programs should be assigned to a single entity. DHS wants to ensure that fraud risk assessment is comprehensive and conducted within both the Economic Security Administration on the front-end of operations (real-time risk assessments) and at OPRMI on the back end, through the work of data analytics and FID. While OPRMI is the single DHS designated entity for investigating suspected fraud, waste and abuse in the administration of SNAP and TANF programs, DHS wants both the program operations (ESA) and OPRMI to be equipped to identify and address fraud.*

### **FINDING 3: DHS CAN IMPROVE ITS CONTROL ACTIVITIES TO RESPOND TO RISK IN ITS INTERNAL CONTROL SYSTEM**

By creating a strong internal control environment, and assessing both internal and external risks facing the agency, DHS has the opportunity to incorporate additional control activities to ensure it achieves its objectives. DHS can improve its control activities to: (1) safeguard case files and sensitive information against loss or unauthorized use; (2) respond to identified risks in its DCAS system; and (3) enhance its contract oversight and administration.

“Control activities are the policies, procedures, techniques, and mechanisms that enforce management’s directives to achieve the entity’s objectives and address related risks.”<sup>50</sup> Overall, DHS staff felt that control activities were effectively operating. Conversely, we found instances where additional control activities could be added or enhanced to further address risks facing SNAP and the TANF program.

#### **Physical Controls Over Sensitive Case Records can be Improved to Safeguard Against Internal Threats**

During site visits to all five ESA Service Centers, we observed there were no procedures related to maintaining chain-of-custody for paper-based case records. Without chain-of-custody procedures, DHS was unable to determine which employee accessed which case file and for what purpose. At one Service Center, we observed stacked boxes filled with case records in a common area shared by several SSRs. Any of the Service Center staff members could access these records, regardless of need. At two other Service Centers, we found that case records were secured behind locked doors; however, there was no mechanism to track who accessed the secured room and what case files were accessed.

Management should establish “physical control to secure and safeguard vulnerable assets” by limiting access to assets that “might be vulnerable to risk of loss or unauthorized use.”<sup>51</sup> Title 7

<sup>50</sup> *Id.* § 10.02 at 45.

<sup>51</sup> *Id.* § 10.03 at 47.

CFR § 272.4(c) requires DHS to establish internal controls to “safeguard [SNAP] certification and issuance records from unauthorized creation or tampering.” Additionally, D.C. Code § 4–209.04 (f) requires ESA to “implement appropriate procedures to ensure the security of records and to minimize inadvertent disclosures of confidential records, including protected health information.”

ESA Policy Manual section 3.5.2 also provides explicit requirements to maintain such materials safely: “[w]ithin each Service Center, the case records are stored in a secure, employees-only area. SSRs may not leave any customer information within public view.” The ESA Policy Manual did not consider the risk of ESA employees accessing paper-based case records for improper purposes.

According to ESA leadership, case records are securely stored away from the public. Specifically, “[a]ll employees are given an employee ID, which gives them access to ESA buildings. Upon entering a Service Center, security looks at employees’ IDs to confirm that they should be able to enter those areas with an employee-only designation. Some areas [such as SSR office space] require the use of a key fob as well. All files are located in areas that are not customer accessible. ESA is in the process of moving paper case records to an offsite secured location and will retain the most recent files onsite.”

The ESA Policy Manual, while outlining requirements to safeguard against the public’s access to case records, did not outline appropriate methods to maintain custody of the case files within the secured areas identified by ESA leadership. As a result, Service Center employees could obtain access to sensitive case record information without supervisory or other staff member’s knowledge. Access to these case records, which included social security numbers, medical information, income, addresses, phone numbers, relatives (including minor children), could be exploited for improper purposes. While we did not find any instances of this occurring, the risk remains.

We recommend the Director, DHS:

12. Establish proper physical controls to safeguard case records from loss or unauthorized access.

Agree \_\_\_\_\_ X \_\_\_\_\_ Disagree \_\_\_\_\_

***DHS’ July 2020 Response to Recommendation 12:*** While there are controls in place to restrict access of the public to records, improved file management controls will be pursued. Ultimately, ESA is moving towards a paperless environment.

13. Ensure policies address the need to safeguard case records against any form of unauthorized access.

Agree \_\_\_\_\_ X \_\_\_\_\_ Disagree \_\_\_\_\_

*DHS' July 2020 Response to Recommendation 13: While there are controls in place to restrict access of the public to records, improved file management controls will be pursued. Ultimately, ESA is moving towards a paperless environment.*

### **DCAS Critical Flaws Were Left Unaddressed**

During our evaluation, we found DHS continued to operate DCAS with unmitigated system errors. On March 18, 2019, FNS reported to DHS that DCAS had “150 defects, of which half are categorized as ‘must have’ issues to be addressed.” FNS stated that without addressing these issues, DHS risked “suspension or disallowance [of] Federal Financial Participation for administrative funds.” FNS identified similar issues in 2017, stating that “DHS must make the necessary modifications to DCAS and procedures to come into compliance with federal law.”

Title 7 CFR § 272.10 requires DHS to automate the determination of SNAP eligibility, storage of information, and utilizing and transmitting information concerning SNAP. The regulation also requires DHS to document this automation in an Automated Data Processing/Computerization of Information Systems (“ADP/CIS”) model plan and provide the plan to FNS. Further, management should design effective internal “control activities [. . .] to maintain the information technology infrastructure.”<sup>52</sup>

DHS lacked proper control activities to address DCAS system errors from discovery through resolution. DHS leadership stated that DCAS issue remediation was the responsibility of DICM within ESA because DICM was responsible for addressing DCAS issues that ESA staff and federal oversight entities identified. ESA also maintained a DCAS Help Desk separate from DICM, which fielded issues experienced by Service Center staff. Issues brought to the attention of the Help Desk were not necessarily shared with DICM. Both DICM and the DCAS Help Desk could go directly to the system owner, DHCF, to address matters they were unable to resolve. Figure 3 illustrates the flow of issues related to DCAS system errors.

The absence of a clear avenue for resolving DCAS issues, including monitoring remediation efforts, allowed issues to go unresolved. As FNS noted in its 2017 letter, these unmitigated system errors could lead to improper payments, including fraud. Further, allowing these system errors to go unmitigated could result in loss of federal administrative funds, which could potentially amount to millions of District dollars.

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<sup>52</sup> *Id.* § 10.03 at 53-54.

We recommend the Director, DHS:

14. Work with DHCF to address DCAS system errors identified by FNS.

Agree \_\_\_\_\_ X \_\_\_\_\_ Disagree \_\_\_\_\_

***DHS' July 2020 Response to Recommendation 14:** Scope Management process was refined in 2018 to capture all system defects recorded by internal and external system users. ESA, DCAS, DHCF meet regularly to discuss these errors and prioritize them for release based on business need and criticality. While all the system fixes have not been resolved, there is a clear process to monitor and a plan for addressing.*

15. Establish an effective process for tracking and remediating all identified DCAS issues.

Agree \_\_\_\_\_ X \_\_\_\_\_ Disagree \_\_\_\_\_

***DHS' July 2020 Response to Recommendation 15:** Scope Management process was refined in 2018 to capture all system defects recorded by internal and external system users. ESA, DCAS, DHCF meet regularly to discuss these errors and prioritize them for release based on business need and criticality. While all the system fixes have not been resolved, there is a clear process to monitor and a plan for addressing.*

## **DHS Could Improve BPR Contract Oversight**

On December 1, 2015, DHS executed a contract to “provide and implement the Business Process Reengineering (BPR) for the DHS programs and services [which will] take a comprehensive look at revamping and sustaining every aspect of DHS’ eligibility practices.” Of the services identified in the contract, BPR would “propose methodology and solutions identified as part of the reengineering efforts that would bring improvements and increased efficiency [of DHS’ eligibility practice]. The new service delivery models will be designed to free up staffing capacity, improve program access, increase timeliness, reduce negative error rate, achieve consistency/standardization, and improve program integrity and payment accuracy by streamlining the most important eligibility practices and processes.”

DICM was assigned contract administration responsibilities for DHS’ BPR contract. We found the contract administration files were not maintained in accordance with District regulations and contract provisions. We asked to review the contract administrator’s files, but did not receive any documentation or evidence that the contract administrator had been maintaining files for the BPR contract, as required by District regulations and contract provisions.

Contract administration controls were implemented through both the contract and D.C. Municipal Regulations (DCMR). In addition to the contract provisions, 27 DCMR §§ 4001.1(b-e) describes the requirements for “individuals responsible for contract administration.” These requirements include: “perform[ing] all actions necessary to verify whether the . . . services . . . conform to contract quality requirements.” Title 27 DCMR § 4001.2 states “[t]he using agency

[DHS] shall maintain, as part of the performance records of the contract, suitable records reflecting the following:

- (a) Contract quality assurance actions, including, when appropriate, the number of observations made and the number and type of defects; and
- (b) Decisions regarding the acceptability of the products as well as actions to correct defects.”

When we discussed BPR contract administration with the DHS contracting officer (CO), the CO stated “each [contract administrator or CA] is required to maintain a contract file . . . and the CA is responsible for ensuring the necessary information is [available] to determine a contractor’s work performance is satisfactory.” When we asked DICM officials why they were not maintaining contract administration records as required by the contract and the DCMR, they stated they “did not do a good job with that.” We found there was no supervisory oversight of the CA’s performance.

Exacerbating the lack of CA files was the fact that the CA’s responsibilities were reassigned between several ESA and DICM personnel during the BPR contract period of performance. The initial CA was assigned only as a “place-holder” while the desired personnel completed required CA administrator training.

Complete CA files are imperative to ensure DHS receives all contractually required items from the contractor. In doing so, DHS can ensure it receives the best value for its dollar, taking action to ensure the contractor corrects deficiencies and limiting the District’s liability in potential legal proceedings. Further, complete CA files can allow for reassignment of CA duties without a lapse in contractor oversight.

We recommend the Director, DHS:

16. Establish policies and procedures to implement DCMR contract administrator requirements.

Agree \_\_\_\_\_ X \_\_\_\_\_ Disagree \_\_\_\_\_

***DHS’ July 2020 Response to Recommendation 16:*** *At the outset of FY19, the DHS procurement team and contract administrator addressed concerns around periodic evaluation and standard documentation. All evaluations, official contract communication, contract scope and pricing changes, approved invoices are saved in PASS and/or in the contract administrator file.*

17. Ensure DHS supervisors confirm contract administrators are performing their required duties and responsibilities.

Agree \_\_\_\_\_ X \_\_\_\_\_ Disagree \_\_\_\_\_

*DHS' July 2020 Response to Recommendation 17: DHS established quarterly check ins between the contract administrator, contract specialist, and senior DHS supervisors to ensure all quarterly contract administrator responsibilities have been carried out according to recommended procedures.*

#### **FINDING 4: ESA CAN IMPROVE INFORMATION AND COMMUNICATION MANAGEMENT TO SUPPORT ITS INTERNAL CONTROL SYSTEM**

After evaluating DHS' control environment, risk assessment, and control activities, we found opportunities for DHS management to improve information and communication management in support of its internal control system. DHS could better leverage information produced in addition to the BPR to help it realize its full operating effectiveness. Additionally, DHS could use external information, such as best practices, to help improve the effectiveness of its internal control system.

Effective “information and communication are vital for an entity to achieve its objectives.”<sup>53</sup> Per 7 CFR § 275.1, DHS is required to identify “program deficiencies and the specific administrative action . . . [needed] to meet the [SNAP] program requirements.” Per 45 CFR § 205.60, HHS also requires DHS to “maintain or supervise the maintenance of records necessary for the proper and efficient operation of the [TANF program].” We found that DHS leadership placed more attention on customer satisfaction rather than the integrity of processes and the accuracy of payments. DHS could leverage both the internal information obtained through BPR and external best practices to improve the efficiency, effectiveness, and integrity of SNAP and the TANF program.

##### **Information Generated From the BPR Could be Aggregated With Other Information to Achieve Full Operating Effectiveness**

We found ESA leadership relied on a set of metrics provided by the BPR contractor to guide its operations. The BPR contractor issued monthly reports to ESA leadership. These monthly reports included the following quantitative metrics for all five Service Centers:

- case completion rate;
- customer wait times;
- number of cases pending by SSR;
- percent of customers waiting longer than 3 hours;

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<sup>53</sup> *Id.* at 58.

- average time of day that SSRs would no longer take new clients;
- average days to work tasks for customers outside of the Service Centers; and
- number of SSRs showing up for work.

BPR did not provide information related to payment accuracy (such as error rates), and integrity of processes (such as amount and quantity of underpayment processing), although the statement of work requires such information. Other information, such as case file error rates produced by QC; entries and exits, caseloads, benefits payments, and state application approval rates produced by DARE; over and under payments produced by QA; ad-hoc reviews produced by OPRMI, could supplement BPR to provide better insights for ESA leadership’s decision-making, and the ability for DHS to obtain additional data residing within DCAS via DHCF.

Per 7 CFR § 275.23(a), FNS shall assess DHS’ efficiency and effectiveness in administrating the SNAP program by measuring its compliance with “the standards contained in the Food and Nutrition Act, regulations, and the [District of Columbia] Plan of Operation and [DHS] efforts to improve program operations through corrective action.” Title 45 CFR § 205.120(a)(3) requires DHS to assess the efficiency and effectiveness of the TANF program through: “(i) [m]ethods for informing staff of [DHS] policies, standards, procedures and instructions; and (ii) [r]egular planned examination and evaluation of operations in local offices by regularly assigned [DHS] staff, including regular visits by such staff; and through reports, controls, or other necessary methods.” Effective communication means information gleaned through performance oversight should flow “down, across, up, and around reporting lines to all levels of the entity.”<sup>54</sup>

When we discussed the reliance on BPR information to guide decision-making, ESA leadership asserted the information has resulted in timeliness improvements, increased program access through “one and done” interactions with clients, and a decrease in the number of repeat visits. However, based on our review of PathOS data and the reports produced by the BPR contractor, we did not find the improvements cited by ESA leadership. Specifically, we did not find information to suggest a greater number of individual customers received benefits the first time visiting a Service Center. Additionally, we did not see a noticeable change in wait time from early 2017 through 2018. ESA leadership was aware of the high error rates, and as a result, convened a committee whose responsibility was to find ways to drive down the error rates. Finally, DHS leaders stated that the DCAS module, which would provide the ability to obtain relevant data and conduct their own queries, had not been deployed.

Without considering the data produced by BPR against other data sets, ESA missed an opportunity to validate different data points to assure decisions are made using the best information available to improve its performance.

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<sup>54</sup> *Id.* § 14.02 at 60.

We recommend the Director, DHS:

18. Incorporate corroborating data sources, in addition to data derived from the BPR contract, to improve the effectiveness of DHS' internal control system.

Agree \_\_\_\_\_ Disagree       X      

***DHS' July 2020 Response to Recommendation 18:** Disagree with the characterization, not the importance of incorporating multiple data sources. ESA has stood up a robust data team, which uses data from multiple sources for effective internal controls and business decisions. As new business processes come online, system changes are implemented and additional data is folded into the internal control system.*

19. Coordinate with DHCF to enable DCAS functionalities, which will allow DHS employees to extract relevant data to perform their own analysis.

Agree       X       Disagree \_\_\_\_\_

***DHS' July 2020 Response to Recommendation 19:** The ability to perform ad hoc queries in DCAS is challenging, although the DARE team has been working with DCAS programmers to develop a number of Microstrategy reports. The expansion of DCAS reports is on the list of recommended fixes and will continue to expand and the repairs continue.*

## ESA Could Leverage Available Best Practices

During our research, we found that FNS promulgated reports to aid states in increasing efficiency and effectiveness of SNAP program administration. Specifically, in 2012, FNS published "Performance Measures for Supplemental Nutrition Assistance Program Modernization Initiatives: Integrated Report."<sup>55</sup> In this report, FNS provided 89 different performance measures to assist states in measuring their eligibility system modernization efforts.<sup>56</sup> However, we found that ESA had not availed themselves of the insights provided in the 2012 report.

The Green Book states that management should consider information derived "through reporting lines from external parties . . . [including] significant matters relating to risks, changes, or issues that impact the entity's internal control system."<sup>57</sup>

During discussions with ESA leadership, we shared FNS' report as a potential best practice to improve operational efficiency. Incorporating these best practices may allow ESA leadership to

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<sup>55</sup> U.S. DEP'T OF AGRICULTURE FOOD AND NUTRITION PROGRAMS, PERFORMANCE MEASUREMENT FOR SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM MODERNIZATION INITIATIVES: INTEGRATED REPORT xv, [https://fns-prod.azureedge.net/sites/default/files/SNAPModernization\\_0.pdf](https://fns-prod.azureedge.net/sites/default/files/SNAPModernization_0.pdf) (Dec. 2012).

<sup>56</sup> *Id.*

<sup>57</sup> U.S. GOV'T ACCOUNTABILITY OFFICE, GAO-14-704G, *supra* note 1, § 15.04 at 62.

“identify issues sooner and may [have prevented] any issues [ . . . ] that [have] substantial negative consequences.”<sup>58</sup>

We recommend the Director, DHS:

20. Ensure staff consider external information relating to risks, changes, or issues that impact benefit programs.

Agree \_\_\_\_\_ Disagree \_\_\_\_\_ **X** \_\_\_\_\_

***DHS’ July 2020 Response to Recommendation 20:** Disagree with the characterization that ESA staff are not reviewing FNS guidance on best practices, not the importance of doing so. ESA is actively involved in regularly scheduled best practice forums and research with other states, trade organizations and FNS.*

## **FINDING 5: ESA CAN IMPROVE ITS MONITORING OF INTERNAL CONTROL ACTIVITIES**

With its internal control system in place, DHS management needs to ensure internal controls remain aligned with changing objectives, operating environment, laws, resources, and risks. Specifically, ESA leadership should develop a baseline to monitor its internal control system and business process interventions, in order to assess changes to the control environment. ESA leadership should also automate monitoring activities to the greatest extent possible to increase objectivity and efficiency.

The Green Book states that “[m]anagement should establish and operate monitoring activities to monitor the internal control system and evaluate the results.”<sup>59</sup> As stated previously, both 7 CFR § 275.1 and 45 CFR § 205.60 require DHS to monitor SNAP and TANF program administration, respectively. Absent monitoring activities and revisions to internal controls when required, employees can become complacent and internal controls can lose their effectiveness and relevancy to accurately report its financial activities, ensure achievement of its defined goals, and safeguard its operations against fraud, waste, and abuse

### **DHS did not Establish a Baseline Prior to Implementing the BPR Contract**

We found that DHS did not establish a baseline for monitoring activities before implementing the BPR contract. Further, ESA did not engage in collecting enough data to conduct a comparative analysis before they instituted changes. Had ESA established a baseline, it could have shown quantifiable results in SNAP and the TANF program as a result of BPR implementation.

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<sup>58</sup> U.S. DEP’T OF AGRICULTURE FOOD AND NUTRITION PROGRAMS, *supra* note 55, at 5.

<sup>59</sup> U.S. GOV’T ACCOUNTABILITY OFFICE, GAO-14-704G, *supra* note 1, § 16.01 at 65.

To evaluate the success of changes to the control environment:

the current state of the internal control system [should be] compared against management’s design of the internal control system. The baseline is the current state of the internal control system compared against management’s design of the internal control system. The baseline represents the difference between the criteria of the design of the internal control system and condition of the internal control system at a specific point in time. In other words, the baseline consists of issues and deficiencies identified in an entity’s internal control system.<sup>60</sup>

During interviews with ESA leaders, they stated “the goal of BPR was to streamline processes, increase work efficiency, gain access to data, and reduce wait times for clients.” We learned that with the exception of wait times, ESA had not established baselines to determine the effectiveness of BPR implementation in the aforementioned BPR performance areas. Because ESA did not establish a baseline prior to implementing the BPR contract, we were unable to determine if the BPR was able to achieve process efficiencies in ESA operations, as required by the BPR contract statement of work.

We recommend the Director, DHS:

21. Establish a baseline for monitoring DHS’ internal control system and any subsequent business process interventions.

Agree \_\_\_\_\_ X \_\_\_\_\_ Disagree \_\_\_\_\_

*DHS’ July 2020 Response to Recommendation 21: ESA now has a robust mix of data from multiple sources, including the BPR, DCAS, employee viewpoint surveys, and fraud detection analytics. This is evolving as additional business processes come online and data source are available.*

### **ESA Could Improve the Monitoring of its Internal Control System**

ESA leadership stated the primary achievement of the BPR was the increase in quality and quantity of data collected. However, we were unable to determine if ESA was using available data to monitor its operations and help management in evaluating results. When we asked for any systematic analyses of either SNAP or the TANF program, ESA leadership identified reports such as the “case trend report, SNAP performance data report, KPI quarterly report, TANF data report, and FNS monthly report.” However, these reports did not provide information related to the performance of DHS’ internal control system. Most of those reports were produced to satisfy an external reporting requirement.

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<sup>60</sup> *Id.* § 16.02 at 65.

ESA only provided a list of information being analyzed. ESA was unable to produce the actual reports showing the analysis. Further, we found that DARE was performing ad-hoc analysis at the request of DHS management. Following our evaluation, DHS leaders shared that they are now issuing “fraud detection reports” to identify insider threat/employee SNAP and TANF fraud, although this report appeared to be ad-hoc rather than an evaluation performed on a recurring or automated basis.

Once an internal control system has been established, management should perform “ongoing monitoring of the design and operating effectiveness of [its] internal control system as part of the normal course of operations.”<sup>61</sup> Ongoing monitoring can include “automated tools, which can increase the objectivity and efficiency by electronically compiling evaluations of controls and transactions.”<sup>62</sup>

By automating monitoring activities, DHS and ESA leadership can receive operating effectiveness information more quickly, as opposed to waiting for reports to be prepared. For example, DHS’ fraud case that precipitated this evaluation shows that internal controls (over \$2,000 underpayment required management approval) without monitoring weakened DHS’ internal control environment. Automation tends to be more reliable and is less susceptible to human error.

We recommend the Director, DHS:

22. Determine what additional measures can be incorporated to automate the monitoring of DHS’ internal control system.

Agree \_\_\_\_\_ X \_\_\_\_\_ Disagree \_\_\_\_\_

***DHS’ July 2020 Response to Recommendation 22:*** In FY19, OPRMI established a fraud detection analytics unit that uses DCAS data matches to flag suspicious staff and customer behavior. OPRMI plans to expand this capacity further using SNAP Fraud Framework grant funds from USDA/FNS to develop a proactive fraud analytics and case management system. The system is anticipated to launch in FY21.

23. Automate DCAS functions to support management’s monitoring of SNAP and TANF program performance.

Agree \_\_\_\_\_ X \_\_\_\_\_ Disagree \_\_\_\_\_

***DHS’ July 2020 Response to Recommendation 23:*** In January 2020, DCAS automated all payment correction calculations, which also requires supervisory review of system generated report before payments are made. Further, OPRMI built a fraud detection analytics capacity in FY19 that involves DCAS data matches to flag suspicious staff and customer activity.

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<sup>61</sup> *Id.* § 16.05 at 65.

<sup>62</sup> *Id.* § 16.05 at 65-66.

## CONCLUSION

An effective internal control system helps DHS to accurately report its financial activities, ensure achievement of its defined goals, and safeguard its operations against fraud, waste, and abuse. Ineffective or non-existent internal controls may adversely impact DHS' mission "to empower every District resident to reach their full potential by providing meaningful connections to work opportunities, economic assistance, and supportive services."

This evaluation found that DHS could improve the effectiveness of its internal control system – specifically in all five internal control components (control environment, risk assessment, control activities, information and communication, and monitoring activities). These five internal control components must all work together in an integrated manner for DHS' internal control system to be effective.

DHS' internal control deficiencies contributed to two former DHS employees embezzling \$1.8 million in benefits meant for needy District residents. Improving the effectiveness of DHS' internal control system could provide reasonable assurance that the agency will operate effectively and efficiently, reliably report to internal and external users, and comply with applicable laws and regulations.

## **APPENDIX A. OBJECTIVES, SCOPE, AND METHODOLOGY**

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We conducted this project from December 2018 through December 2019, in accordance with *Quality Standards for Inspection and Evaluation* (Blue Book) promulgated by the Council of the Inspectors General on Integrity and Efficiency and *Standards for Internal Control in the Federal Government* (GAO-14-704G) promulgated by the Government Accountability Office (GAO).

Our scope covered procedures under the direct control of DHS' ESA from January 1, 2016, to September 30, 2018. The objectives for this evaluation were to: (1) assess the administration of the Supplemental Nutrition Assistance Program (SNAP) and Temporary Assistance for Needy Families (TANF) programs; (2) assess the programs' system of internal controls; and (3) make recommendations, as appropriate.

To accomplish the objectives, we:

- Reviewed and assessed compliance with DHS policies, procedures, and applicable District and Federal laws and regulations;
- Reviewed prior internal and external audits, reviews, and investigative reports;
- Interviewed DHS leadership, SSRs, QA Staff, QC Staff, DICM staff, OPRMI staff; and contract support staff;
- Observed daily activity at all five ESA Service Centers (Anacostia, Congress Heights, Fort Davis, H Street, and Taylor Street);
- Analyzed quantitative data produced by the BPR, PathOS, and other data provided by DHS staff.
- Reviewed BPR contract administration data; and
- Evaluated DCAS defect logs provided to DHCF.

## **APPENDIX B. ACRONYMS AND ABBREVIATIONS**

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|       |  |
|-------|--|
| BPR   | Business Process Redesign                                    |
| DHCF  | Department of Health Care Finance                            |
| DHS   | Department of Human Services                                 |
| ESA   | Economic Security Administration                             |
| FNS   | Food and Nutrition Services (U.S. Department of Agriculture) |
| OIG   | Office of the Inspector General                              |
| OPRMI | Office of Program Review, Monitoring, and Investigation      |
| SSR   | Social Service Representative                                |

## APPENDIX C. RECOMMENDATIONS

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We recommend the Director, DHS:

1. Establish roles that delineate and deconflict responsibilities to support agency goals and objectives.
2. Re-evaluate and revise current ESA performance goals to include SNAP and TANF eligibility determination accuracy and timeliness.
3. Ensure staff knows and understands the appropriate channels to report suspected fraud, waste, and abuse.
4. Ensure information reporting possible fraud, waste, and abuse are available and accessible to the public within all Service Centers.
5. Ensure DHS' investigative mission areas are within current investigative and law enforcement authorities provided to it by the D.C. Code.
6. Ensure DHS employees, who perform investigative functions on behalf of the agency, have clearly defined boundaries within which they can operate.
7. Establish a memorandum of understanding with law enforcement authorities to investigate suspected crimes committed against DHS programs.
8. Designate a single entity for DHS-wide risk assessments to allow for a systemic evaluation across all programs and operations.
9. Develop and implement a comprehensive risk assessment process that addresses all aspects of agency operations, enabling management to continually identify, analyze, and respond to risks related to achieving the agency's defined objectives.
10. Ensure fraud risk factors are considered as part of DHS' comprehensive risk assessment process.
11. Assign responsibility to a single entity within the agency to assess fraud risks related to SNAP and the TANF program.
12. Establish proper physical controls to safeguard case records from loss or unauthorized access.
13. Ensure policies address the need to safeguard case records against any form of unauthorized access.
14. Work with DHCF to address DCAS system errors identified by FNS.

## **APPENDIX C. RECOMMENDATIONS**

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15. Establish an effective process for tracking and remediating all identified DCAS issues.
16. Establish policies and procedures to implement DCMR contract administrator requirements.
17. Ensure DHS supervisors confirm contract administrators are performing their required duties and responsibilities.
18. Incorporate corroborating data sources, in addition to data derived from the BPR contract, to improve the effectiveness of DHS' internal control system.
19. Coordinate with DHCF to enable DCAS functionalities, which will allow DHS employees to extract relevant data to perform their analysis.
20. Ensure staff considers external information relating to risks, changes, or issues that impact benefit programs.
21. Establish a baseline for monitoring DHS' internal control system and any subsequent business process interventions.
22. Determine what additional measures can be incorporated to automate the monitoring of DHS' internal control system.
23. Automate DCAS functions to support management's monitoring of SNAP and TANF program performance.

## APPENDIX D. DHS' RESPONSE TO THE DRAFT REPORT



July 3, 2020

Daniel W. Lucas  
Inspector General  
DC Office of the Inspector General  
717 14<sup>th</sup> Street NW  
Washington DC 20005

Dear Inspector General Lucas:

Thank you for providing me with the opportunity to respond to your draft report, *Department of Human Services: Inadequate Internal Controls Within the Economic Security Administration Contributed to the Loss of \$1.8M (OIG No 19-I-07-JA)*. Due to the ongoing redeployment of DHS staff and leadership to pandemic response, and ensuring mission-critical activities continue while working remotely, rather than responding with detailed narrative, we are including the attached spreadsheet that provides a summary response to each finding.

DHS' Economic Security Administration (ESA) provides monthly Supplemental Nutritional Assistance Program (SNAP) and/or Temporary Assistance for Needy Families (TANF) to over 270,000 DC residents. ESA ensures provision of essential supports in a dynamic environment that requires consistently adapting to changing federal policies while evolving and updating information systems. The COVID-19 public health emergency has demonstrated the resilience of our operations. ESA has effectively ensured residents receive standard and pandemic-expanded benefits introduced by the Food and Nutrition Service (FNS). ESA has also enabled residents to apply for benefits remotely and has processed all new applications within three days as new applications have dramatically increased. The ESA leadership and workforce continue to demonstrate remarkable integrity, innovation, and commitment in their operations and delivery of critical resources to our residents when they need it most.

As you know, DHS originally identified fraudulent employee activity and referred the information to your office in July 2018. The investigation and subsequent prosecution resulted in the incarceration of two former DHS employees, one sentenced in February 2019 and the other in July 2019. In close collaboration with your office, DHS designed and delayed implementation of significant new safeguards during the criminal investigation. Once it was clear we would not be hampering the criminal investigation, DHS swiftly implemented a robust fraud mitigation effort that included:

- Building a fraud detection analytics unit
- Ensuring benefit IT system user roles and access levels were accurate, limited, and reviewed regularly
- Launching a public campaign to promote awareness of prohibited activities and how to report benefit fraud
- Educating all service center staff on fraud identification and reporting

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## APPENDIX D. DHS' RESPONSE TO THE DRAFT REPORT

- Eliminating staff ability to make manual adjustments to payments; now automated and includes supervisory review and approval
- Expanding the capacity of the Fraud Investigation Unit
- Conducting data matches to identify ineligible residents prior to benefit issuance

DHS continues to build on what we understand to be industry best practices for risk mitigation, which align well with the five components of the control system recommended in OIG's report. As part of the inspection, DHS staff shared information about the internal controls and fraud mitigation initiatives, and included evidence of the changes. We appreciated the consultation of your office as we built a system that could better withstand the bad acts of criminally-minded persons, as well as detect ordinary human error before funds are misspent.

Despite this collaboration with your office, and our evident concern both with remediating any wrongdoing and building effective risk-mitigation systems, the report referenced the fraudulent activity from FY18, stated that there was "no indication that fraud risks were considered", and characterized the robust complement of implemented remediation efforts as "DHS developing a plan of action." The report also fails to acknowledge the DHS Risk Assessment and Control Committee (RACC), which has met quarterly since 2017 to identify and remediate gaps in the agency's control environment, or the cross-functional SNAP payment error risk committee that meets regularly. In sum, we think the report does not reflect our collaborative work with your office and the exemplary steps DHS has taken. We think the report would be more useful if it identifies specific practices and processes that address gaps in internal controls, as well as weaknesses that led to programmatic losses and abuse.

SNAP and TANF eligibility rules and regulations are complicated and not intuitive. There were some statements and recommendations that we believe were shaped by a misunderstanding of where Federal regulatory requirements are manifested in DHS policy, organizational responsibilities, or business process. It takes deep knowledge of the stringent and complex federal guidelines that govern benefit issuance to understand the structure of roles and responsibilities across DHS organizational units. This is particularly true when differentiating the responsibilities of the organizational units that perform supervisory review of eligibility determinations, data quality review, quality assurance, and monitoring error rates. One example is found on the first page of the report, which incorrectly states "SNAP eligibility is determined by household size, and TANF eligibility is determined by an individual's employment status."

We established three categories of responses to your findings:

1. Agree (and will remediate);
2. Agree (and previously addressed/remediated)
3. Disagree (we believe there is some confusion about the organization/process/regulation or disagree with the report's characterization of the current environment);

This is the summary breakdown of our responses to the findings:

| DHS Response               | Count of Findings |
|----------------------------|-------------------|
| AGREE – WILL REMEDIATE     | 8                 |
| AGREE – ALREADY REMEDIATED | 9                 |
| DISAGREE                   | 6                 |

DHS is grateful for OIG's time, effort, and partnership to provide an outside perspective to identify opportunities to refine internal controls and improve the efficacy of our operations. We remain

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## APPENDIX D. DHS' RESPONSE TO THE DRAFT REPORT

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committed to continuous improvement as we address the findings and recommendations you set forth, as well as those from our RACC, and other expert recommendations.

Thank you again for your support and guidance.

Sincerely,

*Laura Zeilinger*

Laura Green Zeilinger  
Director

## APPENDIX D. DHS' RESPONSE TO THE DRAFT REPORT

| District of Columbia Office of the Inspector General - Project No. 19-I-07-JA<br>Department of Human Services' Response to OIG Recommendations |   |                               |  |
|--|---|-------------------------------|--|
| Rec. #   | Recommendation - "We recommend that the Director, DHS..."   | DHS Response                  | Notes  |
| <b>FINDING 1: DHS' Control Environment Can Be Improved To Help Provide Discipline And Structure That Support Its Objectives</b>                |   |                               |  |
| 1  | Establish roles that clearly delineate and deconflict responsibilities in order to support agency goals and objectives.                           | DISAGREE                      | In terms of monitoring SNAP and TANF program case errors, DHS has clearly-defined roles and responsibilities. Per the CFR citations noted in the DHS Office of Program Review Monitoring and Investigation (OPRMI) Organization Order, OPRMI/Quality Control Division (QCD) is the only DHS entity designated to determine and report SNAP error rate findings to the USDA/FNS for the District. ESA/Office of Quality Assurance and Analysis (OQAA) has no authority to change the final determinations made by OPRMI/QCD, but uses findings and other inputs to recommend improvements in accuracy and performance. There is a healthy tension between these functions and how the regulations are interpreted. In terms of DCAS issues, there is a clear escalation path from the DCAS Help Desk (which is part of the Division of Innovation and Change Management, or DICM) to the DCAS Triage Team (DCHF system programmers). The DICM team receives regular information about all the submitted issues/tickets and works with the programmers on prioritizing the fixes. There is no gap in information in terms of issues and status of repairs. The issue of BPR contractors messaging staff directly was previously addressed. |
| 2  | Re-evaluate and revise current ESA performance goals to include SNAP and TANF eligibility determination accuracy and timeliness.                  | DISAGREE                      | This finding was perplexing - the new business process redesign (BPR) specifically de-emphasizes speed and focuses on meaningful metrics including completion rate, elimination of repeat visits and worker productivity. DHS has continually tracked and reported SNAP error rates as one of the agency's Key Performance Indicators and for federal reporting, independent of the BPR. There is now data that tracks the time it takes to process a case, but that information is used to address workload capacity and if a case needs supervisory support, not employee performance. The agency has reinforced this message with supervisors and staff.  |
| 3  | Ensure staff at all levels know and understand the appropriate channels to report suspected fraud, waste, and abuse.                              | AGREE - WILL REMEDIATE        | For years, ESA had its own reporting mechanism for fraud that did not go to OPRMI that may have been a source of confusion. In the summer of FY19, the Chief Accountability Officer went to each of the ESA service centers to provide in-person training to all service center managers and staff about fraud, including the appropriate channels to report fraud, waste and abuse. DHS also added a module to New Employee Orientation in FY19 to educate incoming DHS employees on how to report fraud. DHS plans to do even more to ensure employees are educated about how to identify and report fraud, so also applied for and received grant funds from USDA/FNS in FY20 to implement a SNAP Fraud Framework. The grant funds will allow OPRMI to develop an online training curriculum for all agency staff to complete on a regular basis. The online curriculum is scheduled to be completed and rolled out in FY21.  |
| 4  | Ensure information on how to report possible fraud, waste, and abuse is available and accessible to the public within all Service Centers.        | AGREE - PREVIOUSLY REMEDIATED | As part of a USDA/FNS SNAP Integrity Grant that DHS was awarded in FY18, several communication mechanisms were implemented to ensure the public at service centers know how to report suspected fraud, waste and abuse. There are signs at service centers telling the customers how to report fraud, waste and abuse. Additionally, a public service campaign on buses and at metro stations was conducted to inform the public how to report suspected fraud. Finally, in FY19 a video was created that explains how to report fraud, which ran on the service center lobby monitors. Pamphlets on fraud are available at all service centers and distributed to customers. The Fraud Hotline and Unusual Incident Report system will continue to be used for the public to report suspected fraud, waste and abuse.   |
| 5  | Ensure DHS's investigative mission areas are within current investigative and law enforcement authorities provided to it by D.C. Code.            | AGREE - WILL REMEDIATE        | DHS/OPRMI (including its Fraud Investigation Division, FID, and Internal Affairs Division, IAD) is not a law enforcement entity but does partner with law enforcement entities. The OPRMI Organization Order will be updated to reflect that FID and IAD are not state investigatory law enforcement bureaus, but do partner with the District's state law enforcement bureaus to achieve its mission. OPRMI is updating its current State Law Enforcement Bureau (SLEB) agreement to partner with additional law enforcement entities and this should be submitted to USDA/FNS for approval by the end of FY20. The OPRMI Organization Order will be updated and submitted for approval by the end of Quarter 1 FY21.   |
| 6  | Ensure DHS employees, who perform investigative functions on behalf of the agency, have clearly defined boundaries within which they can operate. | AGREE - WILL REMEDIATE        | OPRMI has never intended to be a state law enforcement bureau and does not operate in this way. OPRMI refers all cases that have any criminal intent to OIG or MPD. Although the language in the OPRMI Organization Order presently states that IAD and FID are state law enforcement bureaus, OPRMI has always understood its role and sent any criminal intent cases to appropriate authorities for investigation. OPRMI is updating its current State Law Enforcement Bureau (SLEB) agreement to reflect its partnership with law enforcement entities and will submit to USDA/FNS for approval by the end of FY20. The OPRMI Organization Order will be updated and submitted for approval by the end of Quarter 1 FY21.   |

## APPENDIX D. DHS' RESPONSE TO THE DRAFT REPORT

| District of Columbia Office of the Inspector General - Project No. 19-07-JA<br>Department of Human Services' Response to OIG Recommendations |   |                               |   |
|--|---|-------------------------------|---|
| Rec. #   | Recommendation - "We recommend that the Director, DHS..."   | DHS Response                  | Notes   |
| 7  | Establish a memorandum of understanding with law enforcement authorities for the investigation of suspected crimes committed against DHS programs.  | AGREE - WILL REMEDIATE        | OPRMI is updating its current State Law Enforcement Bureau (SLEB) agreement to clarify its role and reflect its partnership with law enforcement entities. This should be submitted to USDA/FNS for approval by the end of FY20.  |
| <b>FINDING 2: DHS' Risk Assessment Process Is Ineffective To Support The Development Of Appropriate Risk</b>                                 |   |                               |   |
| 8  | Designate a single entity for DHS-wide risk assessments to allow for a systemic evaluation across all programs and operations.  | DISAGREE                      | DHS has more than one entity that is responsible for assessing risk. There is a long-standing Agency Risk Assessment and Control Committee (RACC) that meets quarterly to assess agency-wide risks. Beginning at the end of FY19, an Error Rate Risk Committee began to meet monthly to address error rates and begin broadening its attention to also focus on identifying fraud risk. The committee includes representatives from ESA/OQAA, ESA's Division of Analytics, Research and Evaluation (DARE), and OPRMI (QIC and FID). The group focuses on DCAS issues, fraud risks in public benefits determinations, and error rate risks. This entity's work will continue in FY20 and FY21. There is also a fraud detection analytical capacity in OPRMI that will continue to expand. The risk assessments and fraud detection efforts include TANF cases. |
| 9  | Develop and implement a comprehensive risk assessment process that addresses all aspects of agency operations, enabling management to continually identify, analyze, and respond to risks related to achieving the agency's defined objectives. | AGREE - PREVIOUSLY REMEDIATED | DHS agrees and has developed a robust risk assessment process. There is a long-standing Agency Risk Assessment and Control Committee (RACC) that meets quarterly to assess agency-wide risks. Beginning at the end of FY19, an Error Rate Risk Committee began to meet monthly to address error rates and begin broadening its attention to also focus on identifying fraud risk. The committee includes representatives from ESA/OQAA, ESA's Division of Analytics, Research and Evaluation (DARE), and OPRMI (QIC and FID). The group focuses on DCAS issues, fraud risks in public benefits determinations, and error rate risks. This entity's work will continue in FY20 and FY21. There is also a fraud detection analytical capacity in OPRMI that will continue to expand. The risk assessments and fraud detection efforts include TANF cases.       |
| 10   | Ensure fraud risk factors are considered as part of DHS' comprehensive risk assessment process.   | AGREE - PREVIOUSLY REMEDIATED | In FY19, DHS OPRMI put in place internal controls to improve its fraud detection capacity, including implementing a data analytical unit to work in partnership with ESA. Additionally, OPRMI received Fraud Framework grant funds from USDA/FNS in FY20 and is using the funds to build an IT system for fraud case management tracking and proactive data analytics to detect incidents of fraud. This new system should begin to be implemented in FY21.   |
| 11   | Assign responsibility to a single entity within the agency to assess fraud risks related to SNAP and the TANF program.  | DISAGREE                      | DHS does not agree that assessing fraud risks related to the implementation of the SNAP and TANF programs should be assigned to a single entity. DHS wants to ensure that fraud risk assessment is comprehensive and conducted within both the Economic Security Administration on the front-end of operations (real-time risk assessments) and at OPRMI on the back end, through the work of data analytics and FID. While OPRMI is the single DHS designated entity for investigating suspected fraud, waste and abuse in the administration of SNAP and TANF programs, DHS wants both the program operations (ESA) and OPRMI to be equipped to identify and address fraud.   |
| <b>FINDING 3: DHS Can Improve Its Control Activities To Respond To Risk In Its Internal Control System</b>                                   |   |                               |   |
| 12   | Establish proper physical controls to safeguard case records from loss or unauthorized access.  | AGREE - WILL REMEDIATE        | While there are controls in place to restrict access of the public to records, improved file management controls will be pursued. Ultimately, ESA is moving towards a paperless environment.  |
| 13   | Ensure policies address the need to safeguard case records against any form of unauthorized access.   | AGREE - WILL REMEDIATE        | While there are controls in place to restrict access of the public to records, improved file management controls will be pursued. Ultimately, ESA is moving towards a paperless environment.  |
| 14   | Work with DHCF to address DCAS system errors identified by FNS.   | AGREE - PREVIOUSLY REMEDIATED | Scope Management process was refined in 2018 to capture all system defects recorded by internal and external system users. ESA, DCAS, DHCF meet regularly to discuss these errors and prioritize them for release based on business need and criticality. While all the system fixes have not been resolved, there is a clear process to monitor and a plan for addressing.   |
| 15   | Establish an effective process for tracking and remediating all identified DCAS issues.   | AGREE - PREVIOUSLY REMEDIATED | Scope Management process was refined in 2018 to capture all system defects recorded by internal and external system users. ESA, DCAS, DHCF meet regularly to discuss these errors and prioritize them for release based on business need and criticality. While all the system fixes have not been resolved, there is a clear process to monitor and a plan for addressing.   |
| 16   | Establish policies and procedures to implement DCMR contract administrator requirements.  | AGREE - PREVIOUSLY REMEDIATED | At the outset of FY19, the DHS procurement team and contract administrator addressed concerns around periodic evaluation and standard documentation. All evaluations, official contract communication, contract scope and pricing changes, approved invoices are saved in PASS and/or in the contract administrator file.   |

## APPENDIX D. DHS' RESPONSE TO THE DRAFT REPORT

| District of Columbia Office of the Inspector General - Project No. 19-07-JA<br>Department of Human Services' Response to OIG Recommendations |  |                               |  |
|--|--|-------------------------------|--|
| Rec. #   | Recommendation - "We recommend that the Director, DHS..."  | DHS Response                  | Notes  |
| 17   | Ensure DHS supervisors confirm contract administrators are performing their required duties and responsibilities.  | AGREE - PREVIOUSLY REMEDIATED | DHS established quarterly check ins between the contract administrator, contract specialist, and senior DHS supervisors to ensure all quarterly contract administrator responsibilities have been carried out according to recommended procedures.   |
| <b>FINDING 4: ESA Can Improve Information And Communication Management To Support Its Internal Control System</b>                            |  |                               |  |
| 18   | Incorporate corroborating data sources, in addition to data derived from the BPR contract, to improve the effectiveness of DHS' internal control system. | DISAGREE                      | Disagree with the characterization, not the importance of incorporating multiple data sources. ESA has stood up a robust data team, which uses data from multiple sources for effective internal controls and business decisions. As new business processes come on line, system changes are implemented and additional data is folded into the internal control system. |
| 19   | Coordinate with DHCF to enable DCAS functionalities, which will allow DHS employees to extract relevant data to perform their own analysis.              | AGREE - WILL REMEDIATE        | The ability to perform ad hoc queries in DCAS is challenging, although the DARE team has been working with DCAS programmers to develop a number of Microstrategy reports. The expansion of DCAS reports is on the list of recommended fixes and will continue to expand and the repairs continue.  |
| 20   | Ensure staff consider external information relating to risks, changes, or issues that impact benefit programs.   | DISAGREE                      | Disagree with the characterization that ESA staff are not reviewing FNS guidance on best practices, not the importance of doing so. ESA is actively involved in regularly scheduled best practice forums and research with other states, trade organizations and FNS.  |
| <b>FINDING 5: ESA Can Improve Its Monitoring Of Internal Control Activities</b>  |  |                               |  |
| 21   | Establish a baseline for monitoring DHS' internal control system and any subsequent business process interventions.                                      | AGREE - PREVIOUSLY REMEDIATED | ESA now has a robust mix of data from multiple sources, including the BPR, DCAS, employee viewpoint surveys, and fraud detection analytics. This is evolving as additional business processes come online and data source are available.   |
| 22   | Determine what additional measures can be incorporated to automate the monitoring of DHS' internal control system.                                       | AGREE - WILL REMEDIATE        | In FY19, OPRMI established a fraud detection analytics unit that uses DCAS data matches to flag suspicious staff and customer behavior. OPRMI plans to expand this capacity further using SNAP Fraud Framework grant funds from USDA/FNS to develop a proactive fraud analytics and case management system. The system is anticipated to launch in FY21.                 |
| 23   | Automate DCAS functions to support management's monitoring of SNAP and TANF program performance.   | AGREE - PREVIOUSLY REMEDIATED | In January 2020, DCAS automated all payment correction calculations, which also requires supervisory review of system generated report before payments are made. Further, OPRMI built a fraud detection analytics capacity in FY19 that involves DCAS data matches to flag suspicious staff and customer activity.   |