



**New Jersey State Legislature
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Office of the State Auditor**

**Department of Human Services
Division of Family Development
Administration and SNAP and TANF EBT Controls**

July 1, 2010 to April 30, 2014

**Stephen M. Eells
State Auditor**

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Enclosed is our report on the audit of the Department of Human Services, Division of Family Development, Administration and SNAP and TANF EBT Controls for the period of July 1, 2010 to April 30, 2014. If you would like a personal briefing, please call me at (609) 847-3470.

A handwritten signature in black ink, reading "Stephen M. Eells".

Stephen M. Eells
State Auditor
December 4, 2014

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Scope

We have completed an audit of the Department of Human Services, Division of Family Development, Administration and SNAP (Supplemental Nutrition Assistance Program) and TANF (Temporary Assistance for Needy Families) EBT Controls for the period July 1, 2010 to April 30, 2014. Our audit included financial activities accounted for in the state's General Fund, including revenue, administrative expenditures, and selected contracts. We reviewed the adequacy of internal controls to detect fraudulent activity in the SNAP and TANF benefit programs. We also evaluated access controls over the Electronic Benefits Transfer (EBT) system applications used in the processing of the benefits.

Annual expenditures and revenues of the division during the 46-month audit period were \$5.3 billion and \$226 million, respectively. The scope of our audit included the \$226 million of revenue, \$436 million of administrative expenses, but other than the benefit controls, excluded State Aid and Grants-in-Aid. The federal revenue used for the disbursement and management of these programs is recognized and drawn down directly by the department.

The Division of Family Development's (DFD) primary task is to direct the state's welfare program, WorkFirst New Jersey (WFNJ). WFNJ and SNAP, a federally funded food assistance program for low-income families, are administered by the county welfare agencies (CWAs) and processed through a state contracted vendor. Our audit focused on the EBT controls for the TANF portion of WFNJ and for SNAP. As of May 2014, there were 30,822 active TANF cases (74,577 recipients) and 412,182 active SNAP cases (820,642 recipients).

Although managed at the county level, the DFD maintains primary responsibility for monitoring recipients' compliance with program requirements and for ensuring the CWAs detect and investigate cases of possible program violation.

Objectives

The objectives of our audit were to determine whether financial transactions were related to the agency's programs, were reasonable, and were recorded properly in the accounting systems. In addition, we were to determine the adequacy of internal controls the division has implemented to prevent, detect, and investigate fraudulent activity in the SNAP and TANF benefit programs. Furthermore, we were to determine the adequacy of access controls over EBT system applications used in the processing of the benefits.

This audit was conducted pursuant to the State Auditor's responsibilities as set forth in Article VII, Section I, Paragraph 6 of the State Constitution and Title 52 of the New Jersey Statutes.

Methodology

Our audit was conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

In preparation for our testing, we studied legislation, the administrative code, and policies of the DFD. Provisions we considered significant were documented and compliance with those requirements was verified by interview, observation, and through our testing of financial transactions and controls at the DFD, and through on-site reviews at selected CWAs and contract providers. In addition, we compared public assistance records with various other data sets to identify potentially ineligible recipients and improper payments. We also used EBT system reports to assess the adequacy of access controls.

A non-statistical sampling approach was used. Our samples of financial and EBT transactions were designed to provide conclusions on our audit objectives as well as internal controls and compliance. Sample populations were sorted and transactions were judgmentally and randomly selected for testing.

Conclusions

We found that the financial transactions included in our testing were related to the agency's programs, were reasonable, and were recorded properly in the accounting systems. We did note however, monitoring of contract expenditures should be strengthened. We also found the internal controls to prevent, detect, and investigate fraudulent activity to be adequate but could be improved. Furthermore, we found the access controls to the EBT computer applications used in the processing of benefits to be inadequate.

We also made an observation regarding the status of the Consolidated Assistance Support System (CASS) Project.

Background

The Electronic Benefit Transfer (EBT) System is an electronic means for the division to provide public assistance benefits to approved recipients. In EBT, each qualified payee is issued a magnetic-strip plastic card, which the payees use to access their benefits. Each month, funds are deposited into the recipients' accounts. EBT cards are similar to debit cards and require a personal identification number that allows recipients to access funds from Automated Teller Machines (ATMs) or purchase items at store point-of-sale terminals.

The EBT card issuance is administered at the county level where recipients apply to participate in public assistance programs. However, SNAP-only applicants may choose to apply online, by mail, or over-the-phone. CWA caseworkers interview and verify information provided by applicants, update computer data, authorize benefits, and issue EBT cards. The division contracts with a private company to process EBT transactions. The contractor monitors and tracks each transaction and transfers the necessary funds. The division maintains primary responsibility for monitoring recipients' compliance with program requirements and for detecting and investigating cases of possible program violations.

The monitoring of EBT payments and the identification and recoupment of fraudulent transactions and overpayments is divided among the division's Program Integrity Unit and the CWAs. The Program Integrity Unit oversees and reviews the CWAs' fraud detection units and the EBT vendor who is also contracted to provide various fraud-alert reports to the CWAs. The CWAs act upon these and other reports to identify and recoup monies for program violations.

In fiscal year 2013, the CWAs reported 10,352 fraud investigations and found 5,381 cases totaling \$12.7 million in potential recoveries, however, actual recoveries amounted to \$1.4 million.

Invalid Social Security Numbers

Invalid social security numbers increase the risk of improper benefit payments.

The division maintains client information including all relevant demographic information on the Family Assistance Management Information System (FAMIS). FAMIS also determines program eligibility and calculates benefit amounts for SNAP and TANF.

Social security numbers (SSNs) are the primary identifier used in the identification and detection of fraudulent transactions and are used for the division's management reports including the verification of employment related income, identifying benefits received from other states, and death matches. Without accurate SSNs, the usefulness of data-matches and fraud reports is diminished.

In accordance with state and federal regulations, recipients of public assistance benefits must possess a valid SSN. During the application and recertification process, the CWAs have access to the State Verification and Exchange System (SVES) which provides states a standardized method of SSN verification providing client's SSN, date of birth, and name. In addition, the system verifies a client's citizenship. CWAs are required to cross-check this information against the applicant's information to ensure only qualified individuals will receive benefits. Pursuant to N.J.A.C. 10:87-2.19, failure without good cause to provide a SSN will result in the disqualification of benefits for the individual.

As of May 2014, there were almost 830,000 active clients receiving SNAP and/or TANF. Our analysis of the SVES data disclosed there were 46,800 client SSNs that were either questionable (33,800) or unverified (13,000). The system identified 33,800 client files which had a SSN that did not match the recipient information provided, excluding children under the age of two. These recipients received approximately \$201.6 million in SNAP benefits and \$12.7 million in TANF benefits for the 18-month period ending June 2014. The group included 6,200 single-person households receiving SNAP benefits totaling \$11.96 million and 204 single-person households receiving TANF benefits totaling \$408,700 for the same period. We also determined that 18,800 of the SSNs have been questionable since May 2012.

Recommendation

The division should identify the 46,800 clients with questionable or unverified social security numbers and flag those cases for further review. The division should also ensure that the SSN verification is performed in a timely manner.

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Benefits Received After Death

By not investigating death matches, deceased clients' benefits are being accessed.

State agencies that administer SNAP benefits are required by federal regulation to match their recipient data with the national Social Security Administration (SSA) death file, which DFD does on a monthly basis. The division records these matches and makes them available to all CWAs using a state-wide shared database. It is the CWA's responsibility to access the monthly file and investigate all deaths reported. During our review, we found that counties were not using the match records.

Our match of the SSA master file of all reported deaths as of December 31, 2013 to the FAMIS active clients file as of May 2014 disclosed there were 37 clients reported as deceased whose accounts continued to draw benefits. The clients' names and birth dates on the FAMIS matched the decedents' information on the federal death file. We noted that 26 appear to be single-person households that withdrew \$39,000 of SNAP benefits subsequent to the date of death. As of June 2014, five of these recipients' cases were closed, while the other 21 continued to receive benefits. Since these were single-person households, it appears that unauthorized individuals used, and may still be using, deceased individuals' EBT cards.

The remaining cases had two recipients in the household and while the other participant may be authorized to use the card after the date of death, there should have been an adjustment to the monthly benefit if the death had been reported. There were no changes in benefits as of the end of June 2014.

In addition, there were 910 active recipient SSNs reported as belonging to deceased individuals but the recipients' names and/or birth dates per FAMIS did not match the decedents' information. These cases have a high risk of impropriety.

Recommendation

The CWAs should routinely match the SSA master death file against the active recipient data in the FAMIS system and all matches should be referred for investigation or prosecution in order to timely cancel and recoup any improper payments.

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Lottery Winners

Large lottery winners continue to receive TANF benefits.

Public assistance benefits are intended to help low-income families meet critical needs while they work toward becoming self-supporting. Some lottery winnings are substantial and would have an impact on eligibility and reporting requirements. For TANF clients, N.J.A.C. 10:90-

3.18(a)(1) states that if there is any non-recurring lump sum income, such as lottery winnings, they will be subject to repay the past cash assistance benefits in accordance with the Agreement to Repay which is signed at the time of application, and the remaining amount of lump sum income shall be considered in determining the period of WFNJ/TANF ineligibility. Resource limits for SNAP eligibility was rescinded for New Jersey in April 2010.

In our effort to determine the division's compliance with this regulation, we matched individuals that received more than \$10,000 in New Jersey Lottery winnings from fiscal year 2011 to May 2014 to recipients receiving SNAP and TANF benefits as of May 2014.

We found a TANF and SNAP recipient, in a multi-person household, who had won \$1,000 per week in the "Win For Life" Instant Lottery game prior to 2009. The case has been receiving SNAP benefits since at least 2009 and TANF benefits as of December 2013. The case is still active and receiving TANF and SNAP benefits as of May 2014.

Although allowed by current guidelines, we found 65 SNAP recipients who have received between \$10,342 and \$468,000, totaling \$3.7 million, in lottery winnings from fiscal year 2011 to May 2014. Of the 65 recipients, 10 received over \$100,000 in lottery winnings from July 2011 to September 2013, all of which were actively collecting SNAP as of May 2014.

Recommendation

The division should routinely match the active beneficiary database against the New Jersey Lottery database to ensure significant lottery winnings are included in TANF recipients' income during the course of a benefit payment period.

The division should also consider reinstating resource limits for SNAP recipients. Lottery winnings are at times substantial enough that the household may not need assistance from the program as was originally intended.



Fraud-Alert Reports

Vendor fraud-alert reports are not properly used to identify fraudulent activity.

Federal regulations require states to obtain Electronic Benefit Transfer (EBT) management reports from its contracted EBT processor to assist with program management, including detecting and investigating cases of potential program violation. When properly prepared, the prevention, detection, investigation, and recoupment of improper payments is facilitated through these standard EBT reports. According to the division's contract with its EBT vendor, the vendor will provide daily and monthly EBT usage reports, including several fraud-alert reports. Our review disclosed these reports are not in the required format delineated in the contract and cannot be easily utilized by the county welfare agencies (CWAs) as intended. The

division did not notify the Department of the Treasury, Division of Purchase and Property of the vendor's non-compliance with the contract's report provisions.

We found that four of the six fraud-alert reports were not being used by any of the six CWAs we visited, one was used by a single county, and one was used by four counties who had to physically manipulate the data. County personnel indicated several reports were useless in their current formats.

| EBT FRAUD REPORT | COUNTY USAGE OF EBT FRAUD REPORTS | | | | | |
|-------------------------------------|-----------------------------------|----------|----------|----------|----------|----------|
| | COUNTY 1 | COUNTY 2 | COUNTY 3 | COUNTY 4 | COUNTY 5 | COUNTY 6 |
| Monthly Out-Of-State Activity | ✓ | x | ✓ | x | ✓ | ✓ |
| Card Issuance Tracking | x | x | x | x | x | x |
| Manual Card Entry | x | x | x | x | x | x |
| Even Dollar Transactions | x | x | x | x | ✓ | x |
| Full Food Stamp Balance Withdrawal | x | x | x | x | x | x |
| Multiple Transactions Within 1 Hour | x | x | x | x | x | x |

| Legend | |
|--------|-----------------|
| ✓ | Report used |
| x | Report not used |

Out of the 6 counties, 4 of the EBT fraud reports were never used.

To determine the effectiveness of these reports if properly formatted in accordance with the contract requirements, we reformatted, compiled, and analyzed five of the fraud-alert reports on a state-wide basis for a twelve-month period and found the following results.

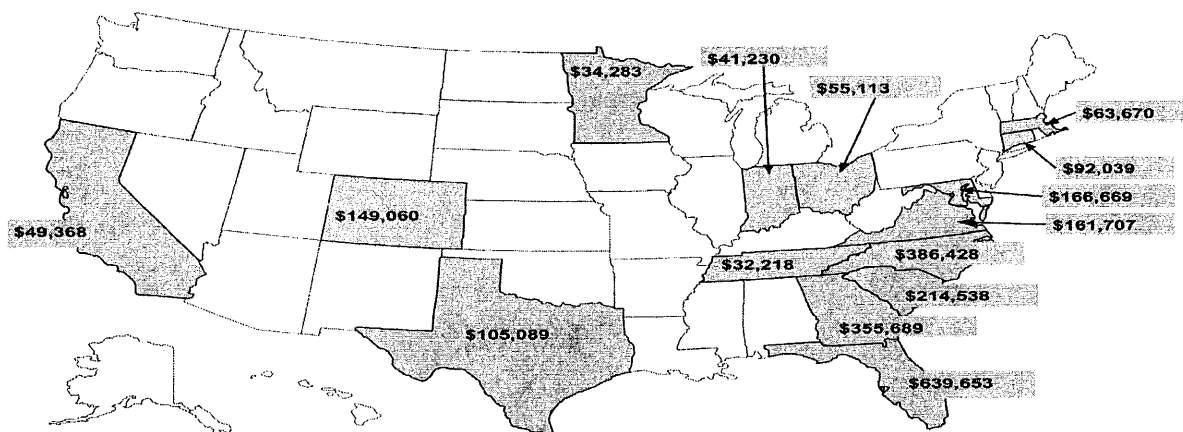
Monthly Out-of-State Activity Report

The Monthly Out-of-State Activity Report provides data on out-of-state EBT transactions completed by New Jersey recipients. Although transactions outside New Jersey are within the law, the report is a useful management tool for identifying recipients who might also be receiving benefits from another state during the same period and/or have moved and not reported a change in residence. Both occurrences are contrary to program regulations and are potential fraud indicators. This monthly EBT report (recently expanded to a two-month period) would be of greater value to the CWAs if it was cumulative and covered periods in excess of two months. This would allow the CWA to identify long term out-of-state activity.

According to N.J.A.C. 10:87-3-3, if EBT data shows a client is spending his or her benefits three consecutive months in another state, the CWA shall verify if the client still has residence in New Jersey, contact the state where the client is redeeming his or her benefits, and determine whether the client is receiving SNAP benefits in that other state. Overall, the CWAs are not in compliance with these requirements.

Our one-year analysis identified recipients who accessed more than \$47 million of benefits outside of New Jersey, including Hawaii, Alaska, California, Florida and the Virgin Islands. We then identified 1,400 cases totaling \$2.7 million that each accessed their benefits in non-bordering states during six consecutive months or more during the twelve months we reviewed, including 105 cases that accessed their benefits in all twelve months, totaling \$303,000.

OUT- OF- STATE EBT CARD USAGE
SIX OR MORE CONSECUTIVE MONTHS
FOR THE TWELVE-MONTH PERIOD ENDING JUNE 30, 2013



| TOP 15 STATES | | | |
|---------------|-------|--------------|------------|
| RANK | STATE | AMOUNT SPENT | # OF CASES |
| 1 | FL | \$639,653 | 300 |
| 2 | NC | 386,428 | 190 |
| 3 | GA | 355,689 | 153 |
| 4 | SC | 214,538 | 81 |
| 5 | MD | 166,669 | 91 |
| 6 | VA | 161,707 | 84 |
| 7 | CO | 149,060 | 112 |
| 8 | TX | 105,089 | 47 |
| 9 | CT | 92,039 | 46 |
| 10 | MA | 63,670 | 36 |
| 11 | OH | 55,113 | 24 |
| 12 | CA | 49,368 | 31 |
| 13 | IN | 41,230 | 16 |
| 14 | MN | 34,283 | 39 |
| 15 | TN | 32,218 | 17 |
| OTHERS | | 225,757 | 133 |
| TOTALS | | \$2,772,511 | 1,400 |

Card Issuance Tracking Report

The monthly Card Issuance Tracking Report tallies the cumulative number of EBT cards each recipient has been issued starting with their tenth card. The multiple use of replacement cards is indicative of SNAP trafficking and this fraud-alert report is designed to identify those individuals. The report disclosed 8,553 recipients have each received over 10 EBT cards including 54 recipients that have each received between 51 and 100 cards. We found the CWAs do not use this report to investigate potential fraud.

Manual Card Entry Report

The Manual Card Entry Report lists approved monthly SNAP transactions in which the EBT card number was *manually* entered into a point of sale (POS) terminal, not swiped. Although this report can be used to identify damaged/lost EBT cards, it can also be used by investigators to detect potential fraud at a retail location if multiple manual card entries have been made. Individuals who transact a higher number of manual transactions than their peers also indicate a fraud risk. One possible fraud scenario is when employees steal customers' card numbers and personal identification numbers (PINs) and make unauthorized purchases using manual transactions.

Our review of these reports for the twelve-month period indicated 141,673 cases processed 1.7 million manual transactions totaling \$60.5 million, an average of \$35 per transaction. According to a 2013 United States Department of Agriculture report, the average 2009 monthly EBT transactions per household was 8.5, or roughly 100 transactions per year. We identified 3,396 recipients who each processed 100 or more *manual* transactions totaling over \$13.7 million. We also noted 189 recipients had an average manual transaction of \$516, including 23 who averaged \$13,000 in annual purchases, and whose average transaction was between \$404 and \$814. We noted that 19 of the 23 recipients spent more than 90 percent of their benefits at the same store and 93 percent of these benefits were processed using manual transactions, averaging over \$631 each.

| Recipients | Number of Manual Transaction | Amount Spent on Manual Purchases at One Store | Total Benefits Received by 19 Recipients | % Spent on Manual Transaction | Average Manual Transaction | Average Manual Transaction Amount All |
|------------|------------------------------|---|--|-------------------------------|----------------------------|---------------------------------------|
| 19 | 398 | \$ 251,371.84 | \$ 271,699.17 | 93% | \$ 631.59 | \$35.38 |

Using the same population of manual transactions to review the activity of the 14,607 retailers, we identified 10 retailers who manually processed over \$8.2 million of the \$60.5 million in redeemed benefits (13.5%). Of the ten, 8 retailers are located in the same municipality. The 23 recipients identified above conducted 98 percent of their manual transactions at the same 3 of these 10 retailers and one of these retailers processed 398 of the 501 manual transactions (79%).

| RETAILER | # of Manual Transactions Posted | Purchase Amount | Manual Transactions for 23 Recipients | Amount for 23 Recipients |
|-----------|---------------------------------|-----------------|---------------------------------------|--------------------------|
| VENDOR 1 | 15,860 | \$1,574,021 | 63 | \$37,147 |
| VENDOR 2 | 6,653 | 933,036 | 1 | 242 |
| VENDOR 3 | 8,874 | 893,187 | 3 | 249 |
| VENDOR 4 | 4,719 | 743,261 | - | - |
| VENDOR 5 | 3,158 | 737,389 | 31 | 13,507 |
| VENDOR 6 | 14,279 | 720,906 | 1 | 143 |
| VENDOR 7 | 4,086 | 680,803 | 398 | 251,109 |
| VENDOR 8 | 3,427 | 680,303 | 4 | 751 |
| VENDOR 9 | 8,738 | 634,069 | - | - |
| VENDOR 10 | 12,081 | 622,379 | - | - |
| TOTALS | 81,875 | \$8,219,354 | 501 | \$303,148 |

Even Dollar Transaction Report

This report is useful in identifying potential fraudulent activity because food purchases seldom end in even-dollar amounts. For this reason, even-dollar transactions may indicate instances in which retailers may be exchanging a participant's food stamp benefits for cash.

Our review of the Even Dollar Transaction Reports for the twelve-month period disclosed 142,382 recipients accessed \$44.4 million via 272,792 transactions in even-dollar SNAP purchases at 5,853 retailers. In an effort to exclude small one-time transactions or low-dollar transactions, we reviewed only those transactions conducted in 427 convenience stores whose average even-dollar transactions exceeded \$100. We also examined these retailers to determine whether any particular recipient repeated throughout the list. We identified ten retailers who processed 4,164 of the 9,082 even-dollar transactions meeting our criteria. We also identified 818 individuals who averaged between 10 and 46 even-dollar transactions at the same store during the 12-month period.

Full Food Stamp Balance Withdrawal Report

When formatted properly, this report is used to identify the scenario in which a recipient allows their benefits to be exhausted in a single purchase in exchange for a discounted amount of cash. However, currently this report only shows the last transaction that reduced the card benefits to zero. For our purposes, we reformatted the report and looked at only those transactions that exceeded \$200 and exhausted the remaining benefit.

Our analysis identified 35,567 cases that conducted 56,713 transactions totaling \$14.6 million at 2,032 retailers in FY13. We found that the top ten recipients, by the sum of their transactions, had all exhausted their benefits at 11 retailers.

| RETAILER | AMOUNT SPENT | # TRANS | AVERAGE |
|--------------|-----------------|-----------|--------------|
| 1 | \$23,461 | 38 | \$617 |
| 2 | 5,586 | 11 | 508 |
| 3 | 4,905 | 7 | 701 |
| 4 | 4,159 | 9 | 462 |
| 5 | 4,119 | 6 | 687 |
| 6 | 4,087 | 10 | 409 |
| 7 | 2,686 | 7 | 384 |
| 8 | 1,487 | 3 | 496 |
| 9 | 635 | 1 | 635 |
| 10 | 612 | 1 | 612 |
| 11 | 220 | 1 | 220 |
| TOTAL | \$51,957 | 94 | \$553 |

The average of the top ten recipients' transactions was also significant at \$553 per transaction, ranging as high as \$701. The top retailer, in both the amount of transactions (38) and dollars (23,460.67) was over 70% higher, than the next largest retailer. The top retailer is also the same top retailer in the Manual Card Entry Report. Additionally, the same 28 recipients appeared in the Full Food Stamp Withdrawal Report, the Manual Card Entry Report, and the Even Dollar Transaction Report.

Recommendation

The DFD should require the EBT vendor to comply with contract terms by providing fraud-alert reports in their proper formats so they may be used more readily by the CWA employees. Once in compliance with the contract terms, the following recommendations should be considered.

- As required by the administrative code, the DFD should review and verify all cases where the EBT data shows a client spending their benefits three consecutive months or more in another state. The data from the Out-of State Activity Report is more useful when it is cumulative and should be prepared and available to the CWAs in that format.
- The DFD should require the CWAs to investigate those clients who are consistently requesting the issuance of new EBT cards and document the results of their investigations in the clients' case files.

- The DFD should provide data from the Manual Card Entry Report to the CWAs to aid in identifying and investigating potentially fraudulent transactions. The DFD does not have the mandate to investigate retailers; however, through its analysis of recipient activity, individual businesses responsible for facilitating improper transactions should be identified.
- The Even Dollar Transaction Report should be used to identify and investigate individuals (and retailers) with unusually high numbers of even-dollar transactions.
- The Full Food Stamp Withdrawal Report should be used to identify and investigate those individuals who regularly withdraw their full food stamp balances in large amounts. The top ten recipients we identified who are frequenting the same vendors are of particular concern and their EBT activity should be reviewed for possible fraudulent activity.

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Other Division Reports

Information available from other sources can be a valuable tool in identifying and recouping improper benefit payments.

Income Eligibility Verification System

The Income Eligibility Verification System (IEVS) includes data received from the New Jersey Department of Labor and Workforce Development's Wage Reporting System and Unemployment Insurance system, unearned income from interest and dividend data from the Internal Revenue Service, and retirement payments/other unearned income data from the Social Security Administration. It cross-matches the data against the Family Assistance Management Information System (FAMIS) and discloses inconsistencies. The inconsistencies are forwarded to the county welfare agencies (CWAs) via reports from the DFD's iACquire application. A primary requirement in federal regulations is that the DFD follow-up on all data matches within 45 days. Actions may be completed later than 45 days for up to 20 percent of the matches if a documented exception has been noted. States may also exclude certain categories from the data matching requirement with permission from federal authorities. There were no documented exceptions or permissions granted to the DFD during our audit period.

Our review of the IVES matches for calendar year 2010 through calendar year 2012 disclosed nearly 33 percent of matches were not investigated.

CY 2010 THROUGH 2012

| MATCH | HITS | OPEN | % OPEN |
|--------|-----------|---------|--------|
| Wage | 664,250 | 236,385 | 35.59% |
| UIB | 289,603 | 75,904 | 26.21% |
| IRS | 340,964 | 114,213 | 33.50% |
| SSA | 7,145 | 2,991 | 41.86% |
| TOTALS | 1,301,962 | 429,493 | 32.99% |

Approximately 82,700 cases, or 22 percent of the matches recorded in calendar year 2010, have been purged and will not be reviewed.

Public Assistance Reporting Information System (PARIS)

The Public Assistance Reporting Information System (PARIS) is a computer data matching and information exchange system designed by the federal Administration for Children and Families (ACF) to provide states with a tool to improve program integrity in the administration of public and medical assistance programs. The PARIS is designed to match state enrollment data from the TANF, SNAP, Medicaid, Worker's Compensation, and child care programs with data from other participating states and with a select group of federal databases. The ACF also provides for a veterans match that delivers information on the eligibility of their public assistance clients for veterans benefits and also allows states to determine if these clients are receiving income or medical assistance payments from the Department of Veterans Affairs (VA).

New Jersey's participation in the PARIS is voluntary and the DFD receives no ongoing funding from the ACF for participation. An independent cost-benefit analysis proved PARIS matches can result in, "improper payment avoidance due to case closures, the recovery of improper payments issued to clients in the case of fraud, and the coordination of medical insurance benefits between Medicaid and other federally-sponsored health insurance coverage." The same study concluded there is a significant potential for states to benefit substantially by fully participating in PARIS.

Although the DFD does not participate in the VA match, it does participate in the interstate PARIS project and makes the information available to all the CWAs through a common computer application. However, we found the CWAs do not use or fully use the PARIS information and as a result, may be failing to identify and collect overpayments. Our analysis disclosed that during a sampled 180-day period ending January 1, 2014 seven counties had not accessed the information, five counties accessed the information during one month only, and nine counties had accessed the information more regularly but not frequently.

In an effort to verify the usefulness of the PARIS report we compiled data from the quarterly reports to include all fiscal year 2013 activity and matched it to the EBT vendor's Monthly Out-of-State Activity Report. This analysis disclosed 220 cases expending \$529,000 of benefits while out of state for at least six consecutive months and also receiving some type of public assistance in another state. As of July 2014, 28 of these cases were still receiving New Jersey benefits.

Recommendation

The DFD should require the CWAs to follow-up and document all IEVS hits within the required 45-day time limit, and reduce the backlog of unresolved matches. All cases requiring more than 45 days to reconcile should be documented. We also recommend the DFD encourage counties to routinely employ the PARIS interstate match report and pursue collection on the 220 cases of possible overpayments. In addition, the DFD should consider participating in the VA match.



EBT System Security

There is inadequate security over EBT cards and system access.

We determined the DFD did not adequately monitor the access rights and user privileges of the EBT application. The User Access Definition Report is a reporting tool that keeps track of all logon IDs in the EBT system, as well as the privileges associated with each ID. During the month of April 2013, the report contained 8,706 records but we were unable to determine the last time the IDs were used. It was the DFDs' understanding that logon IDs are automatically disabled after 90 days of non-use; however, we found that not to be the case. When we contacted the vendor to provide the "Last Used" field for the report, we received 8,012 records; 694 records and 398 individual user IDs less than provided on the previous report. We were able to determine the composition of the 398 deleted IDs as 216 various county users, 13 federal users, and 169 vendor logins. Of the 398 deleted IDs, 156 had not been used in over 90 days and 81 had not been used in over six months, including 75 IDs that were issued but never used. An analysis of the 8,012 records originally provided by the vendor disclosed 26 logon IDs that remained active/enabled after 90 days of non-use.

We also identified 65 "super users" that had the ability to independently complete three incompatible tasks: create a benefit case, issue an EBT card, and issue benefits to that card. Because of an EBT data system limitation, we were unable to review the transaction history for these users or to determine if there were any improper transactions.

Lastly, the DFD EBT System Security Administrator has a legitimate need to test the system controls through the creation and use of live "fraud cards" to be used in a test environment. We noted there were 85 of these cards in use by the DFD for which no inventory records existed. Given that these cards could be used outside of the test environment, the ordering, issuance, and use of these cards should be well documented and controlled.

Recommendation

The division should ensure the automated control to suspend all logons not in use for 90 days is activated. We also recommend the DFD perform a state-wide review of all access privileges assigned to county, federal, state, and vendor employees to determine their appropriateness. Furthermore, the DFD should properly control the issuance and use of the system administrators test cards.



Division Contracts

Contract vendor budgets and reimbursements should be properly reviewed.

The division managed 820 contracts between July 2010 and June 2013 valued at nearly \$1.2 billion, all of which are subject to a formal closeout process by the DFD at the end of each contract and in addition, may be subject to audits by the Department of Human Services Internal Audit Unit. We identified 145 contracts totaling \$97 million that went through the formal closeout process but had never been audited by the department. We judgmentally sampled seven contracts (five providers) totaling \$34 million.

Our review disclosed \$4.1 million in exceptions, including general and administrative exceptions amounting to \$3.6 million. The remaining \$474,000 included multiple instances of unallowable and unsupported expenditures, overcharges, and questionable costs. The more significant exceptions include the following.

- Four of the five providers charged general and administrative overhead costs in the amount of \$3.6 million without having presented a full budget. According to DFD policy, these costs are unallowable unless a full budget is presented. The requirement for a full budget is to ensure providers disclose all sources of income and expenses and allows the DFD to accurately fund the grantee in accordance with their needs.
- Three of the providers charged over \$247,000 in personnel costs using unallowable allocation methodologies.
- One non-profit provider, who received contract funds to provide transportation and coordinate addiction services to an at-risk segment of the population, routinely allowed clients the convenience of personal taxi cabs rather than the transportation vendor of record, and despite the availability of less-expensive public transportation. During our ten-month review period from September 2012 through June 2013, taxi services totaled over \$24,000. Taxi services exceeded \$86,000 for the three years prior. When questioned as to the reasonableness of this accommodation, the provider agreed there was no documented emergent use for taxis and that the use of personal taxis would be severely restricted going forward.

- One provider charged the contract “rent” in the amount of \$4,401 although the building was owned by the provider and the payment was for a mortgage payment. According to DFD policy, the principal amount paid towards a mortgage is not an allowable expense.
- One provider could not provide a fee agreement with outside counsel who charged various hourly rates. When questioned, the provider could not explain the variation in the hourly rates. The same provider had no written contracts for cleaning services with two individuals with identical tasks but paid them disproportionately, and neither are self-insured as required by DFD policy.
- One non-profit provider was paid \$70,000 for the salary of a county welfare agency employee whose job assignments were reportedly changed and tailored to assist with the provider’s program-related issues. However, the provider could not furnish the employee’s name or explain the job duties. The provider reimbursed the county for the salary.

In addition, the DFD funded a program for \$208,889 between January 1, 2012 through September 30, 2012, to provide clients close to “timing out” their TANF and General Assistance (GA) eligibility with the necessary skills to find jobs and be removed from public assistance. The program continued to be funded over several years even though historically only five percent of the clients achieved this goal before losing TANF and GA eligibility. Our review of a two-year period disclosed only 20 of 808 individuals obtained employment prior to losing benefits. A contributing factor to the low success rate is this same program also failed to maintain required staff-to-client ratios. Although the contract required a staffing ratio of 1:33 (one worker per 33 clients), the actual ratio was 1:94 in the first year and 1:48 in the second.

Recommendation

In order to prevent the over-funding of programs, the division should be consistent in its requirement that all contracts include a provider-wide budget before general and administrative costs are authorized. In addition, the contract close-out process should be more stringent in identifying unallowable expenditures. Finally, contract performance should be reviewed periodically to determine if continuing a contract is cost-effective.



Observation

Consolidated Assistance Support System (CASS)

In 2009, DFD entered into a contract with Hewlett Packard State and Local Enterprise Services, Inc. (HP) for the implementation and engineering services for the Consolidated Assistance Support System (CASS). The purpose of the contract is to replace antiquated computer systems for eligibility and enrollment functions of all public assistance and Medicaid programs. Currently, the state’s Medicaid computer systems do not communicate with the 21 county

welfare agencies (CWAs) that are responsible for eligibility and enrollment. These CWAs are either working with data manually and/or entering the same data into multiple systems. When completed, CASS will allow client information to be entered only once to determine eligibility for all Medicaid and DFD programs.

The eight-phase project began in August 2009 and was to be completed by July 2014. HP was to be paid approximately \$83 million and the project's total cost, including support services, licensing, hardware, and direct salaries was to be approximately \$190 million. Included in the total cost is a \$10 million contract awarded to a third-party quality assurance (QA) contractor to ensure consistency and quality in the technical and operational team activities, as well as the activities of the state project team.

Since its inception, there have been several contract amendments, extensions, and delays that have increased both the cost and time needed to complete the project. Updated estimates are that HP will receive \$118 million and total costs will approach \$227 million, although HP's demand for additional compensation remains the topic of ongoing discussions.

While some of the modifications and cost increases were unavoidable, such as the implementation of the Affordable Care Act (ACA) requirements, others appear to be the direct result of poor performance by HP and management oversight. Contractually, the new deadline to complete the project is April 2016. However, the project is not on track to be completed within scope, schedule, or budget.

According to the QA contractor, the CASS project's original goal was to fully implement all programs (i.e. Medicaid, TANF, SNAP, Child Care, and General Assistance) by October 1, 2013. When it was determined this goal would not be obtained, the implementation approach changed to a two-phase implementation. Phase 1 was to have new Medicaid applications operational by October 1, 2013, while Phase 2 was to have all other programs, as well as converted data from numerous Division of Medical Assistance and Health Services (DMAHS) and DFD legacy systems, operational by April 1, 2014. Neither milestone has yet to be achieved.

An As Needed Implementation Advance Planning Document Update (AN-IAPDU) should have been submitted to the CASS Project's federal partners within 60 days of missing the October 1, 2013 implementation date for Phase 1. This still has not been accomplished because of continuing difficulty in reaching an agreement between the vendor and the state regarding a revised CASS Project Schedule and a new/revised Corrective Action Plan (CAP).

In an August 1, 2014 bi-weekly report, the QA contractor cautions, "The continued delay in reaching agreement on a revised CASS Project Schedule, a revised CAP, and resolving other known, and potentially unknown contract issues, continues to place the CASS Project in severe jeopardy of not reaching implementation and in severe jeopardy of not receiving continued Federal Financial Participation (FFP). In fact, the inability to reach agreement on a revised CASS Project Schedule to include getting the revised schedule approved by the QRB is already impacting the ability of DMAHS to secure enhanced funding (i.e., 75% FFP compared to 50%

FFP) for ACA eligibility and enrollment activities.” The referenced QRB is the Quality Review Board.

According to an April 2014 report from the QA contractor, under the CASS vendor’s management, the project has been and continues to be characterized by persistent delays and defects. Among the various factors the vendor lists for the numerous delays are; the CASS vendor’s continued failure to provide an approved Corrective Action Plan and Project Schedule, absentee management in key positions, and continued unresolved technical problems. It was also disclosed that HP has changed project managers three times since 2010, one of whom the state rejected due to not having sufficient qualifications to manage such a large project. In the same report the QA contractor reports of a major breakdown in the communication process between HP and the state project team and comments that the QA contractor itself has been unceremoniously excluded from the quality review process.

The QA contractor concludes, “until a new CASS Project Schedule is base lined, validated, and approved by the QRB, any quantitative discussion of progress being made toward moving the CASS Project toward implementation is fraught with uncertainty and conjecture.”



State of New Jersey
DEPARTMENT OF HUMAN SERVICES
PO Box 700
TRENTON NJ 08625-0700

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Governor

KIM GUADAGNO
Lt. Governor

JENNIFER VELEZ
Commissioner

December 2, 2014

John T. Termyna, Assistant State Auditor
Office of Legislative Services
Office of the State Auditor
125 South Warren Street
P.O. Box 067
Trenton, NJ 08625

RE: Office of Legislative Services (OLS)
Audit of Administration and Electronic Benefit Transfer Controls

Dear Mr. Termyna:

This letter is in response to your Agency's audit of the Department of Human Services, Division of Family Development (DFD), Administration and Electronic Benefits Transfer Controls for the period July 1, 2010 to April 30, 2014.

Your OLS's recommendations and DFD's comments are as follows:

Invalid Social Security Numbers

OLS Recommendation: The division should identify the 46,800 clients with questionable or unverified social security numbers and flag those cases for further review. The division should also ensure that the SSN verification is performed in a timely manner.

DFD Comment: The OLS audit report identified 46,800 cases with social security numbers (SSN) that were questionable or unverified. However, 47,676 cases were submitted by OLS for DFD review. The questionable category was due to recipient information not matching between the Social Security Administration and the Family Assistance Management Information System (FAMIS). In accordance with the recommendations, the Division implemented an immediate review of a random sampling of the identified cases. We found the following:

- The results of the Division's random sampling review found 20% of the cases with mismatched information were due to data entry errors such as one wrong numerical digit in a series or a misspelling.

- One of the indicators, gender mismatch, represents approximately 20% of the OLS audit report and, since it is not related to eligibility, was not included in our reviewed sample.
- SNAP level of benefits is based on household size and income eligibility standards. There is no correlation between the extracted data and client eligibility.

In order to ensure a sufficient review of this finding, a sampling of 1,527 cases were analyzed to determine if the SSN could be verified by matching the individual case data in FAMIS to the State Online Query (SOLQ). The OLS audit report identified SSNs in FAMIS that had mismatched indicators. For example, FAMIS had an indicator that the SSN was not verified (Null SSN). This indicator is a system-generated field and at the time of the OLS audit, 455 of the 555 cases reviewed as a part of the random cases were not verified simply because the system update had not occurred at that time. By the time of the Division's random sampling an additional 47 cases were found to be verified. Additional indicators in FAMIS that did not match the SSN where: indicator #1 (multiple mismatches), indicator #2 (gender), indicator #3 (DOB), indicator #4 (DOB and gender), indicator #5 (name). During the review it was found that the primary errors in data entry were due to hyphenated names and misspellings of names. Please see the chart below for additional details of the review.

| Item | Total Cases | Cases Reviewed | SSN Verified | % SSN Verified | Projected accurate SSNs |
|--------------------------------------|-------------|----------------|--------------|----------------|-------------------------|
| SSN Verified | 47,676 | 1,527 | 1,060 | 69.42% | |
| | | | | | |
| Indicators | | | | | |
| Null SSN | 13,836 | 555 | 502 | 90.45% | 12,515 |
| #1 (multiple mismatches) | 1,985 | 80 | 9 | 11.25% | 223 |
| #2 (gender) | 9,441 | Not sampled | Not sampled | 100.00% | 9,441 |
| #3 (DOB) | 2,462 | 98 | 96 | 97.96% | 2,412 |
| #4 (DOB and gender) | 105 | 5 | 3 | 60.00% | 63 |
| #5 (name) | 19,847 | 789 | 450 | 57.03% | 11,973 |
| | | | | | |
| Total projected accurate SSNs | | | | | 35,973 |

Although the magnitude of the caseload lends itself to occasional errors, the Division also found the OLS audit report concerning and will continue to strive to correct errors. The Division will issue an additional instruction to county offices in order to correct and minimize errors and provide training regarding steps that could minimize the error rate.

Benefits Received After Death

OLS Recommendation: The CWAs should routinely match the SSA master death file against the active recipient data in the FAMIS system and all matches should be referred for investigation or prosecution in order to timely cancel and recoup any improper payments.

DFD Comment: To ensure compliance with federal requirements, DFD utilizes SSA's Death Master File (DMF) from the National Technical Information Service. Effective May 4, 2012, DFD began conducting monthly (4th business day of the month) matches. All matched individuals are identified in the iACquire Report FM775 Family Assistance Management Information System (FAMIS)/SSA Death Master File Matched Report. The CWAs were charged with acting on the matches by promptly removing the deceased individual from the NJ SNAP case per N.J.A.C. 10:87-9.5 and establishing a claim, if appropriate, in accordance with N.J.A.C. 10:87-11.20. See DFD Instruction No. 12-3-04 attached.

The OLS audit report disclosed that there were 37 clients reported as deceased whose accounts continued to draw benefits. Twenty-six of those clients appeared to be single-person households, and, as of June 2014, five of those recipients' cases were closed. Upon receipt of these 26 clients from the OLS audit team, the Program Assessment and Integrity Unit will conduct a review of the cases, and determine if the potential oversight is specific to a CWA or necessitates policy and/or procedure clarification.

Lottery Winners

OLS Recommendation: The division should routinely match the active beneficiary database against the New Jersey Lottery database to ensure significant lottery winnings are included in TANF recipients' income during the course of a benefit payment period.

The division should also consider reinstating resource limits for SNAP recipients. Lottery winnings are at times substantial enough that the household may not need assistance from the program as was originally intended.

DFD Comment: To ensure compliance with N.J.A.C. 10:90-3.18(a)(1), DFD currently matches lottery winnings (of \$600 or more) against former WFNJ and NJ SNAP recipients that have defaulted on their repayment agreements and are now subject to

certain tax and rebate offsets through our Treasury Offset Program (TOP) and State offset Individual Liability (SOIL) systems.

As DFD understands the importance of integrity and payment accuracy within all of our programs, we concur that a match of the TANF active beneficiary database against the NJ Lottery database would enhance the integrity of the program. To this end, DFD will review case procedure and policy, along with the feasibility of conducting a routine match, with an anticipated analysis and evaluation to be completed by May 1, 2015.

DHS/DFD instituted NJ SNAP broad-based categorical eligibility as a means to simplify the administration of SNAP program. Broad-based eligibility provides a dual purpose: 1) For ease and efficiency of customer services, and 2) for a more efficient administration of the program. Reinstating the resource limits would be counterproductive as it would exacerbate the States untimely application processing and increase errors. Additionally, it would complicate the process for seniors who make up a significant portion of this population sector.

Fraud-Alert Reports

OLS Recommendation: The DFD should require the EBT vendor to comply with contract terms by providing fraud-alert reports in their proper formats so they may be used more readily by the CWA employees. Once in compliance with the contract terms, the following recommendations should be considered.

- As required by the administrative code, the DFD should review and verify all cases where the EBT data shows a client spending their benefits three consecutive months or more in another state. The data from the Out-of State Activity Report is more useful when it is cumulative and should be prepared and available to the CWAs in that format.
- The DFD should require the CWAs to investigate those clients who are consistently requesting the issuance of new EBT cards and document the results of their investigations in the clients' case files.
- The DFD should provide data from the Manual Card Entry Report to the CWAs to aid in identifying and investigating potentially fraudulent transactions. The DFD does not have the mandate to investigate retailers; however, through its analysis of recipient activity, individual businesses responsible for facilitating improper transactions should be identified.
- The Even-Dollar Transaction Report should be used to identify and investigate individuals (and retailers) with unusually high numbers of even-dollar transactions.

- The Full Food Stamp Withdrawal Report should be used to identify and investigate those individuals who regularly withdraw their full food stamp balances in large amounts. The top ten recipients we identified who are frequenting the same vendors are of particular concern and their EBT activity should be reviewed for possible fraudulent activity.

DFD Comment: The formatting for four of the six reports mentioned above were modified on or about July 2014 so that they can be easily utilized by the CWAs. CWAs will be required to use reports. The remaining two reports will be re-formatted in the next building deployment by the EBT vendor in the first quarter of 2015. The names of the reports listed that are currently available in the new format and can be manipulated by the CWAs are: Monthly Out-of-State Activity, Card Issuance Tracking, Manual Card Entry, and Even Dollar Transactions.

DFD is in the process of establishing a statewide policy which will require CWAs to send a letter to clients that are requesting a 4th EBT replacement card within a 12-month period. A 5th request will result in a referral to the respective CWA fraud unit.

With regards to even-dollar and full-withdrawal transactions, DFD is working collaboratively with FNS on such related matters. At this time, FNS has its own fraud ALERT system, to which we do not have access. This system data mines suspicious transactions as detected by the system. Suspicious transactions are referred to DFD, who in turn refers them to the CWA for investigation and potential claim establishment and/or prosecution.

Other Division Reports

OLS Recommendation: The DFD should require the CWAs to follow-up and document all IEVS hits within the required 45-day time limit, and reduce the backlog of unresolved matches. All cases requiring more than 45 days to reconcile should be documented. We also recommend the DFD encourage counties to routinely employ the PARIS interstate match report and pursue collection on the 220 cases of possible overpayments. In addition, the DFD should consider participating in the VA match.

DFD Comment: A workgroup has been established to streamline the IEVS process. The estimated timeframe for completion of the streamlined process is anticipated to be by June 1, 2015.

With regards to the PARIS match, DFD has implemented a new plan that would involve the DFD Management Evaluation (ME) unit. The primary role of the ME unit in this process is to evaluate CWAs' participation and responsibilities regarding PARIS. The Program Assessment and Integrity Unit (PAIU) will provide the ME unit with information regarding their concerns prior to their visit to the CWAs, and the ME unit shall conduct the audit of the CWAs to ensure adherence to guidelines and procedures.

DFD has reached out to ACF, our federal partner, to seek guidance in the inclusion of the Veterans Assistance match with our quarterly PARIS match. DFD anticipates that the analysis/evaluation of the statistical efficiency of the match will be completed by May 1, 2015.

EBT System Security

OLS Recommendations: The division should ensure the automated control to suspend all logons not in use for 90 days is activated. We also recommend the DFD perform a state-wide review of all access privileges assigned to county, federal, state, and vendor employees to determine their appropriateness. Furthermore, the DFD should properly control the issuance and use of the system administrators test cards.

DFD Response: DFD concurs with this recommendation and is internally meeting to discuss the controls and processes necessary to implement in order to meet the security standards and safeguards for the aforementioned recommendation. Please note that federal access is guided by USDA/FNS. DFD anticipates that policy and procedure to be in place by May 1, 2015.

Division Contracts

OLS Recommendations: In order to prevent the over-funding of programs, the division should be consistent in its requirement that all contracts include a provider-wide budget before general and administrative costs are authorized. In addition, the contract close-out process should be more stringent in identifying unallowable expenditures. Finally, contract performance should be reviewed periodically to determine if continuing a contract is cost-effective.

DFD Comments: The Division of Family Development (DFD) has reviewed the recommendations made and has already implemented many practices to enhance and improve the contract process. Some of these efforts include:

1. Since about 2012, DFD has required all provider agencies (except county agencies) to submit an agency-wide budget. All agencies including county agencies are required to submit supporting documentation for all indirect costs.
2. Beginning with all contract renewals in FY 2013 (i.e. July 1, 2012) provider agencies have received contract renewal packages that include detailed guidance, directions, and clarification of key components of DHS policies detailed in the Cost Reimbursement Manual (CRM) including the determination of direct and indirect costs and allowable, allocable and reasonable costs. During provider meetings DFD has advised provider agencies of the appropriate allocation methods for salaries and the determination of allowable contract costs. The renewal packages are maintained on the DFD website

and are available for reference in addition to the links for the DHS/DFD contract manuals.

3. Since late 2012, the contract renewal process involves a more detailed analysis and evaluation of provider agency proposed budgets resulting in the identification of questionable costs before the contract starts.
4. The DFD close-out process incorporates the results of program oversight reviews and has recently reflected disallowed costs for duplicate and unsubstantiated services, non-contract related charges, and other unallowable, unallocable and unreasonable costs. Additional comparisons of budget costs with proposed budgets are conducted resulting in disallowed costs.
5. Since late 2012 DFD has conducted random fiscal reviews (verification with supporting documentation and/or to the books and records) of selected costs for contracts to verify that the services provided are allowable, allocable and reasonable to meet program deliverables, goals and objectives. These reviews may occur during the performance of the contract, the close-out process, after receipt of agency independent audit reports, or upon disclosure of audit exceptions or costs that require determination of allowability.
6. Since 2013 provider agencies are required to submit consultant and subcontract agreements with their budgets for DFD approval.
7. The salary for the county welfare employee is no longer covered under the contract. Effective September 2014, the provider agency was advised to terminate this subcontract agreement.

Since the later part of CY2012, DFD has focused efforts to review all program scope of work and performance including deliverables, goals and objectives and outcomes/achievements. Through these efforts some contracts have been terminated or revised and several provider agencies have been notified of deficiencies requiring corrective action plans and increased monitoring. All programs have seen significant revisions to the Annex A – Scope of Work requirements. This effort also includes a greater level of monitoring and oversight of provider performance and evaluation of outcomes. DFD has RFP actions planned in the coming months/year to address necessary program changes.

Consolidated Assistance Support System, (CASS)

OLS Recommendations: See pages 16-18 of the OLS Audit Report

John T. Termyna
Page 8
December 2, 2014

DFD comments: The HP CASS vendor's contract has been terminated. Interim plans are being put in place for both DFD and Medicaid operational needs. Please note that DFD is presently considering other options to meet system needs.

Questions or comments concerning this matter may be directed to Jeanette Page-Hawkins, Director, Division of Family Development, by calling (609) 588-2400 or emailing jeanette.page-hawkins@dhs.state.nj.us.

Thank you for your consideration in this matter.

Sincerely,



Jennifer Velez
Commissioner

JPH:JZ:kd
Enclosure

c: Lowell Arye
Jeanette Page-Hawkins
William Cutti
Mark Talbot



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March 22, 2012

TO: COUNTY WELFARE AGENCY DIRECTORS
COUNTY INCOME MAINTENANCE ADMINISTRATIVE SUPERVISORS
COUNTY NJ SNAP SUPERVISORS
COUNTY CASE MANAGEMENT SUPERVISORS
COUNTY WELFARE AGENCY TRAINERS
COUNTY SOCIAL SERVICE ADMINISTRATIVE SUPERVISORS
COUNTY DOCUMENT CONTROL UNIT COORDINATORS
MUNICIPAL WELFARE DIRECTORS
COUNTY WFNJ/GA ADMINISTRATIVE SUPERVISORS

SUBJECT: Monthly Automated Match on Deceased Individuals
RESCIND and REISSUANCE OF DFDI NO. 01-1-12

DFD Instruction No. 12-03-04
GA Program Instruction No. 12-03-01

Regulatory Reference: N.J.A.C. 10:87-9.5 and 11.20

This instruction will impact the following programs: NJ SNAP, WFNJ/GA

PURPOSE

The purpose of this instruction is to inform the County Welfare Agencies (CWAs) that Public Law 105-379 requires the State agency to enter into an agreement with the Social Security Administration (SSA) to obtain information from SSA about individuals who are deceased, and to use that information to ensure that New Jersey Supplemental Nutrition Assistance Program (NJ SNAP) benefits are not issued to deceased individuals.

PROGRAM

To ensure compliance with federal requirements, Division of Family Development (DFD) utilizes SSA's Death Master File (DMF) from National Technical Information Service. This file is also matched against our General Assistance population to remove deceased individuals. A notice of adverse action is required when removing a deceased individual from a household or assistance unit; however, a notice of adverse action is not necessary when the CWA closes the NJ SNAP case due to death in a one-person household.

NJ SNAP

The Division currently matches recipients against the DMF on a quarterly basis; however, effective May 4, 2012, DFD will begin conducting monthly (4th business day of the month) matches. All matched individuals will be identified in the iACquire Report FM775 FAMIS/SSA Death Master File Matched Report. The CWAs shall act on the matches by promptly removing the deceased individual from the NJ SNAP case per N.J.A.C. 10:87-9.5 and will proceed in establishing a claim if appropriate in accordance with N.J.A.C. 10:87-11.20.

WFNJ-General Assistance

As stated above the Death Match Process has changed from a quarterly basis to monthly. The Death Match person removal processing on GAAS shall remain the same; however, the reports and changes will start being produced on a monthly basis effective in May. Please refer to GAPI 06-05-01 for GAAS processing details.

FISCAL

N/A

TRAINING

To be provided as necessary.

Please bring this information to the attention of appropriate staff. Questions may be directed to your field representative, and Systems questions may be directed to the OIS Help Desk at (609) 588-3717.

Sincerely,

SIGNED

Jeanette Page-Hawkins
Director

JPH:AKS:LB:cds

c: Allison Blake, Commissioner
Department of Children and Families

Valerie J. Harr, Director
Division of Medical Assistance and Health Services

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SYSTEMS

FAMIS

Effective May 2012, modifications to the FAMIS system will adjust the frequency of the report from Quarterly to Monthly. The FAMIS/SSA Death Match Report (FM775-01) report specifications are below:

Report Specifications

Report Number: FM775
Report Name: FAMIS/SSA Death Master File Matched Report
Report Frequency/Copies: Monthly/ iACquire
Report Selection: This report lists Cases/Individuals from the FAMIS Extract file that matched that SSA Death Master File (DMF)
Report Sort Order: 1. County (with page breaks and page number reset)
2. Social Security Number (ascending order)

Report Data Elements

Individual Social Security Number (FAMIS/SSA Index File)
Individual Last Name (FAMIS DB – BA/529; BJ/517; QB/011)
Individual First Name (FAMIS DB – BB/741; BK/735; QC/019)
Date of Birth (FAMIS DB FB/532; FJ/520; QG/015)
Date of Death (SSA DMF)
FAMIS Person code (FAMIS DB-A-Person-A, B-Person-B, Child – QA/10)
FAMIS Type Person Indicator (FAMIS DB – FA/917, FI/916 or QN/078)
FAMIS Case Number (FAMIS DB AA/501)
FAMIS TANF Status (P05) (FAMIS DB)
FAMIS Medicaid Status (P09) (FAMIS DB)
FAMIS NJ SNAP Status (P03) (FAMIS DB)
FAMIS Mailing Street Address (FAMIS DB – CC/542)
FAMIS Extra Address (FAMIS DB – CA/540)
FAMIS City Address (FAMIS DB – CD/543)
FAMIS State Address (FAMIS DB – CD/543- Last 2 pos)
FAMIS Mailing Zip Code Address (FAMIS DB – CE/544)
FAMIS Residence Street Address (FAMIS DB – DC/514)
FAMIS Residence Extra Address
FAMIS Residence City Address (FAMIS DB – DD/516)
FAMIS Residence State Address (FAMIS DB – DD/516 – Last 2 pos.)
FAMIS Residence Zip Code address (FAMIS DB – DE/544)
State/Country Code of Residence (SSA DMF)
Zip Code – Last Residence (SSA DMF)
Zip Code – Lump Sum Payments (SSA DMF)
FAMIS Supervisor (FAMIS DB – AH/504)
FAMIS Worker (FAMIS DB – AI/505)

Report Totals: Total Matches Cases/Individuals are provided for each county.

GAAS – General Assistance

WFNJ/GA – (36) SSA/GAAS Death Master Matches under the Case Management will now run on a monthly basis. All other GAAS processing standards from GAPI 05-06-01 remain unchanged.