

**STATEMENT OF RAFAEL LÓPEZ
SECRETARY
DEPARTMENT OF HUMAN SERVICES
BEFORE THE
SENATE BUDGET & TAXATION COMMITTEE
HEALTH AND HUMAN SERVICES SUBCOMMITTEE
FY 2024 BUDGET
DHS FAMILY INVESTMENT ADMINISTRATION
FRIDAY, FEBRUARY 24, 2023**

Testimony of Acting Secretary Rafael López

Chairman McCray and honorable members of the Committee, I am honored to represent the Department of Human Services (DHS) and I want to thank the Governor, the Department of Budget and Management (DBM), and the Budget Committees for their support. We also thank the Department of Legislative Services for its insightful budget analysis, in particular our analyst Tonya Zimmerman.

In attendance representing the Department is La Sherra Ayala, Executive Director of the Family Investment Administration (FIA); Carnitra White, Deputy Secretary for Programs, and Stafford Chipungu, our Chief Financial Officer. Also available to address any questions are Daniel Wait, Acting Deputy Secretary for Administration; Augustin Ntabaganyimana, FIA's Deputy Executive Director for Programs, and Marie McLendon, FIA Deputy Executive Director for Operations. In the spirit of continuously building strong partnerships with all of Maryland's jurisdictions, I am pleased to be joined by four local directors: Roberta Baldwin, Director of Worcester County's Department of Social Services; Cora Grishkot, Director of Harford County's Department of Social Services; Oscar Mensah, Director of Montgomery County's Department of Health and Human Services; and Mark Millspaugh, Deputy Director of Baltimore County's Department of Social Services. Below please find the Department's responses to the fourteen (14) issues, seven (7) recommended actions, and five (5) repeat audit findings.

The Family Investment Administration (FIA) is responsible for administering the Supplemental Nutrition Assistance Program (SNAP), Temporary Cash Assistance (TCA), Emergency Assistance to Families with Children (EAFC), Temporary Disability Assistance Program (TDAP), Welfare Avoidance Grants (WAG), Public Assistance to Adults (PAA), and the Office of Home Energy Programs (OHEP). FIA is also responsible for determining eligibility for the Modified Adjusted Gross Income (MAGI) and non-Modified Adjusted Gross Income (non-MAGI) Medical Assistance program. FIA also provides emergency services, such as The Emergency Food Assistance Program (TEFAP), the Maryland Emergency Food Program (MEFP), Eviction Assistance (EA) services for families with minor children, and services related to resettling refugees and asylees. The Work Opportunities Program (WOP) also assist clients in job training and preparing them for entering the work force.

Department of Human Services
Fiscal Year 2024 Operating Budget
Response to the Department of Legislative Services Budget Analysis

Senate Budget and Taxation Committee
Health and Human Services Subcommittee
Senator Cory McCray
Friday, February 24, 2023

Family Investment Administration (FIA)

N001000

Response to Issues

ISSUE #1, Page 9: Application Processing Timeliness Slows After Restarting Recertifications

DHS should comment on the decline in application processing timeliness since the restart of recertifications in January 2022 for TCA and TDAP and steps the department is taking to improve performance in these programs.

Response to Issue: The decline in the timely processing of applications was a result of an increase in the Temporary Cash Assistance (TCA) caseload and a decreased number of staff to process cases as well as defects in the MD THINK Eligibility and Enrollment System (E&E).

Between 2020 and 2022, DHS experienced a 39% increase in the TCA caseload. At the same time, the vacancy rate in FIA was 19.36%. DHS staffing levels were never adjusted to match increased workload. In fact, staffing levels declined due to a statewide hiring freeze. Specifically, from March 2020 to March 2022, as a result of the impact of the COVID hiring freeze, vacancy rates in the Family Investment Specialist series increased from 6.75% to 19.36% while caseloads in the Family Investment Administration (FIA) increased. As indicated in prior budget hearing testimony, the focus on our staffing plan is one of the Department's key initiatives. To that end, the Department is happy to report that since March 2022, vacancy rates for frontline FIA workers have decreased by 4.2%. The Department is actively exploring tools that will enhance workload management to complement its strategy to improve performance in timely processing.

FIA converted to the new MD THINK Eligibility and Enrollment System (E&E) in November 2021. 2022 marked the first year FIA processed recertifications in the E&E system. The E&E system erroneously closed cases in January 2022, September 2022 and December 2022 requiring Local Departments of Social Services to take manual actions. The E&E system is being updated to resolve the aforementioned issue.

ISSUE #2, Page 13: Denial Rates

DHS should discuss efforts that it has undertaken or plans to take to reduce the number of applications denied due to missed interviews and missing verification/documentations.

Response to Issue: The Department is establishing a Consumer Portal Support Team which will provide live phone support to clients. Clients will be able to call the Department and receive

support as they navigate through the online application. DHS believes that this support will help improve application completeness and enhance the client experience. A team of five staff will help lead this effort, two of which have been hired and will start on March 1, 2023. We anticipate being fully staffed and operational by April 2023.

DHS is also working with the Maryland Department of Information Technology to identify options for an appointment scheduling tool to be integrated into the Eligibility and Enrollment system (E&E). An ideal product is one that will allow applicants and beneficiaries to schedule, reschedule, and cancel appointments on the E&E Consumer Portal (CP). It would also be integrated with the Worker Portal and document all interactions with our agency to promote a more positive client experience.

The Consumer Portal is the most effective way to submit required documents and verifications. However, clients and advocates have repeatedly reported that it has defects. DHS is committed to resolving these issues and actively integrating community voices to ensure it is working effectively. DHS is in the process of establishing a partnership with Code for America (CfA), a non-profit organization that helps government agencies build human-centered technology to address this issue. The goal of the DHS-CfA partnership is to work together to streamline the design of our existing integrated online benefits application to make it easier to use and reduce the time it takes to apply for multiple benefits programs. Part of the redesign efforts will be making sure that customers can upload and submit documents from their computers and hand-held devices such as phones and tablets.

This project will be implemented in two phases between May 2023 and May 2024. Phase I activities will include the system testing and focused group discussions to identify where clients get stuck when on the consumer portal. This phase will take place May through November, 2023. Phase II (the delivery period) will be implemented in December through May of 2024 with CfA and MD THINK system engineers redesigning the CP to address identified pain points using a human-centered approach. The redesign will be completed by May 2024.

ISSUE #3, Page 15: Child-Only Cases

DHS should discuss the cause of the substantial decrease in child-only cases.

Response to Issue: The cause of the substantial decrease in Child Only cases was a system error. The MD THINK Eligibility and Enrollment (E&E) system was not effectively capturing all Temporary Cash Assistance (TCA) Child Only cases accurately in E&E generated reports. This system issue has been resolved.

ISSUE #4, Page 16: State Fails To Meet Work Participation Rate

DHS should comment on the status of the review of its good cause waiver, the factors that impacted the ability to meet the WPR, and the likelihood the State will fail to meet this rate in federal fiscal 2022.

Response to Issue: The Work Participation Rate (WPR) good cause waiver request submitted in December 2022 is under review with the United States Department of Health and Human Services (HHS). The State exercised a good cause exemption and suspended TANF work requirements from April 2020 through December 2021. The blanket exemption from work requirements impacted the State's ability to meet the WPR.

TCA work requirements were suspended during the first quarter of FFY 2022, which we anticipate will have a negative impact on the overall WPR for the fiscal year. The federal government has not published official WPR rates for FFY 2022. However, the Department estimates that the Maryland rate will be nearly 10%. The statutory WPR requirement is 50%. Maryland's FY 2022 adjusted rate requirement after the caseload reduction credit is 9.7%. Based on these assumptions, Maryland will not be subject to another WPR penalty this year.

ISSUE #5, Page 22: Supplemental Nutrition Assistance Program

DLS recommends reducing a portion of the excess funding but leaving the majority of this surplus to account for higher than anticipated P-EBT spending, the beginning of the Summer EBT program (discussed in Issue 3), and potential increases in the caseload.

Response to Issue: The Department concurs with the recommendation. Should the funds be required at the fiscal closing, they will be added by a budget amendment.

ISSUE #6, Page 23: Additional Benefits Continue for TCA and TDAP Recipients in Fiscal 2024

DHS should comment on whether a permanent change to the benefit calculation would provide a more equitable impact of higher benefit levels than a permanent flat additional benefit provided equally to recipients of varying income levels.

Response to Issue: The Department appreciates the Governor's investment in the people of Maryland who are eligible for these benefits by including such funding in the budget. This investment supports the continuation of the \$45 monthly increase. The Department will explore a permanent change to benefit calculation for next year's budget process in the spirit of developing a more equitable process for all.

ISSUE #7, Page 27: Temporary Cash Assistance Enrollment and Funding Trends

Instead, DLS recommends adding language restricting general funds for the Assistance Payments program to that purpose only, so that any surplus due to lower than anticipated caseloads is reverted to the General Fund.

Response to Issue: The Department respectfully does not concur with this recommendation. This recommendation will deny the Family Investment Administration (FIA) the flexibility necessary to be fiscally responsible as it deals with uncertain caseload trends and reimbursing clients who are victims of benefit skimming. Of note, this will be the first time in the history of FIA that such restrictions will be imposed. Given the enormous impact of theft on our clients give EBT fraud, and the immediate strategy developed under the new gubernatorial Administration to course correct, the Department respectfully recommends your consideration of time to demonstrate increased effectiveness rather than the immediate imposition of stringent restrictions that are likely to have the opposite impact on performance and management flexibility.

ISSUE #8, Page 29: Contractual Full-Time equivalent Use

DLS recommends committee narrative requesting information on the final number of these contractual FTEs that were converted to State regular positions.

Response to Issue: As detailed in the Department's response to Recommended Action #1, DHS is actively working to convert contractual FTEs to State regular positions. Therefore, DHS concurs with this recommendation to provide the requested information on converted contractual positions.

ISSUE #9, Page 36: TCA Case Closure and Reasons for Case Closure

DHS should comment on efforts that it has made and is making to improve outreach in the recertification process to ensure that those who remain eligible are able to maintain benefits.

Response to Issue: The Department is committed to making sure that clients who are eligible to receive benefits maintain their benefits. Since recertifications resumed in January 2022, DHS has conducted the following outreach efforts:

- Sent email blasts to alert clients that recertifications would be resuming and outlined steps that they must take in order to maintain benefits. DHS continues to send email blast reminders to clients regarding their upcoming recertifications by the 10th of the month prior to the month the certification period ends.
- From January to April 2022, information was posted bi-weekly on both Facebook and Twitter alerting customers of recertification requirements and actions needed.
- Text message reminders are strategically sent to each household at 8 weeks prior to the household's recertification interview. The text message reminders continue at 6, 4, and 2 weeks prior to the recertification interview with a final reminder the week of the scheduled recertification interview. Messages provide helpful information to the household based on their submission of documentation, or lack thereof, for the required recertification.

ISSUE #10, Pages 37-38: TDAP Case Closure and Reasons for Case Closure

DHS should comment on the share of recent closures that are related to difficulties in obtaining medical certification of disability. DHS should also discuss the recent increase in closures related to failing to meet SSI/SSDI requirements and whether this may be impacted by difficulties that have been experienced in federal processing.

Response to Issue: The Department conducted an analysis of Temporary Disability Assistance Program (TDAP) cases that closed and determined that obtaining medical documentation is no more of an issue than it was before the pandemic. In SFY 2022, less than 5% of cases closed due to failure to provide medical documentation. During COVID-19, DHS extended eligibility for short-term (Type I) TDAP clients. In June 2022, all TDAP Type I cases that remained active during the pandemic closed because the individual did not have an eligible disability.

DHS can confirm that difficulties and delays in the federal government processing of Supplemental Security Income (SSI)/ Social Security Disability Insurance (SSDI) applications do

not impact TDAP eligibility. Program recipients only have to show that they have applied and are following up on SSI/SSDI applications.

ISSUE #11, Page 43: Nutrition Summer Electronic Benefit Transfer (EBT) Program

DLS recommends committee narrative requesting a report on implementation of the State Summer SNAP for Children program in fiscal 2024 and additional information on the new nationwide program including the overlap between the programs.

Response to Issue: The Department concurs with this recommendation and will provide a report on implementation of the State Summer SNAP for Children program in fiscal 2024 and additional information on the new nationwide program including the overlap between the programs.

ISSUES #12, Page 44: Reimbursement of Skimmed Benefits

DHS should comment on the status of submission of the state plan to reimburse SNAP benefits lost due to skimming and the timing for reimbursing cash assistance benefits that were lost due to skimming.

Response to Issue: Maryland submitted the state plan on February 10, 2023, to the United States Department of Agriculture (USDA) Food and Nutrition Service (FNS). DHS is proud to be the first in the nation to have submitted a state plan for the reimbursement of stolen SNAP benefits. We intend to continue to lead the nation on this issue. FNS held a discussion with the Department on February 22, 2023, to request a few clarifications to the state plan submission. During the discussion, FNS noted the approval of the Maryland state plan will be forthcoming once they receive the agreed upon clarification in writing. The Department will submit the written responses to FNS no later than February 24, 2023. We were pleased to learn that FNS intends to use the Maryland plan as a template to share nationwide to assist other states with their plan submissions.

ISSUE #13, Page 44: Other DHS Actions to Address Skimming

DHS should discuss actions it has taken or plans to take to improve the security of EBT cards.

Response to Issue: The State of Maryland began to observe an increase in reported EBT fraud incidents in October 2020. Since then, DHS developed and implemented a two-pronged mitigation strategy which includes system enhancements, consumer outreach, and awareness campaigns.

1. System Enhancements

- DHS worked with Conduent, its EBT vendor, to enhance the EBT system to prevent clients from selecting easy Personal Identification Numbers (PINs).

- DHS is incorporating system flags/triggers associated with card cloning prevention and monitoring as a component of the Fraud Framework Implementation Grant (FFIG) project currently underway.
- DHS is working with Conduent to implement additional system security enhancements including the ability for clients to lock their EBT cards from a mobile application, the ability to block out of state transactions, and the ability for clients to receive transaction alerts via email and text messages.
- DHS is also partnering with Conduent to implement a card freezing feature which clients will be able to switch on and off to minimize the possibility of unauthorized EBT purchases.

2. Outreach and Awareness Campaigns

- An educational video alerting consumers to the increased EBT benefit theft risks and instructions on the steps that they may take to protect their cards was disseminated via email, social media platforms including Facebook and Twitter and posted on the agency website.
- Regular email blasts are sent alerting SNAP recipients and the public to known and emergency EBT fraud schemes (i.e., spam text messages, emails, and voice calls).
- Informational flyers are disseminated among frontline staff and SNAP outreach partners. The outreach materials are also posted on the agency's website.

In addition, the State is monitoring USDA's implementation of the SNAP Mobile Payment Pilot. The State strongly believes that when implemented broadly, the SNAP Mobile Payment option will provide greater protection to clients and potentially help reduce the stigma associated with using SNAP benefits.

DHS also participates in a monthly FNS Mid-Atlantic Regional (MARO) EBT Fraud workgroup. The monthly meeting convenes states and territories in the same region as Maryland. In collaborative efforts to assess how large the EBT cloning/skimming issue is in each state and to determine best practices to address it, DHS will be participating in a national roundtable discussion with the United States Department of Agriculture (USDA) Food and Nutrition Service (FNS) EBT Modernization team on March 2, 2023. The roundtable will address EBT Chip Card Implementation, which will be an important future remedy essential to reducing benefit theft.

ISSUE #14, Page 45: Fiscal Compliance Audit for FIA Includes 10 Findings

Appendix2. Due to the number of repeat audit findings, DLS recommends adopting language restricting funds pending the resolution of the repeat audit findings.

Response to Issue: The Department concurs with this recommendation and will work to correct repeat audit findings in this fiscal year.

Responses to Recommended Actions

Recommended Action #1

Adopt committee narrative requesting a report on contractual full-time equivalents that transitioned to regular State positions. (Pages 3 and 49)

Response: The Family Investment Administration (FIA) at the Department of Human Services (DHS) is actively working to convert contractual full-time equivalent (FTE) positions to State regular positions. To date, there have been 211 unique individuals hired into the 188 contractual FTE's that were created with funding from the American Recovery Act. Currently, 97 of those positions are filled. Of the 211 unique individuals, 52 have currently been converted to State merit positions. Converting these positions remains a priority of the Department. As such, the Department adopts the committee narrative requesting a report on contractual FTE's that transitioned to regular State positions.

Recommended Action #2

Add language restricting the general fund appropriation for Assistance Payments to that purpose only. (Pages 3 and 49)

Response: The Department respectfully rejects this recommendation. This recommendation will deny the Administration the flexibility required to be fiscally responsible as it deals with uncertain caseload trends and reimbursing clients who are victims of benefit skimming. Given the enormous impact of theft on our clients give EBT fraud, and the immediate strategy developed under the new gubernatorial Administration to course correct, the Department respectfully recommends your consideration of time to demonstrate increased effectiveness rather than the immediate imposition of stringent restrictions that are likely to have the opposite impact on performance and management flexibility.

Recommended Action #3

Reduce funds for Supplemental Nutrition Assistance Program due to lower anticipated benefit levels. (Pages 3, 49 and 50)

Response: The Department concurs with the Analyst recommendation. Should the funds be required at the fiscal closing, such funds will be added by a budget amendment.

Recommended Action #4

Adopt committee narrative requesting a report on application processing times, denial rates, and case closures. (Pages 3, 50 and 51)

Response: The Department concurs with this recommendation and will continue to provide a report on application processing times, denial rates, and case closures.

Recommended Action #5

Adopt committee narrative requesting a report on Summer Supplemental Nutrition Assistance Program. (Pages 3, 51 and 52)

Response: The Department concurs with this recommendation and will provide a report on the Summer Supplemental Nutrition Assistance Program.

Recommended Action #6

Adopt committee narrative requesting a report on Pandemic Electronic Benefit Transfer Program and Summer Electronic Benefit Transfer Program spending. (Pages 3 and 52)

Response: The Department concurs with this recommendation and will provide a report on the Pandemic Electronic Benefit Transfer Program and Summer Electronic Benefit Transfer Program spending.

Recommended Action #7

Add language restricting funds until a report is submitted on the resolution of repeat audit findings. (Pages 3, 52 and 53)

Response: The Department concurs with this recommendation and will work to correct these repeat audit findings in this fiscal year.

Response to Audit Findings

REPEAT AUDIT FINDINGS (Page 64)

Finding 2:

FIA allowed numerous recipients to continue receiving TCA benefits beyond the five years allowed by federal and State regulations.

The Department's Corrective Action:

1. In March 2022, FIA began monitoring the 60+ Months TCA cases and required Local Departments of Social Services to take appropriate action.
2. In March 2023, staff will receive refresher training on the policy and procedures for 60+ month clients.
3. By July 2023, FIA will update the Eligibility and Enrollment (E&E) system to create alerts for case managers that will automatically flag cases for closure before reaching 60 months.

Finding 6:

FIA did not ensure that all Social Security number alerts were recorded in the Clients' Automated Resource and Eligibility System for follow-up purposes.

The Department's Corrective Action:

This finding is resolved. The Client Automated Resources and Eligibility System (CARES) legacy system was replaced with the E&E system effective November 2021. E&E has system controls to ensure that all Social Security number match results are properly recorded.

Finding 7:

FIA did not ensure that the LDSSs conducted timely and appropriate follow-up on PARIS alerts.

The Department's Corrective Action:

1. Effective January 2023, FIA resumed the practice of monitoring the Public Assistance Reporting Information System (PARIS) alerts and requiring Local Departments of Social Services (LDSS) to take appropriate action prior to the due date.
2. In April 2023, FIA will resume sampling cases to confirm LDSSs took appropriate actions.

Finding 9:

FIA did not adequately administer certain contracts and agreements related to its public assistance programs.

The Department's Corrective Action:

FIA did not previously concur with this finding. However, the Department is now taking a deeper dive into the concerns raised by the auditors to better understand the root cause(s) and will develop a mitigation strategy moving forward.

Finding 10:

FIA did not obtain supporting documentation to support that grant funds were spent as intended.

The Department's Corrective Action:

1. FIA is conducting routine monitoring site visits to verify the documentation that supports related payments.
2. By July 2023, all grant agreements will be revised requiring grantees to submit and/or maintain the appropriate documentation (timesheets, receipts, etc.) with invoices.