Audit Report

Department of Human Services
Family Investment Administration

July 2026

Public Notice

In compliance with the requirements of the State Government Article Section 2-1224(i), of the Annotated Code of Maryland, the Office of Legislative Audits has redacted cybersecurity findings and related auditee responses from this public report.

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DEPARTMENT OF LEGISLATIVE SERVICES
MARYLAND GENERAL ASSEMBLY

Joint Audit and Evaluation Committee

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DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

July 15, 2026

Senator Shelly L. Hettleman, Senate Chair, Joint Audit and Evaluation Committee
Delegate Jared Solomon, House Chair, Joint Audit and Evaluation Committee
Members of Joint Audit and Evaluation Committee
Annapolis, Maryland

Ladies and Gentlemen:

We have conducted a fiscal compliance audit of the Department of Human Services (DHS) – Family Investment Administration (FIA) for the period beginning June 1, 2021 and ending February 28, 2025. FIA oversees several public assistance programs administered by the 24 local departments of social services (LDSSs). These programs include the Supplemental Nutrition Assistance Program (SNAP), Temporary Cash Assistance (TCA), Temporary Disability Assistance Program (TDAP), and the home energy assistance programs. According to DHS' records, payments made during fiscal year 2025 for programs under FIA's oversight totaled approximately $1.9 billion.

Our audit disclosed that FIA did not have comprehensive procedures to ensure that the LDSSs properly determined eligibility for public assistance programs and the related benefits. As a result, we noted instances where the LDSSs did not maintain required documentation or properly determine recipients' benefits. Additionally, FIA did not ensure that the LDSSs conducted timely and appropriate follow-up of questionable recipient eligibility identified by its computer matches, resulting in improper or questionable benefit payments, including one individual that continued to receive public assistance after winning $2 million in the lottery.

Our audit also disclosed that FIA did not have an effective process to identify recipients who were incarcerated resulting in 1,858 recipients receiving SNAP and TCA benefits while incarcerated. Although FIA performed matches using Department of Public Safety and Correctional Services records, the data used by FIA was not complete, reducing the effectiveness of the match. For example, our test of 20 recipients we determined were incarcerated found 15 had not been identified by FIA and 5 had been identified but did not have benefits terminated timely.

Our audit further noted that FIA did not ensure the LDSSs had a documented hardship exemption and family independence plan for TCA recipients receiving benefits for more than five years as required by federal and State regulations. In addition, our audit disclosed that FIA did not ensure LDSS Medicaid eligibility determinations were timely and proper, potentially resulting in payments on behalf of ineligible individuals. Our review identified $7.1 million in Medicaid claims paid for 546 recipients after their redetermination due date and instances where eligibility determinations by the LDSSs were improper.

Furthermore, our audit disclosed a cybersecurity-related finding. However, in accordance with the State Government Article, Section 2-1224(i) of the Annotated Code of Maryland, we have redacted the finding from this audit report. Specifically, State law requires the Office of Legislative Audits to redact cybersecurity findings in a manner consistent with auditing best practices before the report is made available to the public. The term "cybersecurity" is defined in the State Finance and Procurement Article, Section 3.5-301(c), and using our professional judgment we have determined that the redacted finding falls under the referenced definition. The specifics of the cybersecurity finding were previously communicated to those parties responsible for acting on our recommendations.

We also received a referral on our fraud, waste, and abuse hotline that DHS management may have intentionally manipulated the error rate to enable the State to defer the increased State contribution for SNAP costs imposed by the One Big Beautiful Bill Act of 2025. Although we were unable to substantiate the allegation, we found that FIA did not take sufficient action to reduce the Maryland SNAP error rate resulting in penalties totaling $28 million being assessed on the State.

Finally, our audit disclosed that DHS did not properly award its Electronic Benefits Transfer (EBT) Services contract which delayed the implementation of secure chip technology that could have reduced or mitigated stolen EBT claims paid by the State. In addition, FIA did not adequately monitor certain other contracts and agreements.

DHS' response to this audit, on behalf of FIA, is included as an appendix to this report. Consistent with State law, we have redacted the elements of DHS' response related to the cybersecurity audit finding. In accordance with State law, we have reviewed the response and, while DHS generally agrees with the recommendations in this report, we identified certain instances in which statements in the response disagree or appear to be inconsistent with a report finding and recommendation. In each instance we reviewed and reassessed our audit documentation, and reaffirmed the validity of our finding. In accordance with generally accepted government auditing standards, we have included "auditor's comments" within DHS' response to explain our position. We will advise the Joint Audit and Evaluation Committee of any outstanding issues that we cannot resolve with DHS.

We wish to acknowledge the cooperation extended to us during the audit by FIA.

Respectfully submitted,

Brian S. Tanen

Brian S. Tanen, CPA, CFE
Legislative Auditor

Table of Contents

* **Denotes item repeated in full or part from preceding audit report**

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Background Information

Agency Responsibilities

The Family Investment Administration (FIA) is a unit of the Department of Human Services (DHS) and oversees a number of public assistance programs that are administered statewide by the 24 local departments of social services (LDSSs).[1] While the LDSSs are responsible for the daily operations, State law requires FIA to supervise the public assistance activities of the LDSSs. FIA administers several public assistance programs, which are funded through a combination of State and federal funds[2] including the Supplemental Nutrition Assistance Program (SNAP), Temporary Cash Assistance (TCA), Temporary Disability Assistance Program (TDAP), and home energy assistance programs.

According to State records, FIA expenditures totaled approximately $401.3 million during fiscal year 2025 (see Figure 1). During the period from June 30, 2021 to June 30, 2025, FIA had vacancy rates that ranged from 10 to 19 percent. As of June 30, 2025, approximately 10 percent of the total 210 positions were vacant. These vacancies may have contributed, at least in part, to the findings in this report.

[1] LDSSs administer a number of programs for FIA as well as other units of DHS. The LDSSs are audited separately during our audits of DHS – Local Department Operations.

[2] SNAP is entirely funded with federal funds.

Figure 1
FIA Positions, Expenditures, and Funding Sources

Full-Time Equivalent Positions as of June 30, 2025	
	Positions
Filled	188
Vacant	22
Total	**210**

Fiscal Year 2025 Expenditures	
	Expenditures
Salaries, Wages & Fringe Benefits	$ 23,283,843
Technical and Special Fees	1,401,009
Operating Expenses	376,577,328
Total	**$401,262,180**

Fiscal Year 2025 Funding Sources	
	Funding
General Fund	$ 27,433,942
Special Fund	134,651,550
Federal Fund	239,176,688
Total	**$401,262,180**

Source: State financial and personnel records

Referral to Our Fraud, Waste, and Abuse Hotline

We received a referral on our fraud, waste, and abuse hotline that DHS management may have intentionally manipulated the SNAP error rate to enable the State to defer the increased contribution costs imposed by the One Big Beautiful Bill Act of 2025. Although we were unable to substantiate the allegation, we found that FIA did not take sufficient action to reduce Maryland's SNAP error rate, resulting in penalties of $28 million being assessed on the State, as further described in Finding 7. Our review did not identify any matters that warranted a referral to the Office of the Attorney General's Criminal Division.

Status of Findings From Preceding Audit Report

Our audit included a review to determine the status of the ten findings contained in our preceding audit report dated October 21, 2022. See Figure 2 for the results of our review.

Figure 2 Status of Preceding Findings		
Preceding Finding	**Finding Description**	**Implementation Status**
Finding 1	FIA inadvertently disabled a critical system control resulting in SNAP benefits being awarded to applicants whose income exceeded the federally-established income thresholds.	Not repeated
Finding 2	FIA allowed numerous recipients to continue receiving TCA benefits beyond the five years allowed by federal and State regulations.	Not repeated
Finding 3	FIA did not conduct comprehensive quality assurance reviews of TCA cases to ensure that eligibility determinations and related benefits were proper. In addition, FIA did not ensure that errors identified through the Temporary Disability Assistance Program (TDAP) quality assurance reviews were corrected timely.	Not repeated
Finding 4	FIA did not ensure that the LDSSs maintained application documentation to support the propriety of SNAP, TCA, and TDAP eligibility determinations and other requirements.	**Repeated** (Current Finding 1)
Finding 5	FIA did not always determine whether TCA applicants received unemployment income, as required by federal regulations.	**Repeated** (Current Finding 1)
Finding 6	FIA did not ensure that all social security number alerts were recorded in Clients' Automated Resource and Eligibility System (CARES) for follow-up purposes.	Not repeated
Finding 7	FIA did not ensure that the LDSSs conducted timely and appropriate follow-up on Public Assistance Reporting Information System alerts. Our review disclosed that the LDSSs did not take timely or appropriate action for 43 of the 46 alerts we tested.	**Repeated** (Current Finding 2)
Finding 8	FIA did not conduct monitoring reviews of certain local administering agencies in accordance with its policy and did not always execute agreements with energy suppliers.	Not repeated
Finding 9	FIA did not adequately administer certain contracts and agreements related to its public assistance programs.	**Repeated** (Current Finding 9)

Figure 2 Status of Preceding Findings		
Preceding Finding	**Finding Description**	**Implementation Status**
Finding 10	FIA did not obtain supporting documentation to support grant funds were spent as intended.	Not repeated

Findings and Recommendations

Public Assistance Programs

Background
According to the Department of Human Services (DHS) records, during fiscal year 2025, programs under the Family Investment Administration's (FIA) jurisdiction provided approximately $1.9 billion in benefits to an average of 1 million recipients[3] (see Figure 3).

Figure 3
Fiscal Year 2025
Public Assistance Program Recipient and Expenditure Data

Program	Average Monthly Recipients	Annual Expenditures (in Millions)
Supplemental Nutrition Assistance Program (SNAP)	681,165	$1,486
Temporary Cash Assistance (TCA)	50,088	158
Home Energy Assistance	298,610	168
Temporary Disability Assistance Program (TDAP)	12,693	58
Other Assistance Programs	2,424	11
Total	**1,044,980**	**$1,881**

Source: DHS records

- **SNAP** – helps low-income households buy food. Applicants must meet certain financial (such as income not exceeding federal thresholds) and technical requirements (such as Maryland Resident, US Citizen, or Qualified Immigrant).

- **TCA** – provides cash assistance to families with dependent children when available resources do not fully address the family's needs. Eligible families must meet financial and technical requirements and develop a plan for independence with their case manager.

- **Home Energy Assistance** – provides bill payment assistance to low-income households to make their energy costs more affordable and help with the prevention of loss and the restoration of home energy services.

[3] The totals in Figure 3 include individual recipients who are enrolled in one or more programs because many recipients receive assistance from multiple programs.

- **TDAP** – provides cash assistance to low-income, disabled Marylanders.

Individuals and families apply for these programs through the State's Local Departments of Social Services (LDSSs), which are responsible for ensuring applicants meet all financial and technical eligibility criteria. The LDSSs record recipient data for SNAP, TCA, and TDAP in DHS' Eligibility and Enrollment (E&E) System which automatically calculates the monthly benefit amount. Generally, benefits are based on household size and income. Recipients of these programs access their monthly benefits via an electronic benefit transfer (EBT) card administered by a vendor under contract with FIA. Recipient data for the home energy assistance programs is recorded in a separate computer system, and benefits are paid directly by FIA to energy suppliers or the recipients.

The LDSSs are also responsible for determining Medicaid eligibility for certain recipients. Medicaid is administered by the Maryland Department of Health's (MDH) Medical Care Programs Administration. MDH maintains a separate automated benefits system (MMIS II) to process Medicaid benefits.

Finding 1
FIA did not have comprehensive procedures to ensure that the LDSSs properly determined eligibility for public assistance programs it administered.

Analysis
FIA did not have comprehensive procedures to ensure that the LDSSs properly determined eligibility for public assistance programs. According to FIA records, the LDSSs collectively processed approximately 964,000 applications for its major benefit programs during fiscal year 2025.

- FIA did not require the LDSSs to conduct independent supervisory reviews of eligibility determinations. As a result, FIA did not identify multiple instances of recipient eligibility determinations that did not have required documentation and improperly calculated benefits as detailed below.

- FIA did not ensure the LDSSs maintained required documentation to support eligibility determinations for approved cases. We tested 90 cases[4] approved during fiscal years 2022 through 2026 with average monthly payments for

[4] The SNAP, TCA, and TDAP items were selected based on the value of benefits received, and/or the dates of the application and redetermination process. The Medical Assistance (MA) items were selected based on the consumer's eligibility determination date and Medicaid coverage group. The Office of Home Energy Program (OHEP) items were selected based on the value of the payment and the type/risk factor of payment, such as direct payments and bulk fuel payments.

TCA, SNAP, and TDAP ranging from $369 to $1,699. Our test disclosed that supporting documentation (see Figure 4) was not scanned into the related benefit system for 40 cases as required to support the propriety of the eligibility.

Figure 4
Missing Documentation Noted During OLA Casefile Review

Type of Document	Number of Missing Documents				
	TCA	**SNAP**	**TDAP**	**MA**	**OHEP**
Case Files Reviewed:	**15**	**30**	**10**	**20**	**15**
Case Files Missing Documents:	**15**	**5**	**1**	**17**	**2**
Eligibility Documents					
Application	0	0	1	1	1
Social Security Number / Immigration Verification	0	2	1	5	1
Criminal Record Verification	6	4	N/A	N/A	N/A
Substance Abuse Screening	6	N/A	N/A	N/A	N/A
Employment Verification	8	1	1	12	1
Income Verification	8	1	1	13	2
Asset Verification	N/A	N/A	N/A	17	N/A
Physicians Medical Report	N/A	N/A	0	N/A	N/A
Other Required Documents					
Family Independence Plan	8	N/A	N/A	N/A	N/A
Child Support Agreement	9	N/A	N/A	N/A	N/A

N/A – attribute not applicable for this program.

- FIA did not ensure applicant income was accurately recorded resulting in 11 of the 20 SNAP recipients tested[5] being awarded improper benefits or being improperly denied benefits. Specifically, the wages recorded for 10 individuals' eligibility determinations were less than the recipient's actual wages based on supporting documentation. For example, 4 recipients with monthly wages ranging from $4,524 to $13,764, had no wages recorded in the E&E system. According to State records as of November 2025, these 10 recipients have received benefits totaling $95,434 since becoming eligible. In addition, 1 individual was subsequently denied benefits because the recorded

[5] Items were selected for testing based on a match with available State payroll records and the value of benefits received.

wages overstated their actual monthly wages by $1.3 million. We could not readily determine the lost benefits that were due to this individual.

- FIA did not always determine whether TCA applicants received unemployment income (UI) as required by federal regulations.[6] Our test of 15 TCA recipients[7] disclosed FIA could not document that it performed some of the required UI verifications for 6 recipients. For example, for 4 recipients, FIA performed a UI verification during the initial application but did not perform a verification during the first three months that benefits were received. We obtained UI records from the Maryland Department of Labor for these 6 recipients and noted that weekly UI benefits ranging from $300 to $430 had not been recorded in the E&E system. According to State records, as of October 2025 these 6 recipients had received TCA benefits totaling $16,107 while also receiving UI benefits. We could not readily determine the extent of any overpayments due to UI benefits not being considered for these recipients.

Similar conditions regarding the maintenance of required documentation by the LDSSs and verification of UI benefits were commented upon in our preceding audit report. DHS' response, on behalf of FIA, to that report indicated that as of January 2023 they would ensure that the LDSSs scan all documentation to support the propriety of eligibility determinations and by December 2022 verify unemployment compensation as required. As noted above, FIA had still not implemented sufficient procedures to ensure the LDSSs maintain required documentation and verified UI received by TCA applicants.

Recommendation 1
We recommend that FIA

a. establish comprehensive procedures, including supervisory reviews, to ensure the LDSSs properly determined eligibility for public assistance programs and the related benefits;
b. ensure that the LDSSs properly record and scan all documentation as required to support the propriety of eligibility determinations (repeat);
c. verify unemployment compensation as required by federal regulations, maintain documentation of the related results, and identify and record unemployment income for TCA recipients, including those noted above (repeat); and

[6] Federal regulations require a verification of unemployment income at the time of application and for each of the first three months benefits are received.
[7] Test items were selected from a match between TCA recipients between fiscal years 2023 and 2025 and unemployment insurance benefit records for the same period.

d. **obtain the missing documents noted in our finding and take corrective action for any unsupported eligibility determinations, improper payments, or other program requirements (repeat).**

Finding 2
FIA did not ensure that the LDSSs conducted timely and appropriate follow-up on instances of questionable recipient eligibility identified by its computer matches.

Analysis
FIA did not ensure that the LDSSs conducted timely and appropriate follow-up on instances of questionable recipient eligibility identified by its computer matches. FIA performs computer matches between the E&E system and outside data sources including the federal Public Assistance Reporting Information System (PARIS), Vital Statistics Administration death records, and State Lottery and Gaming Control Agency records. The match results are then forwarded to the LDSS to investigate to help ensure recipients are eligible for benefits and to detect potential fraud.[8] According to FIA computer match results, there were 7,705 PARIS alerts received in December 2024, and 366 lottery alerts and 600 death alerts received between June 2024 and February 2025.

Our review disclosed FIA did not verify the results of the LDSS investigations to ensure the LDSSs took proper and timely action, such as terminating the recipients' benefits. In this regard, our test of 30 lottery and death alerts[9] disclosed that the LDSSs did not terminate benefits totaling approximately $115,000 timely for recipients associated with 13 alerts. Specifically, seven recipients were still receiving benefits as of February 2026 and the other six recipients' benefits were terminated between 3.6 months and 5.4 months after the related alert. For example, a July 2023 match identified a recipient who won $2 million in the lottery but the LDSS had not terminated the individual's benefits as of February 2026. The recipient received $9,000 subsequent to the date of the lottery alert. In addition, our test of 20 PARIS alerts disclosed the LDSSs did not document the actions taken to resolve 9 alerts, such as closing the case in one state and recouping the benefits, resulting in questionable benefits totaling $37,000.

[8] Federal regulations provide that a household shall lose eligibility for benefits immediately upon receipt of substantial lottery winnings. According to guidance from the United States Department of Agriculture, states should immediately investigate potential recipient deaths, notify the recipient of the match and allow 10 days to respond before adverse action is taken, such as termination of benefits.
[9] Test items were selected based on the amount won in the lottery and whether the alert had been dispositioned.

Similar conditions regarding FIA not ensuring the LDSSs conducted appropriate follow-up on PARIS alerts were commented upon in our two preceding audit reports dating back to March 2019. Deficiencies with LDSSs follow-up on computer match results were also noted by the DHS Office of Inspector General (OIG) audits of the LDSSs. In response to our preceding audit report, DHS, on behalf of FIA, indicated that by January 2023 FIA would complete monthly reviews to ensure computer alerts were properly dispositioned. However, as of July 2025 FIA had not implemented this process. Delays in investigating and taking appropriate corrective action for the match results including pursuing collection of overpayments could reduce the likelihood that overpayments will be recovered.

Recommendation 2
We recommend that FIA monitor LDSSs alert activity to ensure the LDSSs
a. conduct timely and appropriate follow-up of alerts (repeat), and
b. collect any overpayments identified in accordance with its policy, including those noted above.

Finding 3
FIA did not have complete data to identify recipients who were incarcerated and did not ensure proper action was taken when incarcerated recipients were identified resulting in 1,858 recipients continuing to receive SNAP and/or TCA benefits while incarcerated.

Analysis
FIA did not have complete data to identify recipients who were incarcerated and did not ensure proper action was taken when incarcerated recipients were identified, resulting in 1,858 recipients continuing to receive SNAP and/or TCA benefits while incarcerated. Under federal regulations individuals who are incarcerated for more than 30 days are ineligible to receive SNAP and TCA benefits while incarcerated.

Although FIA performed weekly matches to identify incarcerated individuals using Department of Public Safety and Correctional Services (DPSCS) incarceration records, our review disclosed that the data used in these matches was incomplete and FIA did not always ensure proper action was taken for matches identified. For example, DPSCS' records were missing social security numbers for 11,594 (or 37 percent) of the 31,290 individuals incarcerated as of May 2025. Our Data Analytics Unit independently obtained incarceration records directly from DPSCS[10] and matched this data against individuals receiving benefits between July 2022 and March 2025. Our match identified 1,858 incarcerated individuals that had received SNAP and/or TCA benefits after incarceration for at least 30 days.

Our test[11] of 20 of these recipients disclosed that FIA's match did not identify 15 recipients who, as of November 2025, had received benefits (SNAP and/or TCA) since being incarcerated totaling $158,000. For the remaining 5 recipients, although they were identified by FIA's match, they continued to receive benefits after incarceration totaling approximately $46,000. FIA could not readily explain why these recipients were not identified and/or investigated to prevent future payments.

Recommendation 3
We recommend that FIA

a. **work with the DPSCS to obtain complete incarceration records;**
b. **work with LDSSs to ensure SNAP and TCA benefits are properly terminated for recipients who are incarcerated; and**
c. **to the extent possible, recover any benefits improperly issued to incarcerated individuals, including those noted above.**

We determined that Finding 4 related to "cybersecurity," as defined by the State Finance and Procurement Article, Section 3.5-301(c) of the Annotated Code of Maryland, and therefore is subject to redaction from the publicly available audit report in accordance with the State Government Article 2-1224(i). Consequently, the specifics of the following finding, including the analysis, related recommendations, along with DHS' responses, have been redacted from this report copy.

Finding 4
Redacted cybersecurity-related finding.

[10] The data we obtained from DPSCS covered the period between July 2017 and March 2025 and included the periods of incarceration based on dates of inmate intake, transfer, and release. We determined that the incarceration records we received from DPSCS were sufficiently reliable for the purposes of our match.
[11] We selected individuals based on the length of time incarcerated according to DPSCS records.

Finding 5
FIA did not ensure the LDSSs had a documented hardship exemption and family independence plan for TCA recipients receiving benefits for more than five years in accordance with federal and State regulations.

Analysis
FIA did not ensure the LDSSs had a documented hardship exemption and family independence plan for TCA recipients receiving benefits for more than five years in accordance with federal and State regulations. Federal and State regulations limit TCA benefits to a five-year lifetime period, unless the LDSS grants the recipient a hardship exemption (such as a significant barrier preventing the parent from holding a job). State regulations require the LDSS to document the applicable reason(s) for the exemption and establish a plan within 60 days to achieve recipient independence. The E&E system automatically terminated benefits for individuals receiving benefits for more than five years unless a hardship exemption is entered in the system. According to FIA records, as of April 2025 there were 1,508 recipients receiving benefits beyond the five-year period, with related monthly assistance totaling approximately $1.5 million.

Our test of 34 recipients[12] receiving TCA benefits beyond the five-year period as of April 2025 disclosed that the LDSSs did not have documentation to support the hardship exemption entered into E&E and/or the required independence plan for 15 recipients, including 4 recipients who were also noted in our prior audit. According to FIA records, benefits received by these 15 recipients beyond the five-year limit totaled $1.1 million. For example, as of April 2025, one recipient had received benefits totaling approximately $98,000 after the five-year period was reached in January 2020. Although TCA is primarily federally funded, to the extent that these TCA benefits are determined to be improper, FIA may need to reimburse the federal government for the related federal fund expenditures.

Recommendation 5
We recommend that FIA ensure that the LDSSs
a. **document hardship exemptions and prepare related independence plans for any recipient receiving TCA benefits for more than five years including those noted above, as required; and**
b. **pursue recovery of any TCA benefits received by recipients who did not have a qualifying hardship exemption.**

[12] We selected the recipients for testing based on materiality and duration of payments made to them.

Finding 6
FIA did not conduct required reviews of LDSSs to ensure Medicaid eligibility determinations and redeterminations were timely, proper, and supported potentially resulting in payments on behalf of ineligible individuals.

Analysis
FIA did not conduct required reviews of LDSSs to ensure Medicaid eligibility determinations and redeterminations were timely, proper, and supported. DHS has an agreement with the Maryland Department of Health (MDH) delegating the LDSSs responsibility for performing eligibility determinations and annual redeterminations for certain Medicaid recipients, such as recipients whose eligibility is not based on income. The agreement with MDH requires DHS to perform statistical reviews to monitor the timeliness and accuracy of the LDSSs' determinations. According to FIA records, the LDSSs processed approximately 91,000 Medicaid applications during fiscal year 2025.

Our review of FIA records as of October 2025 disclosed that 1,950 of the recipients processed by the LDSSs had not received the required annual eligibility redetermination between December 2023 and September 2025. According to MDH records, Medicaid claims totaling approximately $7.1 million were paid for 546 of these recipients after their redetermination due date. In addition, our test of 20 eligibility determinations[13] disclosed that 3 recipients were improperly determined to be eligible for long term care despite exceeding the $2,500 asset limit established by Medicaid.

Recommendation 6
We recommend that FIA ensure LDSS Medicaid eligibility determinations are timely and proper, as required by its agreement with MDH.

Finding 7
FIA did not take sufficient action to reduce the Maryland SNAP error rate, resulting in penalties totaling $28 million being assessed on the State.

Analysis
FIA did not take sufficient action to reduce the Maryland SNAP error rate, resulting in penalties totaling $28 million being assessed on the State. The United States Department of Agriculture's (USDA) Food and Nutrition Service (FNS) calculates an annual SNAP error rate, which measures a state's ability to properly

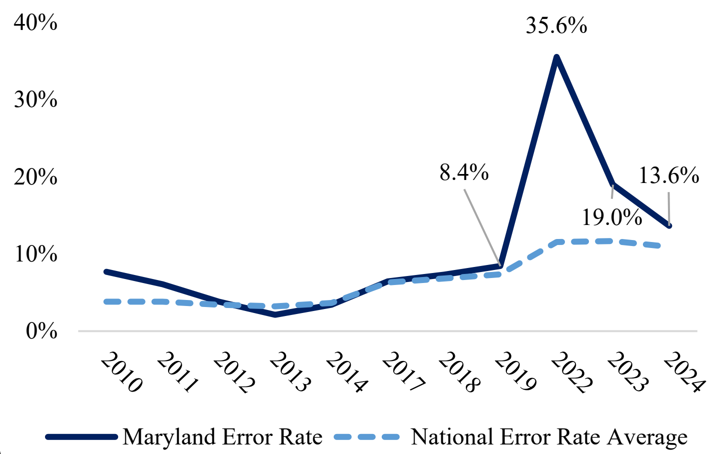
[13] Test items were selected from determinations made between January 2023 and February 2025 based on the determination date and Medicaid coverage group.

determine eligibility and issue benefits in the correct amount. According to federal regulations, states that exceed the national average error rates for two consecutive years are assessed a penalty.

We received a referral on our fraud, waste, and abuse hotline that DHS management may have intentionally manipulated the error rate to enable the State to defer the increased contribution for SNAP costs imposed by the One Big Beautiful Bill Act (OBBBA) of 2025. In this regard, OBBBA will require states to pay a portion of the federal cost of SNAP benefits based on their error rate. This requirement takes effect in October 2027, but OBBBA provides that states with error rates above a certain level[14] in federal fiscal year 2025 or 2026 will not have to pay this cost until federal fiscal year 2029 or 2030, respectively. FIA estimated that the State's contribution could total $240 million per year.

We were unable to substantiate the allegation, but did note that FIA did not take sufficient action to ensure the error rate was consistent with national averages. Specifically, FNS determined that Maryland's error rate in fiscal years 2022, 2023, and 2024 was 35.6 percent, 19 percent, and 13.6 percent, respectively (see Figure 5). The national average for this period ranged between 10.9 percent to 11.7 percent. As a result, FNS assessed FIA a $16.6 million penalty for fiscal years 2022 and 2023 and an $11.4 million penalty for fiscal year 2024.

Figure 5
SNAP Error Rates
Federal Fiscal Years 2010 to 2024



Maryland's error rate had historically been close to the national average.[15] FIA advised that the significant increase between fiscal years 2019 and 2022 primarily resulted from changes made by the federal government during the COVID-19 public health emergency. While the fiscal year 2023 and 2024 error rates decreased, it was still above the national average in both years. As previously noted in this report, FIA did not have a comprehensive quality assurance process or adequate procedures in place

[14] States with an error rate that exceed 20 percent when multiplied by a factor of 1.5 in 2025 or 2026 will be allowed to delay implementation of the OBBBA requirement.
[15] Error rate data was not available from the USDA for federal fiscal years 2015, 2016, 2020, and 2021, and as of the time of our review the federal fiscal year 2025 error rate was not available.

during the audit period to ensure that SNAP eligibility determinations were properly calculated and documented, which contributed to the high error rates.

In April 2025, FIA reinstituted a requirement for the LDSSs to perform supervisory reviews of SNAP eligibility determinations on a test basis. FIA further advised that it had taken other action to reduce the error rate, such as revising employee trainings and using data analytics to identify high risk cases. Due to the timing of these efforts, they were not subject to our audit but we did note some additional actions FIA could implement to address the errors. For example, FIA did not have a process to identify the LDSSs and employees with high individual error rates to ensure the issues were addressed. FIA should monitor the results of its efforts to determine if they are sufficient to reduce the error rate consistent with the national average, or whether additional efforts are required.

Recommendation 7
We recommend that FIA take sufficient action to lower its SNAP error rate and avoid federal penalties, such as implementing a comprehensive quality assurance process.

Procurement and Disbursements

Finding 8
DHS improperly awarded the Electronic Benefits Transfer (EBT) Services contract, which delayed the implementation of secure chip technology that could have reduced or mitigated stolen EBT claims paid by the State.

Analysis
DHS improperly awarded the EBT Services contract resulting in the delayed implementation of secure chip technology, that could have significantly reduced or mitigated the amount of stolen EBT claims paid by the State. DHS contracts with a vendor to administer the State's EBT system for SNAP, TCA, and TDAP. Recipients of these programs receive a Maryland EBT card, which is a debit-type card that can be used at approved retailers to access their benefits. In July 2024, DHS awarded a contract valued at approximately $20 million to the incumbent vendor that has been providing these services[16] since 2008.

Our review disclosed that DHS awarded the contract to the incumbent vendor despite the vendor omitting certain pricing information required by the request for

[16] DHS had multiple contracts with the vendor over this period. The most recent contract was awarded in December 2014.

proposal. The omission of these costs resulted in the incumbent's financial proposal being $11.1 million lower than the other bidder, which should have been investigated by DHS before selecting the vendor. The price discrepancy was addressed when the contract was presented to BPW but DHS responded that "we would not bring to you, the constitutional officers of Maryland, an unlawful contract to sign."

In April 2024, the losing bidder filed an appeal with the Maryland State Board of Contract Appeals (MSBCA) on the basis that DHS' evaluation of the financial proposals materially violated State procurement laws. MSBCA ruled in favor of the losing bidder in August 2024.[17] As a result, DHS awarded a new $38.4 million contract to this vendor covering the period from November 2025 to June 2035 (with renewal options). The incumbent vendor continued to provide EBT services under its prior contract while DHS transitioned to the new vendor. According to DHS records, during this period which ran from July 2024 to December 2025, payments to the incumbent vendor totaled $10.9 million.

The improper procurement delayed the planned implementation of EBT cards with secure chip technology which can significantly reduce instances of EBT fraud. According to FIA records, the cost to replace stolen EBT benefits between February 2025 and January 2026 totaled $12.6 million which is covered by State funds. A 2026 press release from the California Governor's Office noted that it experienced an 83 percent reduction in EBT theft after adopting secure chip technology.

Recommendation 8

We recommend that DHS

a. ensure that contracts are only awarded to vendors who submit proposals that comply with the terms of the RFP and are susceptible for award, and

b. work to implement EBT cards with secure chip card technology as soon as possible.

[17] The Baltimore City Circuit Court affirmed MSBCA's decision in March 2025.

Finding 9
FIA did not adequately monitor certain contracts and agreements related to its public assistance programs to ensure that services were provided and related payments were supported.

Analysis
FIA did not adequately monitor certain contracts and agreements related to its public assistance programs that were procured by DHS (on behalf of FIA) and the LDSSs. FIA could not document that deliverables were received on contracts and agreements procured by DHS, and did not ensure amounts invoiced were proper. According to FIA records, during our audit period, there were 523 contracts and agreements procured by DHS on behalf of FIA valued at $651.6 million. We tested 15 invoices totaling $49.3 million from 5 of these centralized contracts and agreements totaling $144.4 million.[18]

Our test disclosed that FIA did not obtain documentation to support that deliverables, such as required reports, were received for 4 contracts totaling $123.6 million. In addition, for 3 of the contracts, required support for 8 invoices totaling $9.9 million was not obtained. For example, for 3 invoices totaling $2.4 million, FIA did not obtain documentation to support that services were provided and the propriety of payroll charges totaling $2.2 million. FIA's *Contract Monitoring and Invoice Protocol* requires supporting documentation to be submitted and reviewed prior to payment of invoices.

Similar conditions regarding the lack of documentation to support billed costs on certain contracts have been commented upon in our five preceding audit reports dating back to November 2007. DHS' response to our prior report, on behalf of FIA, disagreed with our recommendation regarding documentation to support billings and asserted that each contract is monitored differently based on its size and scope of service. As noted above, our current audit noted FIA's monitoring of contracts procured by DHS continues to be insufficient.

Recommendation 9
We recommend that FIA

a. **obtain adequate documentation, including payroll records, timesheets, and receipts, to verify the accuracy of billings, as required by its policy (repeat); and**
b. **obtain the aforementioned missing deliverables or pursue recovery of payments if the deliverables are not provided.**

---

[18] Test items were selected based on materiality during the period of April 2022 to May 2025.

Audit Scope, Objectives, and Methodology

We have conducted a fiscal compliance audit of the Department of Human Services (DHS) – Family Investment Administration (FIA) for the period beginning June 1, 2021 and ending February 28, 2025. The audit was conducted in accordance with generally accepted government auditing standards. 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.

As prescribed by State Government Article, Section 2-1221 of the Annotated Code of Maryland, the objectives of this audit were to examine FIA's financial transactions, records, and internal control, and to evaluate its compliance with applicable State laws, rules, and regulations.

In planning and conducting our audit, we focused on the major financial-related areas of operations based on assessments of significance and risk. The areas addressed by the audit included the quality assurance processes used by FIA to monitor the local departments of social services' administration of the Supplemental Nutrition Assistance Program (SNAP), Temporary Cash Assistance, Temporary Disability Assistance Program, and Medical Assistance; FIA's administration of the home energy assistance programs; information systems security and control; contracts; and grants. In addition, we reviewed certain activities related to a referral to our fraud, waste, and abuse hotline. We also determined the status of the findings contained in our preceding audit report.

Our audit did not include various support services provided by DHS' Office of the Secretary. These support services (such as payroll, certain purchasing, maintenance of accounting records, and related fiscal functions) are included within the scope of our audit of the DHS Office of the Secretary and related units. Our audit also did not include an evaluation of internal controls over compliance with federal laws and regulations for federal financial assistance programs and an assessment of FIA's compliance with those laws and regulations because the State of Maryland engages an independent accounting firm to annually audit such programs administered by State agencies, including FIA. We did review certain aspects of the federal SNAP program because of the potential impact on the annual error rate, which could result in sanctions.

Our assessment of internal controls was based on agency procedures and controls in place at the time of our fieldwork. Our tests of transactions and other auditing procedures were generally focused on the transactions occurring during our audit period of June 1, 2021 to February 28, 2025, but may include transactions before or after this period as we considered necessary to achieve our audit objectives.

To accomplish our audit objectives, our audit procedures included inquiries of appropriate personnel, inspections of documents and records, tests of transactions, and to the extent practicable, observations of FIA's operations. Generally, transactions were selected for testing based on auditor judgment, which primarily considers risk, the timing or dollar amount of the transaction, or the significance of the transaction to the area of operation reviewed. As a matter of course, we do not normally use sampling in our tests, so unless otherwise specifically indicated, neither statistical nor non-statistical audit sampling was used to select the transactions tested. Therefore, unless sampling is specifically indicated in a finding, the results from any tests conducted or disclosed by us cannot be used to project those results to the entire population from which the test items were selected.

We also performed various data extracts of pertinent information from the State's Financial Management Information System (such as revenue and expenditure data). The extracts are performed as part of ongoing internal processes established by the Office of Legislative Audits and were subject to various tests to determine data reliability. We determined that the data extracted from these sources were sufficiently reliable for the purposes the data were used during this audit.

We also extracted data from the Eligibility and Enrollment System and automated records relating to energy assistance programs for purposes of testing selected attributes relating to recipient eligibility, program payments, and FIA's monitoring efforts. We performed various tests of the relevant data and determined that the data were sufficiently reliable for the purposes the data were used during the audit. Finally, we performed other auditing procedures that we considered necessary to achieve our audit objectives. The reliability of data used in this report for background or informational purposes was not assessed.

FIA's management is responsible for establishing and maintaining effective internal control. Internal control is a process designed to provide reasonable assurance that objectives pertaining to the reliability of financial records; effectiveness and efficiency of operations including safeguarding of assets; and compliance with applicable laws, rules, and regulations are achieved. As provided in *Government Auditing Standards*, there are five components of internal control: control environment, risk assessment, control activities, information and communication, and monitoring. Each of the five components, when significant to the audit objectives, and as applicable to FIA, were considered by us during the course of this audit.

Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected. Also, projections of any evaluation of internal control to future periods are subject to the risk that conditions may change or compliance with policies and procedures may deteriorate.

Our reports are designed to assist the Maryland General Assembly in exercising its legislative oversight function and to provide constructive recommendations for improving State operations. As a result, our reports generally do not address activities we reviewed that are functioning properly.

This report includes findings relating to conditions that we consider to be significant deficiencies in the design or operation of internal control that could adversely affect FIA's ability to maintain reliable financial records, operate effectively and efficiently, and/or comply with applicable laws, rules, and regulations. Our report also includes findings regarding significant instances of noncompliance with applicable laws, rules, or regulations. Other less significant findings were communicated to DHS that did not warrant inclusion in this report.

State Government Article Section 2-1224(i) requires that we redact in a manner consistent with auditing best practices any cybersecurity findings before a report is made available to the public. This results in the issuance of two different versions of an audit report that contains cybersecurity findings – a redacted version for the public and an unredacted version for government officials responsible for acting on our audit recommendations.

The State Finance and Procurement Article, Section 3.5-301(c), states that cybersecurity is defined as "processes or capabilities wherein systems, communications, and information are protected and defended against damage, unauthorized use or modification, and exploitation". Based on that definition, and in our professional judgment, we concluded that a finding in this report falls under that definition. Consequently, for the publicly available audit report all specifics as to the nature of the cybersecurity finding and required corrective actions have been redacted. We have determined that such aforementioned practices, and government auditing standards, support the redaction of this information from the public audit report. The specifics of the cybersecurity finding have been communicated to FIA and those parties responsible for acting on our recommendations in an unredacted audit report.

The response from DHS, on behalf of FIA, to our findings and recommendations is included as an appendix to this report. Depending on the version of the audit report, responses to any cybersecurity findings may be redacted in accordance with State law. As prescribed in the State Government Article, Section 2-1224 of the Annotated Code of Maryland, we will advise DHS regarding the results of our review of its response.

APPENDIX

Maryland
DEPARTMENT OF HUMAN SERVICES
Wes Moore, Governor · Aruna Miller, Lt. Governor · Stacy L. Rodgers, Acting Secretary

July 9, 2026

Mr. Brian S. Tanen, CPA, CFE, Legislative Auditor
Office of Legislative Audits
The Warehouse at Camden Yards,
351 West Camden Street, Suite 400
Baltimore, Maryland 21201

Re: Audit Report on the Family Investment Administration (June 1, 2021 to February 28, 2025)

Dear Mr. Tanen:

Please accept this letter in response to the Office of Legislative Audits' (OLA) June 23, 2026, communication. Attached is our response to the draft report for the Legislative Audit Report of the Department of Human Services — Family Investment Administration for the period beginning June 1, 2021, and ending Feb. 28, 2025.

The Department is focused on making vital benefits easier to access and more secure. We are building a public assistance system that is faster for families, more resilient against fraud, and more accountable to taxpayers. Addressing audit findings is a top priority. We are committed to ensuring findings are fully resolved and are used to strengthen the integrity and performance of the programs we administer.

Despite the complexities of administering more than $1.8 billion in public benefit programs to assist nearly 1 million Marylanders annually, the Department has aggressively pursued data-driven modernization efforts that protect taxpayer dollars and successfully resolved three repeat findings from our previous audit. We have also moved with urgency to implement real-time corrective actions for new findings in our current audit.

We welcome the OLA report as instructive and helpful feedback. However, the Department has significant concerns regarding the assertion that our 2024 Electronic Benefit Transfer (EBT) contract procurement is evidence of a systemic failure of our procurement review process. Labeling a single procurement interpretation error as a failure to follow RFP terms significantly oversimplifies the procurement process.

During the period of this audit, the Department has been laser-focused on making benefits easier for Marylanders to lawfully access their eligible benefits by:

- Increasing capacity to efficiently and effectively handle benefits cases by hiring nearly 200 new caseworkers and supervisors, reducing the program staff vacancy rate by almost three-quarters.
- Streamlining, modernizing, and improving oversight of benefit applications through MarylandBenefits.gov and the Maryland One Application.
- Automating verification checks on income and disability information within the Maryland Eligibility and Enrollment (E&E) system to simplify case management, strengthen program integrity, and improve customer service.

- Implementing real-time security protocols to block known fraudulent phone numbers from accessing the EBT system to check balances or hijack PINs.
- Applying system-wide controls that stop EBT users from picking simple, easily guessable PINs.
- Empowering customers to instantly freeze and unfreeze their cards and opt-in to real-time alerts for transactions or account changes to help prevent fraud.

As a result of our efforts, we have achieved the following outcomes:

- From federal fiscal year 2022 through 2025, Maryland has reduced its Supplemental Nutrition Assistance Program (SNAP) payment error rate by more than 63%, the largest relative reduction of any state during that time.
- Missing case documentation across Temporary Cash Assistance (TCA) and SNAP case files is down by as much as 60% as a result of targeted operational overhauls and case review processes.
- Maryland ranked third in the nation for application processing timeliness in a federal report covering public assistance applications processed from July to December 2025, demonstrating a swift and responsive system for families in need.
- The Department partnered with the U.S. Secret Service to prevent the theft of an estimated $22.9 million in SNAP benefits during 2025 by inspecting 3,000 point-of-sale devices for skimming machines at 493 Maryland businesses.

The Department remains committed to strengthening the integrity and performance of these vital benefit programs. Later this year, Maryland will be the fourth state in the nation to implement EMV (Europay, Mastercard, Visa) chip and tap card technology to better protect customers from fraud and benefit theft.

We thank OLA for their collaborative partnership. We are happy to answer any questions you may have. Please contact Marva Sutherland, Inspector General, at Marva.Sutherland@maryland.gov.

Yours in service,

Stacy L. Rodgers

Stacy L. Rodgers, MPA
Acting Secretary

c: Gloria Brown Burnett, Deputy Secretary for Operations
Daniel Wait, Deputy Secretary for Talent & Customer Service
Webster Ye, Chief of Staff
Heather Zenone, Assistant Secretary for Policy & Data
Larry Handerhan, Assistant Secretary for Programs
Augustin Ntabaganyimana, Executive Director, Family Investment Administration
Marva Sutherland, Inspector General
Shelly-Ann Dyer, Assistant Inspector General for Audits

Department of Human Services
Family Investment Administration

Agency Response Form

OLA NOTE: Numerous responses include lengthy information about DHS efforts after our audit fieldwork was completed. This information was not subject to audit and we cannot opine as to the accuracy of these statements. Rather, these efforts will be subject to review during the subsequent audit.

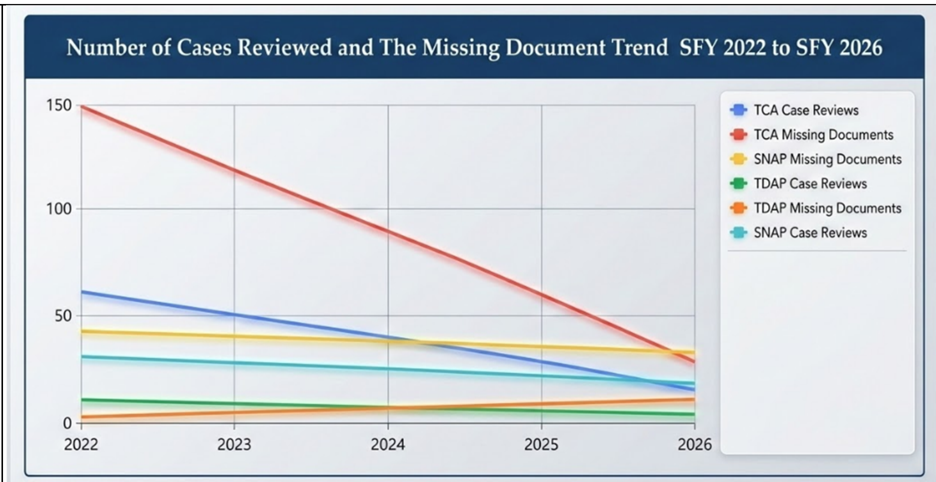
Public Assistance Programs

Finding 1 **FIA did not have comprehensive procedures to ensure that the LDSSs properly determined eligibility for public assistance programs it administered.**

We recommend that FIA

a. **establish comprehensive procedures, including supervisory reviews, to ensure the LDSSs properly determined eligibility for public assistance programs and the related benefits;**
b. **ensure that the LDSSs properly record and scan all documentation as required to support the propriety of eligibility determinations (repeat);**
c. **verify unemployment compensation as required by federal regulations, maintain documentation of the related results, and identify and record unemployment income for TCA recipients, including those noted above (repeat); and**
d. **obtain the missing documents noted in our finding and take corrective action for any unsupported eligibility determinations, improper payments, or other program requirements (repeat).**

Agency Response	
Analysis	
Please provide additional comments as deemed necessary.	The Department is committed to administering public benefit programs effectively and ensuring eligible Marylanders receive the assistance for which they qualify. During Fiscal Year 2025, the Local Departments of Social Services (LDSSs) processed approximately 964,000 applications across the Department's major public assistance programs. The Department is constantly working to ensure that eligibility is properly determined for the public assistance programs it administers. Since the previous OLA fiscal and compliance audit, the Department has strengthened oversight through staff training, updated policy guidance, enhanced quality assurance reviews, and system improvements. As shown in the chart below, these efforts have significantly reduced missing documentation since 2022.



Since 2022, the Department has implemented the following corrective actions:

- Conducted documentation requirements training in July 2024 and refresher training in November 2024.
- Issued and updated our policy guidance to the Department's family investment staff through the following Action Transmittals (AT) that clarified how policy is implemented: AT 12-27 (Document Imaging), AT 13-35 (ECMS Record Retention), and AT 24-7 (Proper Handling of Case Records).
- Enhanced the Eligibility & Enrollment (E&E) system in June 2024 to strengthen the Supervisory Case Pre-Review (SCPR) process, including verification that required documentation has been uploaded to the Electronic Content Management (ECM) system.
- Developed and distributed updated training materials, including an Interview Script that serves as a documentation checklist for eligibility staff.
- Implemented automated system verifications in E&E, effective March 30, 2026, at application, when adding an individual to a case, and at redetermination. Required verifications now include SOLQi, SVES, BEACON (Department of Labor), The Work Number (TWN), and the Electronic Disqualified Recipient System (eDRS) for SNAP cases.

These actions have also helped ensure benefit determinations are timely. Maryland ranked third in the nation in Application Processing Timeliness in a report covering applications processed in July to December 2025.

The Department acknowledges that additional improvements can be made to further strengthen consistency and compliance across all LDSSs. The Department agrees to continue formalizing and enhancing its standard operating procedures, strengthening supervisory review protocols,

	implementing additional system enhancements, and expanding proactive monitoring to help prevent documentation errors before benefits are issued.		
Recommendation 1a	Agree	**Estimated Completion Date:**	Mar 31, 2027
Please provide details of corrective action or explain disagreement.	To further enhance eligibility procedures, including strengthening consistency and compliance across all LDSSs, the Department has implemented or is implementing the following initiatives: Actions taken: ● **No Change Maryland Benefit Review Automation:** Implemented in January 2026 to automate periodic reviews and reduce administrative workload for eligibility staff.# ● **Automated System Verifications:** To ensure personal information added to case files is proper, E&E now automatically runs five required verification sources during application, redetermination, and when adding an individual to a case, including SOLQi, SVES, The Work Number, BEACON, and eDRS (SNAP only). The system retrieves verification data, populates applicable information into the case record, and generates alerts for case manager review before eligibility is finalized.# ● **Targeted Staff Training:** Expanded micro-learning opportunities, including a new Customer-Focused Interview Training developed in partnership with the University of Maryland School of Social Work.# ● **Enhanced Supervisory Case Reviews:** Strengthened supervisory training to improve error identification, coaching, and staff development. This includes data-driven models to identify error-prone cases and focus more on income-related errors when auto assigning cases for review. Developing key performance metrics from this process that correlate with Quality Control outcomes. # Actions to be taken: ● **Statewide Process Management (SPM):** Standardizing case processing requirements across all local departments, with implementation occurring over the next 3 to 9 months.# ● **Continuous Quality Improvement:** Using root cause analysis and partnering with organizations such as US Digital Response and Georgetown University to identify process improvements and strengthen pre-eligibility reviews.# ● **Predictive Risk Scoring:** Developing a Frontend Intelligence System to identify cases with a higher likelihood of eligibility errors for additional review.# ● **Artificial Intelligence Tools:** Piloting AI-powered assistants that provide eligibility workers with real-time policy guidance, beginning		

	with SNAP and expanding to additional programs as appropriate.# In addition, the Department and the Maryland Benefits team are assessing the feasibility of incorporating mandatory documentation checkpoints into the eligibility determination workflow to further strengthen compliance and reduce documentation deficiencies.		
Recommendation 1b	Agree	**Estimated Completion Date:**	June 30, 2027
Please provide details of corrective action or explain disagreement.	As discussed above, the Department has significantly reduced missing documentation over the past four years but additional improvements are needed. The Department previously issued the following guidelines to improve document collection and retention. Actions taken: 1. Action Transmittal (AT) #25-16[1] (Supervisory Case Pre-Review Requirements), effective May 1, 2025: Establishes mandatory supervisory pre-approval review across all local departments. This review is designed to identify missing documentation, benefit calculation errors, and eligibility issues prior to case finalization. 2. AT #26-03 (Mandatory Clearance/Verification Systems Requirements), effective September 30, 2025: Establishes uniform documentation standards for verification systems across programs and requires all data match results to be uploaded into the E&E system. Actions to be taken: 1. Establish an internal Department workgroup of frontline staff, supervisors, and policy analysts to identify the root causes of missing documentation and develop actionable recommendations for statewide implementation by September 30, 2026. Implement the workgroup's recommendations by June 30, 2027. If additional system improvements are needed in E&E, the department may require additional time and resources, and will need to be added to the existing technical roadmap. 2. Incorporate review of document management practices into Quality Assurance procedures to strengthen ongoing monitoring and compliance by June 30, 2027. This will include steps to assess whether implementation of recommendations was effective to address identified root causes.		
Recommendation 1c	Agree	**Estimated Completion Date:**	Sept. 30, 2027

[1] We have edited DHS' responses to remove links to online documents, as allowed by our policy.

Department of Human Services
Family Investment Administration

Agency Response Form

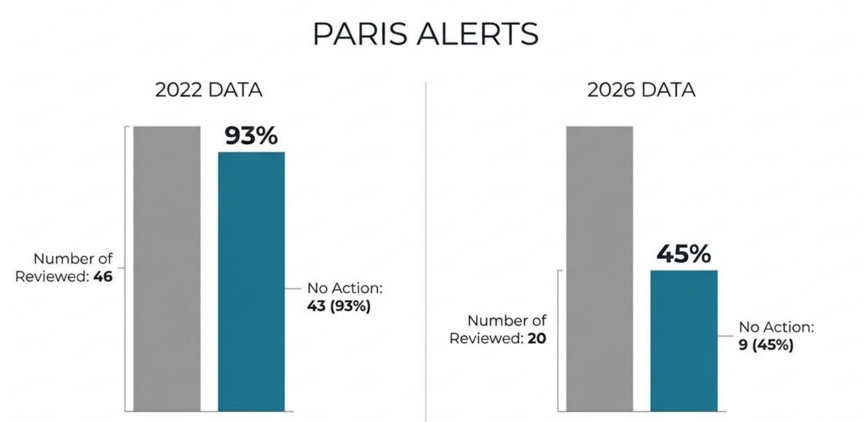
Please provide details of corrective action or explain disagreement.	The Department is committed to verifying and documenting Unemployment Insurance (UI) information for TCA recipients. FIA conducted a review of all 15 cases in OLA's sample and found that 13 of the 15 cases reflect appropriate BEACON verification with no active UI affecting the eligibility decision. FIA acknowledges a process gap in 2 of the 15 cases where BEACON was not run or documented and therefore the benefit was not reduced accordingly. Since the audit period, FIA has released Action Transmittal 22-34, TCA BEACON UI Clearances, which enforces that BEACON is to be accessed to verify UI receipt at application and during the first three months following approval, a requirement reaffirmed in AT 26-03, Mandatory Clearance Verification Systems Requirements, issued September 30, 2025. FIA implemented automated clearance and verification in the E&E system effective March 27, 2026. As part of this broader automation effort, BEACON UI clearance now runs automatically at application, redetermination, and interim change when a new member of the assistance unit is added to the case. AT 26-03 notified local departments of this change. Actions to be taken: ● Ensure the required UI clearances are included in the standard supervisory case review and quality control processes on all cases moving forward. ● Work with the Maryland Benefits team to identify system enhancements that will run the required UI checks in accordance with AT 22-34.		
Recommendation 1d	Agree	**Estimated Completion Date:**	Sept. 30, 2026
Please provide details of corrective action or explain disagreement.	The Department has begun a case-by-case review of all cases in the audit sample. The administration will upload missing documents, where necessary, to resolve this recommendation and take necessary corrective actions.		

Department of Human Services
Family Investment Administration

Agency Response Form

Finding 2
FIA did not ensure that the LDSSs conducted timely and appropriate follow-up on instances of questionable recipient eligibility identified by its computer matches.

We recommend that FIA monitor LDSSs' alert activity to ensure the LDSSs
a. conduct timely and appropriate follow-up of alerts (repeat), and
b. collect any overpayments identified in accordance with its policy, including those noted above.

<table>
<tr><th colspan="4">Agency Response</th></tr>
<tr><td>Analysis</td><td colspan="3"></td></tr>
<tr><td>Please provide additional comments as deemed necessary.</td><td colspan="3">The Department is committed to ensuring that the LDSSs conduct appropriate follow-up on computer matches (i.e. PARIS, Death, Lottery) made between the E&E system and outside data sources. A comparison between the population sample in OLA’s 2022 audit with the population sampled in OLA’s 2026 audit demonstrates that the actions taken have resulted in meaningful improvements in the handling of PARIS alerts.


.</td></tr>
<tr><td>Recommendation 2a</td><td>Agree</td><td>Estimated Completion Date:</td><td>June 30, 2027</td></tr>
<tr><td>Please provide details of corrective action or explain disagreement.</td><td colspan="3">To continue the Department’s progress in conducting timely and appropriate follow-up of alerts, the Department issued Action Transmittals AT 19-05 and AT 25-03 (Revised New Hire, Death, Prison, and PARIS Data Match Requirements) to clarify data match policies and procedures. Action Transmittals clarify how our team members implement policies and procedures, and thus contribute to improving our timeliness and accuracy on alerts. These policies were established following consultations with federal partners and a comprehensive review of federal and state regulations.</td></tr>
</table>

	The Department is building on our recent progress to further improve performance in this area. For PARIS and death matches, all data matches require manual staff intervention. To address this, the Department is partnering with MD Benefits to automate computer match processing in alignment with AT 19-05 and AT 25-03. Under the automated system, the receipt of a PARIS or death data match will instantly trigger a request to the customer or family member for secondary verification, ensuring customers have sufficient time to respond. If a customer fails to act, FIA is working with our federal partner to explore options to have the system automatically close the case following standard adverse action notice timeframes. FIA will monitor this process through regular reporting generated in E&E. For lottery matches, the Department is automating the case closure following the adverse action requirements. Based on the date of the winnings, the system will automatically generate an overpayment claim.		
Recommendation 2b	Agree	**Estimated Completion Date:**	December 31, 2026
Please provide details of corrective action or explain disagreement.	In accordance with established agency policy, the Department immediately began collecting any identified overpayments, including establishing claims for the specific cases noted in the finding, as described below: PARIS: 9 cases Death: 3 cases Lottery: 10 cases; Of the seven cases cited as still open as of February 2026, four are closed and three remain open. We are actively working with the LDSS to ensure these cases are reviewed and overpayments are established as applicable by August 31, 2026. For the $2M lottery winner cited in the finding, the Department closed that Elderly Simplified Application Project (ESAP) case in February of 2026 and is working to collect the appropriate overpayments from the customer as required by federal law. As part of this audit review and as part of our continuing work to reduce our SNAP Payment Error Rate, we are further reviewing our overpayment process to see how we can improve our accuracy by making revisions to the overpayment manual, and creating system enhancements to add a calculation sheet within E&E. A calculation sheet creates an indisputable paper trail. It links the verified income documents (paystubs, tax returns) directly to the final benefit amount. If an applicant challenges a decision, the calculation sheet is the primary evidence used in a fair hearing to prove the state applied the regulations correctly. In addition, updates to the system parameters to ensure all required documentation is included in the case file. We expect this to be completed by December 2026.		

Agency Response Form

Finding 3
FIA did not have complete data to identify recipients who were incarcerated and did not ensure proper action was taken when incarcerated recipients were identified, resulting in 1,858 recipients continuing to receive SNAP and/or TCA benefits while incarcerated.

We recommend that FIA
- **a. work with the DPSCS to obtain complete incarceration records;**
- **b. work with LDSSs to ensure SNAP and TCA benefits are properly terminated for recipients who are incarcerated; and**
- **c. to the extent possible, recover any benefits improperly issued to incarcerated individuals, including those noted above.**

Agency Response	
Analysis	
Please provide additional comments as deemed necessary.	The Department is committed to ensuring that incarcerated individuals stop receiving SNAP and TCA benefits consistent with federal law and state policy. Section 11 of the Food and Nutrition Act requires denial of benefits for individuals incarcerated for more than 30 days but federal requirements also note that "no adverse actions, such as denial, termination, or reduction of a household's benefits, may be taken as a result of a match **until after** the information has been independently verified and the matched individual has been provided notice of the match and an opportunity to contest the findings." (emphasis added.) This requirement ensures state agencies do not violate privacy protections given to individuals under federal law. The Department's policy is located in this Action Transmittal, AT 25-03 Revised New Hire, Death, Prison, and PARIS Data Match Requirements, which indicates the actions needed to independently verify. The federally required secondary verification, including collateral contact with the recipient, prior to benefit termination, can only happen once the Department receives a match, which does not happen in real time. While there is no explicit timeframe in AT 25-03, we believe 30 days after the required action on the match is needed for verification, putting the expected timeframe for removal of benefits, if appropriate, at 60 days after the match is addressed in accordance with AT 25-03. The Department's analysis of the data provided by OLA shows that 88.5% were addressed within this expected timeframe. The Department will work with DPSCS to identify any potential difference between information auditors were provided and what the Department's eligibility system captures and make any required corrections, if necessary. The Department will also ensure that the incarcerated individual's benefit is suspended or discontinued while preserving eligible children and other family members.

Department of Human Services
Family Investment Administration

Agency Response Form

Recommendation 3a	Agree	**Estimated Completion Date:**	June 2027
Please provide details of corrective action or explain disagreement.	The Department will work closely with DPSCS to assess gaps in the current data file and pursue system and operational enhancements so the Department can obtain complete incarceration records in a timely manner. Additionally, the Department will: ● Update the E&E system to display prison match data based on SSN alignment even when a name mismatch exists. ● Issue updated policy guidance and provide staff training on how to appropriately process these alerts, including documenting and resolving alerts determined to be incorrect matches. These continuous quality improvement measures will significantly enhance this process and support compliance with applicable policies.		
Recommendation 3b	Agree	**Estimated Completion Date:**	March 2027
Please provide details of corrective action or explain disagreement.	The Department is reviewing the cases cited by OLA to determine whether closure is appropriate. For the 5 recipients included in the match and still receiving benefits after incarceration, FIA determined that 1 match contained an incorrect name, and the 4 other individuals are no longer incarcerated and have active cases. Overpayments are being processed. FIA is currently evaluating the remaining 15 cases and will proceed with overpayment collections where benefits were issued in error. Based on the outcome of each case review mentioned in the sample above and going forward when matches occur, the Department will work with LDSSs to ensure SNAP and TCA benefits are properly terminated for recipients who are incarcerated by pursuing system and operational enhancements so the LDSS can access complete incarceration records in a timely manner and appropriately process alerts, including documenting and resolving alerts determined to be incorrect matches. The Department will maintain benefits access to eligible children and other family members of the incarcerated individual, as permitted by law.		
Recommendation 3c	Agree	**Estimated Completion Date:**	March 2027
Please provide details of corrective action or explain disagreement.	Based on the outcome of each case review mentioned in the sample above and going forward when matches occur (i.e. showing incarcerated individuals receiving benefits), the Department will determine whether any benefits were issued in error. If errors are identified, as required by law, the Department will initiate overpayment collection procedures in accordance with program requirements.		

Department of Human Services
Family Investment Administration

Agency Response Form

The Office of Legislative Audits (OLA) has determined that Finding 4 related to "cybersecurity," as defined by the State Finance and Procurement Article, Section 3.5-301(c) of the Annotated Code of Maryland, and therefore is subject to redaction from the publicly available audit report in accordance with the State Government Article 2-1224(i). Consequently, the specifics of the following finding, including the analysis, related recommendations, along with DHS' responses, have been redacted from this report copy.

Finding 4 **Redacted cybersecurity-related finding.**

Agency Response has been redacted by OLA.

Department of Human Services
Family Investment Administration

Agency Response Form

Finding 5
FIA did not ensure the LDSSs had a documented hardship exemption and family independence plan for TCA recipients receiving benefits for more than five years in accordance with federal and State regulations.

We recommend that FIA ensure that the LDSSs
a. document hardship exemptions and prepare related independence plans for any recipient receiving TCA benefits for more than five years, including those noted above, as required; and
b. pursue recovery of any TCA benefits received by recipients who did not have a qualifying hardship exemption.

Agency Response			
Analysis			
Please provide additional comments as deemed necessary.	The Department is committed to maintaining strict compliance with state and federal law while serving Maryland's most vulnerable residents. The TCA hardship exemption is a critical lifeline to ensure vulnerable families - such as those with medical disabilities - do not lose access to benefits. The recipients in the audit's sample include SSI recipients, individuals with documented disabilities, and caregivers for disabled family members — all 15 of whom meet hardship exemption criteria under State policy based on the Department's review. As such, no recollection of benefits to these recipients is warranted at this time. This finding does identify documentation and administrative processes that require improvement, including inconsistent completion, signature, and timely upload of required documentation in E&E, such as hardship exemption forms, Family Independence Plans, and local director approvals. Accordingly, the Department agrees with the analysis around documentation compliance while clarifying this does not indicate improper payments or fraud. In December 2023, FIS issued AT 24-24 60 Month Hardship Exemption, outlining system enhancements for processing hardship exemptions when TCA recipients reach their 60-month benefit limit. The Department developed an on-demand 60+ Month Report/Dashboard for local departments to see the cases approaching the 60-month limit.		
Recommendation 5a	Agree	**Estimated Completion Date:**	Apr 30, 2027

Department of Human Services
Family Investment Administration

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Please provide details of corrective action or explain disagreement.	The Department agrees that hardship exemption documentation—including a completed exemption form and independence plan—must be present in E&E for every TCA recipient receiving benefits beyond month 60. To strengthen documentation compliance and oversight, the Department will: ● Establish a central office monitoring report identifying all active TCA cases beyond month 60, including indicators showing whether a completed exemption form and independence plan are present in E&E. The Department will assess enhancements to improve real-time visibility and ensure consistent application across all 24 jurisdictions. ● Implement mandatory supervisory review at month 58 for all TCA cases, with documentation in E&E prior to issuance of month-60 and subsequent benefits. The month-58 alert will require documented supervisory sign-off and verification that all hardship exemption documentation is complete before benefit continuation. See below for the follow up related to the 15 cases noted in the finding.		
Recommendation 5b	Agree	**Estimated Completion Date:**	Dec. 31, 2027

Department of Human Services
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Please provide details of corrective action or explain disagreement.	For all of the 15 cases cited in this finding analysis, the Department reviewed and confirmed recipients qualified for a hardship exemption. For these cases, no recovery of TCA benefits is warranted. In these cases, the evidence of hardship was not consistently documented in the case file - for example, medical documentation was in the case file to identify a disability that meets the criteria for hardship, but the hardship form was not completed by the local department. As of September 2025, the Department has ensured the recipient's qualifying basis for a hardship exemption is documented in the case record. This includes the 4 cases noted in the prior audit, including the case identified as having received approximately $98,000, where the Department obtained both a hardship exemption form and a family independence plan present in the case record within the period under review. For TCA recipients more broadly, the Department's review determined that the underlying issue in these cases was the identification and labeling of documents within the electronic case record rather than the absence of required documentation or improper eligibility. Accordingly, the Department is establishing document naming and indexing standards in E&E so that required documents, including hardship exemption forms and family independence plans, can be readily located. The Department will complete the outstanding documentation by September 30, 2026 and apply the updated document naming and indexing standards in E&E by December 2027. The Department will pursue overpayments for any TCA cases identified during case reviews that were not eligible for a qualifying hardship exemption at the time of benefit issuance.

Department of Human Services
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Finding 6 **FIA did not conduct required reviews of LDSSs to ensure Medicaid eligibility determinations and redeterminations were timely, proper, and supported, potentially resulting in payments on behalf of ineligible individuals.**

We recommend that FIA ensure LDSS Medicaid eligibility determinations are timely and proper, as required by its agreement with MDH.

Agency Response			
Analysis			
Please provide additional comments as deemed necessary.	The Department is committed to ensuring that Medicaid eligibility determinations and redeterminations are timely, proper, and supported. The cases for the 3 long-term recipients who had assets over $2,500 have all been closed as of May, 2025. The Department is working to immediately review the other cases referenced.		
Recommendation 6	Agree	**Estimated Completion Date:**	June 30, 2027
Please provide details of corrective action or explain disagreement.	During the audit period, and as of May 1, 2025, the Department implemented the Supervisory Case Pre-Review (SCPR) protocol across all jurisdictions. This mandate, established in AT 25-16 - Supervisory Case Pre-Review Requirements, replaces previous local review methods and requires a Lead Worker or Family Investment Supervisor to audit Eligibility Worker cases before final approval. The SCPR protocol addresses the requirement for regular reviews of LDSS casework. The Department will continue to review processes to ensure they are resulting improvements at the LDSS in more proper eligibility determinations conducted timely. As needed, additional corrective actions will be taken to ensure full remediation of this issue. To further ensure that Medicaid eligibility determinations are timely, proper, and supported, the Department is working to standardize our post-eligibility review process and identify training needs and policy clarifications necessary to prevent long-term eligibility errors. In addition, the Department is working with the Maryland Department of Health (MDH) to explore options for establishing a post-certification review process. This consultation will support policy alignment, clarify roles and responsibilities, and avoid duplication of efforts. The Department will document the outcome of discussions with MDH.		

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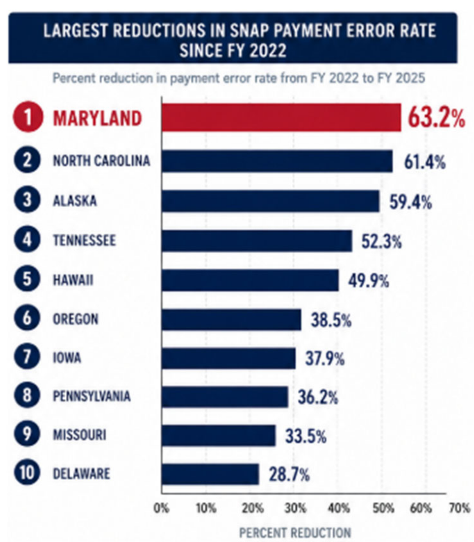
Finding 7
FIA did not take sufficient action to reduce the Maryland SNAP error rate, resulting in penalties totaling $28 million being assessed on the State.

We recommend that FIA take sufficient action to lower its SNAP error rate and avoid federal penalties, such as implementing a comprehensive quality assurance process.

Agency Response	
Analysis	
Please provide additional comments as deemed necessary.	The Department remains deeply committed to effectively and equitably distributing federal assistance benefits to all eligible Marylanders and has been proactively implementing measures to drive down our SNAP Payment Error Rate (PER) for the past three years. The Department will continue to bring the error rate down by doing the work correctly and ensuring the people who are eligible for SNAP receive the benefits they're eligible for expediently and accurately. That's what we are laser focused on. Since FFY23, the Department has cut the SNAP PER by more than **60%**, from **35.56%** (the second-highest in the nation) to **13.08%**, representing the largest relative reduction of any state and far outpacing national improvement. However, the Department recognizes that we did not reach the national average, which was 10.62% for FFY25, coming within 2.46 percentage points.  We will continue to build on existing efforts to further reduce the payment error rate below the national average while ensuring that eligible households receive benefits accurately and timely. Every operational overhaul and workforce investment stands as measurable proof of our full commitment to ensure payment accuracy and timeliness.

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Recommendation 7	Agree	**Estimated Completion Date:**	Sept. 30, 2028
Please provide details of corrective action or explain disagreement.	The Department took aggressive action to continue lowering the error rate coming within 2.46 percentage points of the national average. We continue to actively work with other states to learn from their success for continued progress in driving down payment error rates. To build on past progress and reduce PER to below the national average, the Department is implementing a comprehensive strategy to strengthen SNAP eligibility accuracy. The strategy is centered on three core pillars: **People, Policy & Process, and Data.** These priorities guide the administration's ongoing efforts to modernize operations, improve case accuracy, reduce administrative burden, and strengthen program integrity. ● **People:** Invest in and strengthen our people through training, additional central support, and continued workforce stabilization a. Since January 2023, the Department has hired nearly 200 new Family Investment caseworkers and supervisors statewide, reducing the program staff vacancy rate by almost three-quarters — from a peak of 19.4% in April 2022 to 4.28% in January 2026. b. Hosted regional Payment Accuracy Summits to promote collaboration, share best practices, and improve payment accuracy statewide. Further actions to be taken or in progress: c. Further enhance training for eligibility staff through updated curriculum, coaching, and targeted technical assistance. d. Expand AI-powered training and microlearning tools to provide just-in-time learning and reinforce policy knowledge. e. Implement customer-focused interview training to improve information gathering, customer service, and timely eligibility determinations. ● **Policy and Process:** Simplify complex policies and processes a. Automated Maryland Benefits Reviews (semi-annual renewals) to reduce staff workload and allow staff to focus on more complex eligibility determinations. b. Redesigned redetermination forms and simplify associated notices to reduce procedural churn, improve the customer experience, and decrease the risk of data entry errors. Further actions to be taken or in progress:		

	c. Implement the redesigned redetermination forms and associated notices. d. Streamline the document submission process to strengthen eligibility documentation, improve verification management, and reduce administrative burden. e. Establish and implement a dedicated team to conduct targeted reviews of high-risk cases, identify the underlying root causes of payment errors, and inform policy, training, and process improvements. ● **Technology/Data:** a. Implemented in E&E Automated Maryland Benefits Reviews (semi-annual renewals) as referenced above. Further actions to be taken or in progress: b. Implement the redesigned redetermination form in the One App and simplify the associated notices to reduce procedural churn, improve the customer experience, and decrease the risk of data entry errors. c. Build out data tools to proactively prevent payment errors. d. Use AI to analyze administrative records to identify high-risk cases and develop targeted strategies to improve payment accuracy. e. Use AI to analyze data to identify the root causes of errors and implement data-driven policy, training, and operational improvements to reduce future errors. We remain focused on continuing to reduce our Payment Error Rate despite the passage of H.R. 1 (2025), which creates new red tape and will make it harder for the Department to determine eligibility timely and accurately.

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Procurement and Disbursements

Finding 8
DHS improperly awarded the Electronic Benefits Transfer (EBT) Services contract, which delayed the implementation of secure chip technology that could have reduced or mitigated stolen EBT claims paid by the State.

We recommend that DHS

a. ensure that contracts are only awarded to vendors who submit proposals that comply with the terms of the RFP and are susceptible for award, and

b. work to implement EBT cards with secure chip card technology as soon as possible.

Agency Response	
Analysis	
Please provide additional comments as deemed necessary.	This year, Maryland will become the fourth state in the nation to implement EMV chip technology for EBT cards, reinforcing its leadership in protecting benefits from theft and fraud. An EMV chip card is a credit or debit card embedded with a microprocessor chip that drastically reduces fraud, originally developed by Europay, Mastercard, and Visa (hence EMV) This effort reflects a multi-year modernization initiative that included several interim fraud prevention measures while national EMV standards and technology matured. The Department is committed to following proper procurement procedures, laws, and regulations. However, the observations made in this finding do not represent the full context of Maryland’s procurement framework, nor does it indicate a systemic deficiency within the Department’s operations. Before any recommendations of award are brought for approval at the Board of Public Works, including this contract, the Department obtains concurrence from the Office of the Attorney General that the recommended proposal was susceptible for award. Maryland’s procurement system provides losing offerors the opportunity to appeal protest denials. The Department respects the decision made by the Maryland State Board of Contract Appeals and upheld by the Baltimore City Circuit Court, and moved quickly to award this contract to bidder susceptible to award. This finding focuses on a single procurement-related legal interpretation and concludes that Maryland could have implemented EMV by February 2025, avoiding fraud reimbursements issued thereafter. That conclusion overlooks the technical, operational, and industry realities of deploying EMV in the EBT environment. Only two providers in the nation that operate EBT systems were positioned to provide the chip technology at the time of the Department's RFP was released in September 2023. Notably, the Department had an opportunity to appeal the circuit court’s ruling, but elected not to appeal in part to prevent additional delays in its implementation timeline.

	Maryland's implementation timeframe remains in the forefront of states moving to EBT EMV cards. Statewide EMV implementation requires extensive processes beyond just contract execution, including system development, testing, and retailer certification. Even accounting for delays caused by the protest appeal and legal review, Maryland's two-and-a-half year timeframe still paces other states. The American National Standards Institute (ANSI) did not publish national EMV standards for EBT until August 2024, after which vendors had to develop, test, certify, and integrate compliant solutions. Even early-adopter states required years to implement EMV. California launched approximately two years after receiving legislative authorization, while Oklahoma and Alabama did not deploy EMV until Spring 2026 despite beginning modernization efforts years earlier. Maryland's EBT EMV implementation unfolded in two major phases: **Phase 1 – Core EBT Modernization** The Department successfully transitioned Maryland's entire EBT processing system to Fidelity Information Services (FIS), completing the statewide conversion and launching the ebtEDGE platform in May 2026. This complex effort included system integration, card conversion, retailer coordination, customer communications, and statewide operational readiness. **Phase 2 – EMV Chip Card Implementation** Building on the successful FIS conversion, the Department launched the transition of Maryland's dual-interface EMV chip-and-tap EBT cards in June 2026, less than two months after completing the vendor transition. We are on track for a mass deployment of chip-and-tap EBT cards later in Summer 2026 to over 400,000 EBT households. Maryland's implementation timeline is consistent with other states that have made this chip card transition. Unlike most jurisdictions, Maryland simultaneously executed both a full EBT vendor conversion on May 17, 2026, 30 days ahead of schedule (June 30, 2026). We are on track for a statewide EMV deployment within a highly compressed timeframe of summer 2026. The Department believes this work represents one of the nation's most ambitious EBT modernization efforts. Throughout the transition, the Department did not wait for EMV implementation to strengthen program security. The Department deployed multiple interim fraud prevention and detection measures to reduce benefit theft and protect customers, including working directly with the U.S. Department of Agriculture's Office of Inspector General (OIG) and the U.S. Secret Service (USSS). These efforts improved payment accuracy, strengthened oversight, enhanced system performance, and safeguarded taxpayer resources. For example, the DHS OIG and

USSS partnership inspected 3,000 point-of-sale devices for skimming machines, preventing an estimated $22.9 million in stolen EBT benefits.

Additional fraud prevention measures implemented by the Department are summarized in the chart below.

Feature and Purpose	**Implementation Date**
IVR Fraud Analysis: The IVR Adaptive Fraud Solution blocks phone numbers known to have been used by fraudsters from reaching the EBT system. The feature makes it harder for fraudsters to check EBT account balances, change PINs, and engage in other malicious activities.	March 24, 2023
The (Soft) Easy personal identification number (PIN): This feature requires customers to choose PINs that are harder for fraudsters to guess.	September 29, 2022
Card Lock and Unlock: This feature allows EBT cardholders to lock their cards on the ConnectEBT App and by calling a phone number. We have been working with the Maryland Retailers Association to ensure that the flyer linked above is displayed in grocery stores across Maryland.	November 8, 2023
Activity Alerts: Customers receive transaction and account activity alerts with this feature. Mobile App and web users can opt-in to receive: a. New Transaction alert - with these functionalities, a customer will receive an alert for every transaction, including purchases, returns, deposits, and more. b. Account change alert - with these functionalities, a customer will receive an alert for account changes such as address, PIN, password, and others. Customers receive alerts via the ConnectEBT App, text messages, and email.	November 8, 2023

Department of Human Services
Family Investment Administration

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Recommendation 8a	Disagree	Estimated Completion Date:	N/A
Please provide details of corrective action or explain disagreement.	We respectfully disagree with the Office of Legislative Audits' recommendation's assertion that the procurement was handled with a disregard for RFP requirements and is evidence of a systemic failure of our procurement review process. The Department operates under the strict oversight of Maryland procurement law through its control agency, the Department of General Services' Office of State Procurement, and the Board of Public Works, along with consultation with the Office of Attorney General for the review of all proposed awards for legal sufficiency, which mandates awarding procurements to '*susceptible*' vendors. Labeling a single procurement interpretation error as a failure to follow RFP terms oversimplifies the procurement process. We will continue to ensure that contracts are only awarded to vendors who submit proposals that comply with the terms of the RFP and are susceptible for award. The Department is committed to following state procurement law and processes and takes that responsibility seriously. At the October 22, 2025 meeting of the Board of Public Works, the Department acknowledged our mistake in the 2024 procurement process concerning the evaluation of the financial proposals of the two bidders. The federal government's COVID-19 pandemic benefits ended in December 2023. One of the two bidders put in $0.00 for the pricing of COVID-19 pandemic benefits issuance and acknowledged that should a new pandemic begin during this contract period, an amended budget would be submitted. At the time, the Department accepted the vendor's response and explanation for pricing. Upon further review, the RFP should have been amended after issuance for clarity. Ultimately, the Board of Contract Appeals and the Circuit Court disagreed with our action, disqualified the bidder and voided the contract award. While we believe it unlikely, the Department has enhanced its review of financial proposals to ensure this situation does not occur in the future.		
Recommendation 8b	Agree	**Estimated Completion Date:**	Sept. 30, 2026
Please provide details of corrective action or explain disagreement.	The Department concurs with OLA's urgency in implementing EMV chip card technology. The Department is proceeding expeditiously with implementation as outlined by the federally approved chip transition plan. Outlined below are key milestones: ● On May 17, 2026, the Department successfully executed a full EBT vendor conversion transferring 400,000 accounts from the current vendor to the new vendor. ● In June 2026, the Department launched a new federally required EMV pilot that included testing 1,500 new cards in three Maryland jurisdictions (Baltimore City, Anne Arundel and Dorchester Counties). ● As of July 6, 2026, the Department is awaiting final federal approval for full deployment of all cards. Maryland remains on track to become the fourth state in the nation to deploy EMV chip cards to all customers.		

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Auditor's Comment: DHS' response states that it disagrees with OLA's assertion that the procurement was handled with a disregard for RFP requirements and is evidence of a systemic failure of the procurement review process. However, neither the finding nor the recommendation states there were systemic problems with the procurement process. Rather, the finding focused on the fact that DHS awarded the contract despite the vendor not complying with the requirements of the RFP, a condition that is not disputed in its response. The recommendation also focused on the issue identified in the analysis and recommends that DHS should ensure that contracts are only awarded to vendors who submit proposals that comply with the terms of the RFP and are susceptible for award.

Nevertheless, DHS' response indicates that it will continue to ensure that contracts are only awarded to vendors who submit proposals that comply with the terms of the RFP and are susceptible for award. In addition, DHS indicated that it has enhanced its review of financial proposals to ensure this situation does not occur in the future.

Department of Human Services
Family Investment Administration

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Finding 9
FIA did not adequately monitor certain contracts and agreements related to its public assistance programs to ensure that services were provided and related payments were supported.

We recommend that FIA

a. obtain adequate documentation, including payroll records, timesheets, and receipts, to verify the accuracy of billings, as required by its policy (repeat); and

b. obtain the aforementioned missing deliverables or pursue recovery of payments if the deliverables are not provided.

Agency Response	
Analysis	
Please provide additional comments as deemed necessary.	Since the previous audit, the Department has taken significant steps to strengthen contract monitoring governance and oversight. Most notably, the Department follows its April 2023 "Delegation of Signatory Authority for Agreements" policy, which has been revised since, most recently on December 23, 2025, which establishes clear approval requirements for contracts, agreements, and memoranda of understanding. Under this policy, all contracts and expenditures valued at $50,000 undergo enhanced review, and $100,000 or more must be reviewed and approved by the Secretary before execution, providing an additional layer of executive oversight for high-value procurements. All headquarters invoices and every local office invoice over $50,000 have been tracked and documented since November 2023. Furthermore, contracts are reviewed and approved by the Office of the Attorney General (OAG) and the Office of Procurement to ensure compliance with applicable procurement and legal requirements. In May 2026, the Department implemented ePACE, an enterprise contract lifecycle management system that strengthens contract oversight and invoice accountability. ePACE does not replace FMIS, but clarifies the flow of the information subsequently processed in FMIS by streamlining contract development, routing, approval, and invoice review while serving as a centralized repository for all contract-related documentation, including invoices and supporting documentation. By standardizing workflows and maintaining a complete electronic record, the system enhances transparency, improves documentation, and strengthens internal controls throughout the contract management process

Department of Human Services
Family Investment Administration

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Recommendation 9a	Agree	Estimated Completion Date:	March 31, 2027
Please provide details of corrective action or explain disagreement.	The Department is committed to strengthening contract monitoring and enhancing invoice documentation requirements to ensure effective oversight and accountability. To improve invoice documentation, the Department will: 1. Strengthen our annual contract compliance and monitoring protocol to promote oversight consistency and reinforce contract management standards statewide. 2. Continue to require all designated Family Investment Administration Contract Monitors to complete the Maryland Procurement Academy (MDPA) *Maryland Contract Monitoring Basics* training program. Documentation of training completion will be maintained on file for compliance and oversight purposes. 3. Develop and implement a risk-informed sampling methodology that establishes the scope and frequency of invoice reviews based on the level of risk associated with each contract. This approach will enable the Department to focus oversight resources on higher-risk contracts while maintaining appropriate monitoring of all contracts. 4. Implement and enforce a policy establishing ePACE as the official repository for all program documentation, including invoices and other key administrative records		
Recommendation 9b	Agree	**Estimated Completion Date:**	March 31, 2027
Please provide details of corrective action or explain disagreement.	The Department is committed to obtaining outstanding deliverables and will work with relevant vendors to secure any missing required documentation, including reports, timesheets, payroll records, and receipts. For certain contracts cited in the finding, the Department has confirmed that required deliverables were provided or have since been resolved, and the administration will document these resolutions for OLA's review. Where deliverables cannot be obtained, the Department will pursue recovery of the related payments in accordance with its policy and applicable contract terms.		

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