

DEPARTMENT OF SOCIAL SERVICES
DISASTER FOOD STAMP PROGRAM



COMPLIANCE AUDIT
ISSUED MAY 16, 2007

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May 16, 2007

ANNE SILVERBERG WILLIAMSON
SECRETARY
DEPARTMENT OF SOCIAL SERVICES
Baton Rouge, Louisiana

We have audited certain transactions of the Department of Social Services Office of Family Support in accordance with Title 24 of the Louisiana Revised Statutes. Our audit was performed to determine whether disaster food stamp benefits issued in response to hurricanes Katrina and Rita were properly issued to Department of Social Services employees and other Louisiana residents.

Our audit consisted primarily of inquiries and the examination of selected financial records and other documentation. The scope of our audit was significantly less than that required by *Government Auditing Standards*; therefore, we are not offering an opinion on the Department of Social Services' financial statements or system of internal control nor assurance as to compliance with laws and regulations.

The accompanying report presents our findings and recommendations as well as management's response. Copies of this report have been delivered to the District Attorney for the Nineteenth Judicial District of Louisiana, and others as required by state law.

Respectfully submitted,

Steve J. Theriot, CPA
Legislative Auditor

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DISASTER FOOD STAMP PROGRAM OVERVIEW

In response to hurricanes Katrina and Rita, on September 1, 2005, and September 28, 2005, the U.S. Department of Agriculture Food and Nutrition Service (FNS) authorized a Disaster Food Stamp Program (DFSP) for affected Louisiana parishes. The Louisiana Department of Social Services (DSS) Office of Family Support (OFS) operated the DFSP from September 2, 2005, through November 30, 2005. Applications for DFSP benefits were accepted in all operational parish offices and designated locations.

To qualify for DFSP benefits, a household must have lived in a federally declared disaster parish and must have experienced one of the following disaster-related adverse effects: (1) lost food; (2) damage to home or self-employment property; (3) disaster-related expenses not expected to be reimbursed during the benefit period; (4) lost or inaccessible income; or (5) inaccessible liquid resources.

Applicants were required to fill out an application that requested information on (1) household situation; (2) household members; (3) income; (4) resources; and (5) expenses. Once an application was completed, the applicant would be interviewed and a budget sheet would be completed to determine eligibility. Once certified for eligibility, an Electronic Benefit Transfer (EBT) card was issued. The card would be valid for 90 days at which time all unused benefits would be expunged.

Under the DFSP, eligible residents living in the areas affected by Hurricane Katrina were initially certified to receive benefits for September 2005. Benefits for eligible residents of Jefferson, Orleans, Plaquemines, St. Bernard, and St. Tammany parishes were extended for October and November 2005. Eligible Washington Parish residents could receive benefits for September and October 2005. In response to Hurricane Rita, eligible residents living in the declared parishes were certified to receive benefits for October 2005. Benefits for eligible residents of Acadia, Allen, Beauregard, Calcasieu, Cameron, Jefferson Davis and Vermilion parishes were extended through November 2005. Households in the declared parishes already receiving benefits under the Regular Food Stamp Program (RFSP) were not eligible to receive DFSP benefits. These households received supplemental benefits that increased their RFSP benefits to the maximum allotment for their household size.

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Background (See page 21.)

The U.S. Department of Agriculture Food and Nutrition Service (FNS) was given the authority to provide the Food Stamp Program (FSP) by Congress in 1964 by PL 88-55 and later by the Food Stamp Act of 1977. This social service program provides monthly benefits to help eligible low-income households buy the food they need for good health. The Department of Social Services (DSS) Office of Family Support (OFS) is tasked with administering the FSP and numerous other federally legislated and funded social service programs within Louisiana. OFS attempts to empower families to attain self-sufficiency and ongoing independence through the administration of such family support programs and is only one of DSS four offices.¹

The Food Stamp Act of 1977, along with the Robert T. Stafford Disaster Relief and Emergency Assistance Act of 1987, gives FNS the authority to administer an emergency food stamp program. FNS used this authority to initiate a Disaster Food Stamp Program (DFSP) in parishes affected by hurricanes Katrina and Rita. The DFSP resulted in DSS OFS administering \$378 million in benefits to approximately 500,000 households. During a federally required audit of all DFSP cases involving DSS employees, OFS Fraud and Recovery Section (FRS) made the determination that certain DSS employees provided false information to establish benefit eligibility. Our audit of the DFSP was performed to determine the propriety of this and other allegations of program abuse.

The examination resulted in four findings concerning the eligibility determination of DFSP applicants.

1. DFSP benefits were issued to ineligible DSS employees.
2. DFSP controls were not followed at the East Baton Rouge OFS.
3. Excess DFSP benefits were issued to recipients.
4. Disaster benefits were issued to households receiving regular food stamp benefits.

Benefits Issued to Ineligible DSS Employees (See pages 9-12.)

According to DSS records, 1,425 DSS employees submitted DFSP applications and received benefits. On January 30, 2006, DSS Secretary Ann Williamson notified all DSS staff that the FRS would be reviewing DFSP applications submitted by DSS employees. Our analysis of 66 FRS case summaries indicated that several DSS employees received benefits they were not entitled to receive; several DSS employee applications were incomplete; employees received additional benefits for non-household members; and most employees were not interviewed and screened for eligibility. It should be noted that our analysis focused on employees processed outside the major impact areas; consequently, of the 66 applications reviewed, 49 were processed in the Baton Rouge metro area.

¹ The Executive Office of the Secretary (OS), the Office of Management and Finance (OM&F), the Office of Family Support (OFS), and the Office of Community Services (OCS).

Recommendations (See pages 11-12.)

We recommend that the DSS adopt formal policies and procedures for employees to follow should they need to apply for DFSP benefits. Furthermore, DSS should ensure that each employee applying for benefits is properly interviewed and screened to determine eligibility. Finally, we recommend that the FRS review each employee application for completeness and eligibility before issuing benefits.

OFS Did Not Follow Program Controls (See pages 12-15.)

During our examination of DSS employees who received improper benefits, several DSS employees domiciled in East Baton Rouge told us they applied for benefits since everyone was eligible because income and resources were not being considered in determining eligibility. As a result, we reviewed the operations of the East Baton Rouge North OFS (OFS North) following Hurricane Katrina to determine compliance with program requirements. According to DSS records, 36,431 DFSP applications totaling \$24,625,172 were processed at the OFS North. Examination of a sample of 313 East Baton Rouge resident applications processed at OFS North illustrated that the majority of applicants did not submit a completed application and that budget forms were not used to determine client eligibility. This application process resulted in numerous ineligible households receiving disaster benefits. In addition, applications were processed at OFS North for an elevated number of ineligible DSS employees and duplicate households.

Recommendations (See page 15.)

We recommend that the DSS adopt policies and procedures to ensure that all necessary information is obtained from the client and recorded accurately. These policies and procedures would require that applications and budget sheets are completed entirely for every client. Furthermore, DSS should ensure that all employees responsible for processing DFSP applications are properly informed of any and all procedural alterations by establishing formal policies and procedures for notifying parish management of operational changes.

Excess Disaster Benefits Issued (See pages 15-18.)

The DSS allowed excessive benefits to be issued to DFSP clients. These benefits were issued to households by three key means. First, households received duplicate benefits by altering the head of household's social security number and submitting DFSP applications under both the correct and the altered social security numbers. Ineligible households were issued extra months of disaster benefits by altering the households address or parish code on the DFSP case. Finally, although the DFSP allowed a household to receive benefits for both hurricanes Katrina and Rita, certain households were inappropriately issued benefits for both storms in the same month. It should be noted that not all benefits issued were used; many were expunged before use.

Recommendations (See page 18.)

We recommend that the DSS adopt policies and procedures to ensure that all necessary information is obtained from the client and recorded accurately. These policies and procedures would require that applications and budget sheets are completed entirely for every client. Furthermore, the DSS should enact disaster operating system controls that would prohibit a client from receiving duplicate or overlapping benefits.

**Disaster Benefits Issued to Regular
Food Stamp Recipients (See pages 19-20.)**

A total of \$483,300 of overlapping regular and disaster food stamp benefits were issued to clients during the DFSP. We were able to ascertain two means of overlapping benefits. The DSS operating system allowed disaster benefits to be issued to a client that had a pending Regular Food Stamp Program (RFSP) case. Also, because of a lack of verification of applicant information, a regular client was able to alter one's social security number and receive disaster benefits.

Recommendations (See page 20.)

We recommend that the DSS adopt policies and procedures to ensure that all necessary information is obtained from the client and recorded accurately. These policies and procedures would require that applications and budget sheets are completed entirely for every client. In addition, the DSS should adjust the disaster operating system to ensure that a client with a pending regular benefit case would not be able to receive RFSP benefits.

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Benefits Issued to Ineligible DSS Employees

To qualify for Disaster Food Stamp Program (DFSP) benefits following hurricanes Katrina and Rita, a household must have lived in a federally declared disaster parish and must have experienced one of the following disaster-related adverse effects: (1) lost food; (2) damage to home or self-employment property; (3) disaster-related expenses not expected to be reimbursed during the benefit period; (4) lost or inaccessible income; or (5) inaccessible liquid resources. Applicants were required to fill out an application that requested information on the applicant's (1) household situation; (2) household members - on the date of the disaster; (3) income - take home pay during the month following the disaster; (4) resources - liquid and accessible resources including cash on hand and in checking and savings accounts; and (5) expenses related to the disaster and not expected to be reimbursed.

According to program requirements, once an application was completed, the applicant would be interviewed and a budget sheet would be completed to determine eligibility under the following formula: expected household income during the disaster period plus household accessible resources minus un-reimbursed disaster-related expenses equals adjusted income. Adjusted income is then compared to the disaster gross income limit to determine eligibility. If adjusted income was less than the disaster gross income limit (based on household size), the household would receive a certification notice and the maximum allotment of benefits during the disaster period. If adjusted income was greater than the disaster gross income limit, the application would be denied and a denial notice completed. Once an application was certified as eligible for benefits, an Electronic Benefit Transfer (EBT) card was issued. The card would be valid for 90 days at which time all unused benefits would be expunged.

DSS Employees

According to DSS records, 1,425 DSS employees submitted DFSP applications and were issued benefits totaling \$521,939 after hurricanes Katrina and Rita. On January 30, 2006, DSS Secretary Ann Williamson notified all staff that the Office of Family Support (OFS) Fraud and Recovery Section (FRS) would be reviewing all DFSP applications submitted by DSS employees. FRS first targeted for its review, the low impact parishes such as East Baton Rouge, West Baton Rouge, and Livingston. The FRS methodology in reviewing these cases consisted of the following: (1) obtain the employee application; (2) obtain the employee's statement; (3) verify the amount of benefits received; (4) verify household composition; (5) verify household income and resources during the benefit period; and (6) verify disaster-related expenses. This information was then used to recalculate the applicant's adjusted income during the benefit period to determine eligibility. During our initial examination of the FRS file reviews, we noted the following:

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1. Several DSS employees received benefits they were not entitled to receive.
2. Applications submitted by DSS employees were incomplete.
3. DSS employees received additional benefits for non-household members.
4. DSS employees were not properly interviewed and screened for eligibility.

Ineligible Employees

We reviewed 66 case summaries prepared by FRS, which included 49 employee applications that were processed in the Baton Rouge metro area. Each case summary included the employee's DFSP application, a statement obtained from the employee in reference to the receipt of benefits, and information obtained to substantiate household income and resources during the disaster period (e.g., payroll records and bank statements). By recalculating adjusted income for each household, FRS determined that of these 66 cases in which benefits totaling \$26,389 were issued, only one employee was eligible to receive DFSP benefits.

Employee Applications Not Completed

Several of the employee applications processed were not complete and did not include enough information to determine program eligibility. In many cases, DSS employees did not fill out the application sections requesting household income and available resources. On occasions in which this information was completed, labor and banking records indicated that numerous employees underreported household income and/or available resources. Of the 66 cases reviewed, there were 55 cases (83%) where the employee either failed to report or underreported household income by at least \$1,000. In addition, in 47 of these cases (71%), the employee either failed to report or underreported available resources by at least \$1,000.

Benefits Received for Non-Household Members

Section B of the DFSP application requires the applicant to list the members of the household who were affected by the disaster. This section further instructs the applicant not to include people who were not part of his/her household when the disaster happened. The household's adjusted monthly income is then compared to the Disaster Gross Income Limit (DGIL) which is based on household size to determine eligibility (see table on following page).

Household Size	Disaster Gross Income Limit	Maximum Allotment
1	\$1,298.00	\$149.00
2	\$1,563.00	\$274.00
3	\$1,828.00	\$393.00
4	\$2,093.00	\$499.00
5	\$2,377.00	\$592.00
6	\$2,664.00	\$711.00
7	\$2,929.00	\$786.00
8	\$3,194.00	\$898.00
Each Additional Member	Add \$265.00	Add \$112.00

If the applicant’s adjusted income is less than the DGIL and the case is certified, the household would receive the maximum allotment of benefits which increases as the household size increases. For example, a household with four members and adjusted income less than \$2,093 would have been certified to receive \$499 in DFSP benefits.

Of the 66 cases reviewed, at least 11 employees received DFSP benefits for people who were not members of their household at the time of the disaster. One employee received benefits for five non-household members, four of which had already received RFSP benefits during the same month. In another case, the employee indicated that he initially listed only his own name on his application but later added a church member who occasionally stayed with him. He explained that he added the church member to the application during his certification interview because the DSS administrator asked him if anyone else stayed in his household after the disaster.

Employees Not Interviewed to Determine Eligibility

To receive DFSP benefits, applicants were required to complete an application and go through the certification process. This process included an interview of the head of household to review all information on the application, verification of identity and residency, verification that the household is not already receiving RFSP benefits, and completion of a budget sheet to determine DFSP eligibility. Several employees who received DFSP benefits indicated they submitted applications for processing without being interviewed. In addition, several employees whose applications were processed at the East Baton Rouge North Office of Family Support (OFS North) indicated they were informed by DSS administrators that budget sheets did not have to be completed because income and resources were not counted, essentially making everyone eligible for benefits. Of the 66 case files reviewed, 33 employees indicated they were either not interviewed or were informed that everyone was eligible to receive benefits because income and resources were not counted.

We recommend that the DSS adopt formal policies and procedures for employees to follow should they need to apply for DFSP benefits. These policies and procedures should ensure that only eligible employees receive benefits and require each employee to complete an application. Furthermore, DSS should ensure that each employee applying for benefits is

properly interviewed and screened through the use of budget sheets to determine eligibility. Finally, we recommend that the FRS review each employee application for completeness and eligibility before issuing benefits.

OFS Did Not Follow Program Controls

DFSP applicants were required to fill out an application that requested information on their household situation, household members (on the date of the storm), take home pay during the month following the disaster for all household members, accessible liquid resources, and unreimbursed expenses related to the disaster. Once an application was completed, the program mandated that the applicant was interviewed and a budget was completed to determine eligibility. Eligibility was determined by the applicant's income, resources, parish of residence (federally declared disaster area), and expenses (disaster-related adverse effect). Once an application was certified, an EBT card was issued.

The OFS North began taking applications for the DFSP in response to Hurricane Katrina on September 1, 2005. According to DFSP records provided by DSS, OFS North processed approximately 36,431 applications for which \$24,625,172 in DFSP benefits were issued. During our review of DSS employee applications, we noted that a large number of the ineligible employees applied for and received their benefits through OFS North. In addition, several of these employees indicated that for the two-week period following Hurricane Katrina, OFS North processed applications as if everyone who applied for benefits was eligible. They further indicated that DSS administrators at this office instructed staff to discontinue using budget sheets and disregard income and accessible resources when processing applications. As a result of this information, we sampled 313 East Baton Rouge Parish resident applications processed at OFS North to determine eligibility, completeness of the applications processed, and whether or not budget sheets were completed.

Eligibility Determination at OFS North

Applications at OFS North were filed by the middle two digits of the applicants' social security numbers and were separated into two categories: applicants residing in East Baton Rouge Parish and applicants who resided outside of the parish. According to DSS records, OFS North processed 12,450 applications totaling \$5,348,226 for East Baton Rouge Parish residents. We randomly chose to perform desk reviews on applications in which the household was located in East Baton Rouge Parish, a low impact parish, and the head of household's social security number included '23' on the middle two digits. This sample included 313 applications.

For each desk review, we determined completeness, whether or not a budget sheet was filled out, and overall eligibility based on the information provided. In addition, we matched the social security numbers listed on each application against the Louisiana Department of Labor (LDOL) database to test for unreported income. It should be noted that LDOL records were only used to determine unreported income if the household

member had consistent income reported for the quarters before, during, and after the disaster period. Based on the sample, we determined the following:

1. Many applicants' DFSP eligibility was questionable because complete information was not provided on the applications.
2. A large percentage of applications were incomplete and/or inaccurate.
3. Budget sheets were not completed to determine eligibility.

Eligibility

Our review of these applications indicated that at least 81 of the 313 households were ineligible to receive DFSP benefits. In several cases, the application was deemed ineligible based on the information submitted by the applicant - the household's adjusted income was greater than the disaster gross income limit. Several other cases were deemed ineligible because unreported income caused the household to exceed the disaster gross income limit.

For example, a DFSP client received \$499 in benefits for four household members. This case was certified even though a budget sheet indicating that household adjusted income (\$4,154) was almost twice the disaster gross income limit for the household size (\$2,093). Another applicant received \$711 in benefits for six household members. This case appears to have been certified because the household income listed on the application totaled approximately \$24,000/year. However, LDOL records indicate that the household's yearly income was approximately \$125,000/year.

In addition to the 81 ineligible households, we questioned the eligibility of another 183 households for one or more of the following reasons: the application did not include information pertaining to income and/or resources; the application did not indicate that any disaster-related expenses were incurred; or the disaster food stamp benefits received were greater than the disaster-related expenses incurred. Finally, of the 313 households, we determined that 35 were eligible and that no benefits were issued to 14 households.

Summary of OFS North Sample			EBR Resident Total
Eligibility	Applications	Ratio	Estimated Totals ²
Eligible	35	11.0%	\$625,743
Questionable	183	58.5%	\$3,273,114
Not Eligible	81	26.0%	\$1,449,369
Subtotal: Benefits Issued	299	N/A	\$5,348,226
Rejected by OFS	14	4.5%	
Total	313	100.00%	

² Estimated totals were determined by applying the percentages of eligible, questionable, and not eligible applications for which benefits were issued (total of 299 applications) to the total amount of benefits issued to East Baton Rouge Parish residents.

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Based on the number of applications sampled, it appears 84.5% of the applicants were paid benefits they were not entitled to receive or their eligibility for benefits was questionable; 11% properly received benefits; and 4.5% were not eligible to receive benefits. Expressing these percentages as dollar amounts of benefits processed to East Baton Rouge residents out of OFS North (\$5,348,226) then benefits totaling \$1,449,369 may have been paid to ineligible applicants and \$3,273,114 may have been paid to applicants whose eligibility for benefits was questionable.

Completeness of Applications

After evaluating 313 applications processed at OFS North, we found that only 27% of the applications were completed with client income, resource, and expense information. Thirty-nine percent of applicants either under reported income or did not report any income for the entire household. Thirty-five percent of the applicants did not fill out the resources section or reported that they had no available resources. In addition, in 50% of the cases, benefits received were greater than the losses reported by the applicant.

Budget Sheets

The sample reviewed also indicated that budget sheets were not completed at OFS North. We found that 277 or 88.5% of the cases reviewed did not contain a budget sheet. Only 36 of the 313 (11.5%) applications reviewed were processed using the DFSP budget sheet.

Because of the issues addressed above and the large amount of DFSP benefits issued at OFS North, we interviewed several office employees. Several employees who worked at OFS North indicated that either Adren Wilson, OFS undersecretary, or Latrice Williams, former OFS North administrator, instructed them that income and resources were not to be counted and that budget sheets were not necessary in determining eligibility. These employees also indicated that operations were very chaotic and that communication between management and workers was inadequate. In addition, we interviewed several non-employee DFSP applicants who indicated that it was their understanding that everyone was eligible for benefits.

Ms. Williams stated that when she arrived at the office she was given an Executive Bulletin from the DSS containing copies of the budget sheet, disaster application, certification form, and rejection form for the DFSP. She initially instructed employees to use these documents to certify cases but added that a short time after the program started, Mr. Wilson came to the office and instructed employees to discontinue use of the budget sheets. She further recalled Mr. Wilson going door-to-door throughout the building telling employees that everyone was eligible. Mr. Wilson indicated that he did not instruct employees to discontinue the use of budget sheets. He stated that after working at the office he discovered that budget sheets were not being completed. He stated that he instructed employees not to go back and complete budget sheets for applications that had been processed and further instructed employees to complete budget sheets going forward. In addition, Mr. Wilson indicated that he did not say that all applicants were eligible for DFSP benefits.

We recommend that the DSS adopt policies and procedures to ensure that all necessary information is obtained from the client and recorded accurately. These policies and procedures would require that applications and budget sheets are completed entirely for every client. Furthermore, DSS should ensure that all employees responsible for processing DFSP applications are properly informed of any and all procedural alterations by establishing formal policies and procedures for notifying parish management of operational changes.

Excess Disaster Benefits Issued

The DFSP operating system was designed specifically for disaster circumstances and is a subsystem of the Louisiana Automated Management Information (LAMI) system. LAMI is used to determine client eligibility and calculate Regular Food Stamp Program (RFSP) benefits. The disaster subsystem was used in place of LAMI during the DFSP because it accelerated the application process by requiring less client information. Although the DFSP client application requested additional information from the client, only the head of household's name, social security number, date of birth, household size, and current address were required by the operating system. The disaster system did not require the names, social security numbers, or dates of birth of household members. Income, resource, and expense information for the household were also not required by the system. Because of these limitations of the DFSP operating system, excessive disaster food stamp benefits were able to be processed to several households.

Duplicate Benefits

During the DFSP, the accuracy and legitimacy of the head of household's information entered into the system were not verified before certifying the case. The operating system attempted to prevent duplication of RFSP benefits (provided that the case was active and not simply pending certification) by verifying that the social security number for the head of household was not used on a case that was actively receiving RFSP benefits. If the head of household's social security number was associated with an active regular RFSP case or DFSP case, the operating system would not allow the case to be processed. However, the system did not recognize if the applicant's name and date of birth were associated with a case already receiving benefits. According to DSS records, some duplicate benefits issued were expunged before used; however, issuing these duplicated benefits indicates that DSS did not have adequate procedures in place to prevent households from being issued more than one allocation of benefits.

During our review, we used DFSP data provided by DSS to match cases in which the head of household's first name, last name, and date of birth were identical. The results suggested that \$1,005,149 of DFSP benefits were issued to 649 duplicated households. In many cases, duplicate benefits resulted because the social security number was misrepresented by one or two digits. In these cases, it appeared the applicant completed two different applications with different social security numbers or the DSS employee processed the applications with two different social security numbers. In other cases, it

appears the DSS employee that processed the application used a pseudo number (altered social security number) because the disaster system notified the employees that the client's social security number was linked to an active case. Although pseudo numbers were intended to be used for clients who did not have social security numbers, DSS staff members were using pseudo numbers when clients claimed to have not received benefits. For example:

A head of household applied for benefits at the OFS North. She was issued benefits under her correct social security number and under an altered version of her social security number that belongs to an unrelated individual. The two applications found contained the same five household members. The head of household acknowledges that both applications appear to have been completed and signed by her. However, she does not remember having two EBT cards. Both EBT cards issued contained \$592 of benefits and were used at the same grocery stores from September 12, 2005, to October 9, 2005.

We also noted that other duplicate cases were submitted by replacing all or part of the head of household's information with a household member's information. This was possible because the DFSP operating system did not require a household member's personal information to be entered into the operating system. Therefore, it was not possible to determine if a household member received benefits as head of household on another application. Taking this into consideration, a household could interchange the head of household information with a household member's information and receive duplicate disaster benefits. For example:

Two EBT cards were issued by the St. Bernard Parish OFS to the same DFSP client's name, date of birth, and address. One case was assigned to her correct social security number and the other was issued to the social security number of one of the seven household members listed on the two cases. No explanation for issuing these duplicate benefits was included with the application. The \$2,358 (\$786 for three months) of benefits issued under the correct social security number was consumed from September 5, 2005, to January 20, 2006. A total of \$1,497 (\$499 for three months) was issued to the second card. These benefits were consumed from September 29, 2005, to December 15, 2005. All benefits issued were spent at the same retail establishments.

To gain a better understanding of the extent of this issue, we performed a data search on a small amount of random applications from the East Baton Rouge OFS North and South offices. The name, social security number, and date of birth for each household member were used to search the DFSP data obtained from DSS. The search compared the social security numbers of the household members, when provided, on the sample of applications to head of household social security numbers in the DFSP operating system.

Sample from the East Baton Rouge, OFS-North: We used 3,302 applications containing 11,107 household members from the OFS North to search for benefits that were duplicated by altering the household composition. Of these, we found that 20% (2,217 of 11,107) of the individuals included as household members on the applications from the OFS North office did not list a social security number and could not be tested for duplication. The data search administered from the available information indicated that 204 household members were used on a separate case as the head of household. The benefits issued to these individuals as head of household totaled \$162,410. For example:

A DFSP client was issued \$786 (one month of benefits for seven household members) of disaster benefits on September 6, 2005. We found that two of these household members received separate benefits as head of household at the West Feliciana Parish OFS. One of the household members applied for and received \$1,776 in DFSP benefits for five household members. The second household member listed seven household members on her DFSP application and received \$786 in benefits. The primary DFSP client stated she was not aware her two household members also received food stamps. She is certain that all individuals listed on her application knew that she was getting food stamps for the household because she shared the benefits with all the household members.

Sample from the East Baton Rouge, OFS-South: The 1,644 applications obtained from the OFS South office consisted of 4,612 individual household members. Again, not all applications contained the necessary social security numbers needed for the assessment. Of these applications, 18% (842 of the 4,612) of the household members listed on the applications from the OFS South office did not give a social security number. Through the analysis of the available data, we found that 59 of the household members were used as the head of household on another application. The total benefits issued to these individuals as head of household was \$43,483.

Extra Months of Benefits

The number of months a client was eligible to receive disaster benefits was determined by his/her parish of residence. DSS assigned a two digit parish code for all parishes in Louisiana. The states of Texas, Alabama, and Mississippi were also each assigned a two digit code. The parish code was entered into the disaster system when the application was processed and was used to allocate benefits. The number of benefit months allocated to each parish was set by the DSS as the DFSP was being operated. When the decision to issue subsequent benefits to a parish was made, the DFSP operating system was updated to issue all clients coded to that particular parish additional benefits.

To determine if households were receiving the correct number of benefit allocations, we compared employment data from organizations that operated in low impact parishes (therefore making those residents eligible for one month of DFSP benefits) to DFSP data for clients issued more than one month of benefits. Among the employers searched were East Baton Rouge Parish School Board, East Baton Rouge Parish Consolidated Government, Lafayette Parish School Board, and Casino Rouge.

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This sample comparison indicated that 58 households were issued extra months of disaster food stamps.

We then examined the client's labor records, EBT card activity reports, and identification reports to establish where the client was residing at the time of and after the disaster. These documents were also used to determine how the applicant received excess months of benefits. It appears that excess benefits were issued in two ways: by using an address other than the client's apparent address and using the client's correct address with a different parish code. However, at the time many applications were submitted, the amount of eligible benefit months for each parish was not known. For example:

An East Baton Rouge School Board employee applied for disaster benefits in Terrebonne Parish and was issued benefits totaling \$2,133 (\$711 for three months). She was issued three months of benefits because her case was coded to Terrebonne Parish because of the Houma address she recorded on her DFSP application. However, her employment history illustrated that she was employed with the East Baton Rouge School Board from 1995 until after Hurricane Katrina. In addition, an address search showed that she has resided at her current residence in East Baton Rouge Parish since 2004. Lastly, the EBT card issued to her was used from September 14, 2005, to December 29, 2005, in Baton Rouge and Slidell, not in Terrebonne Parish.

Katrina and Rita Benefits

The DFSP operating system allowed a client to receive benefits for both disasters if the client relocated from a Katrina disaster parish to a Rita disaster parish. A client was also allowed to receive benefits for both hurricanes Katrina and Rita without relocation if the client had an address in Iberia, Lafourche, St. Martin, St. Mary, or Terrebonne Parish. A query for duplicated households illustrated that 96 households were issued benefits for both Hurricane Katrina and Hurricane Rita. In some cases the benefits for the two disasters overlapped in the same month. For example:

On September 6, 2005, a DFSP applicant was issued \$499 of benefits for Hurricane Katrina. On October 26, 2005, he was then issued \$506 of benefits for Hurricane Rita. He was issued two months of benefits for each case, which overlapped in October 2005. It appears the applicant claimed residency in Waverly, Mississippi, at the time of Hurricane Katrina and in Houma, Louisiana, at the time of Hurricane Rita. All benefits were consumed in Houma, Louisiana.

We recommend that the DSS adopt policies and procedures to ensure that all necessary information is obtained from the client and recorded accurately. These policies and procedures would require that all sections of the application and budget sheet are completed for every client. Furthermore, the DSS should enact operating system controls that would prohibit a client from receiving overlapping benefits.

Disaster Benefits Issued to Regular Food Stamp Recipients

Regular Food Stamp Program (RFSP) recipients were not eligible to receive DFSP benefits. In lieu of DFSP benefits, RFSP households in the federally declared disaster parishes were issued supplemental food stamp benefits in addition to their RFSP benefits. The supplemental benefits were equal to the difference between the client's initial allotment of RFSP benefits and the maximum DFSP allotment for that client's household size. If the client received the maximum allotment before the DFSP he/she was not eligible for supplemental benefits. In addition, the amount of months a RFSP recipient was eligible for supplemental benefits was concurrent with the DFSP allotment.

All RFSP cases are processed in the LAMI, Louisiana Automated Management Information, system which is used to determine eligibility and calculate benefits. The DFSP operating system was designed specifically for disaster circumstances and is a subsystem of the LAMI system. When processing a case in the disaster subsystem, the social security number of the client was automatically verified through LAMI to prevent RFSP recipients from receiving DFSP benefits. However, through a query of disaster subsystem and regular LAMI data, we found that 393 households were issued overlapping RFSP and DFSP benefits. These conflicts were found by searching the DFSP data with the last name, first name, and date of birth for each active RFSP client during September, October, and November 2005. This search also highlighted that in some cases a recipient was issued supplemental benefits, as well as regular and disaster benefits. It should be noted that the duplicate matches obtained included any RFSP case household member that was issued DFSP benefits as head of household. These households were issued a total of \$254,958 of DFSP benefits.

We selected 28 households from the query for further examination and found that 25 of them were issued overlapping regular and disaster benefits. It was noted that the benefits issued to these households were overlapped by either altering the social security number of the head of household on the DFSP case or processing a DFSP application while his/her RFSP case was awaiting certification.

The head of household's social security number listed on the disaster case was altered in some way from the social security number recorded in LAMI in 14 of the 25 cases examined. For example:

One case found illustrated that a FSP recipient was issued disaster benefits, as well as regular and supplemental benefits. This client was issued a total of \$2,650 in food stamp benefits over a three-month period. On her disaster application, she claimed five household members and was issued \$1,776 (\$592 per month) in September, October, and November 2005. Furthermore, she was issued \$277 in supplemental benefits and \$597 in regular food stamp benefits per month for the same time period. Although the social security numbers on the regular and disaster cases were not the same, we were able to verify that the address, name, and date of birth on both cases matched.

DISASTER FOOD STAMP PROGRAM

Eleven of the 25 households applied for and received disaster benefits after they applied for regular FSP benefits but before the regular FSP case was certified. The system did not prevent disaster benefits from overlapping when the regular FSP case was pending in LAMI. For example:

A food stamp recipient received regular benefits from August 2003 until July 2005. The case was then reopened on August 12, 2005. The status of the case was pending until September 9, 2005. She received \$551 in regular food stamps and \$161 of supplements for September. In addition, a disaster case for this client was certified on September 5, 2005. She was issued one month of benefits for \$1,010.

We recommend that the DSS adopt policies and procedures to ensure that all necessary information is obtained from the client and recorded accurately. These policies and procedures would require that all sections of the application and budget sheet are completed for every client. In addition, the DSS should adjust the disaster operating system to ensure that a client with a pending regular benefit case would not be able to receive disaster benefits.

This information has been provided to the District Attorney for the Nineteenth Judicial District of Louisiana as required by law. The actual determination as to whether an individual is subject to formal charges is at the discretion of the district attorney.³

The U.S. Department of Agriculture FNS was given the authority to provide the Food Stamp Program by Congress in 1964 by PL 88-55 and later by the Food Stamp Act of 1977. This social service program provides monthly benefits to help eligible low-income households buy the food they need for good health. The DSS OFS is tasked with administering the Food Stamp Program at the state level. OFS attempts to empower families to attain self-sufficiency and ongoing independence through the administration of such family support programs and is only one of DSS four offices.⁴ Through these offices, DSS administers numerous federally legislated and funded social service programs within Louisiana and issues benefits related to those programs.

³ **R.S. 14:67** provides, in part, that theft is the misappropriation or taking of anything of value which belongs to another, either without the consent of the other to the misappropriation or taking, or by means of fraudulent conduct, practices, or representations.

R.S. 14:133 provides, in part, that filing false public records is the filing or depositing for record in any public office or with any public official, or the maintaining as required by law, regulation, or rule, with knowledge of its falsity, any forged document, any wrongfully altered document, or any document containing a false statement or false representation of a material fact.

R.S. 14:134 provides, in part, that malfeasance in office is committed when any public officer or public employee shall (1) intentionally refuse or fail to perform any duty lawfully required of him, as such officer or employee; (2) intentionally perform any such duty in an unlawful manner; or (3) knowingly permit any other public officer or public employee, under his authority, to intentionally refuse or fail to perform any duty lawfully required of him or to perform any such duty in an unlawful manner.

Article 7, Section 14 of the Louisiana Constitution provides, in part, that except as otherwise provided by this constitution, the funds, credit, property, or things of value of the state or of any political subdivision shall not be loaned, pledged, or donated to or for any person, association, or corporation, public or private.

18 U.S.C. §1001, "False Statement" states, in part, that whoever knowingly and willfully falsifies, conceals or covers up by any trick, scheme, or device a material fact, or makes any false, fictitious or fraudulent statements or representations, or makes or uses any false writing or document knowing the same to contain any false, fictitious or fraudulent statement, shall be fined not more than \$10,000 or imprisoned not more than five years or both.

⁴ The Executive Office of the Secretary (OS), the Office of Management and Finance (OM&F), the Office of Family Support (OFS), and the Office of Community Services (OCS).

This Food Stamp Act of 1977, along with the Robert T. Stafford Disaster Relief and Emergency Assistance Act of 1987, gives FNS the authority to administer an emergency food stamp program. FNS used this authority to initiate a DFSP for hurricanes Katrina and Rita disaster areas. This DFSP resulted in DSS OFS administering \$378 million in benefits to approximately 500,000 households. During a federally required audit of all DFSP cases involving a DSS employee, the OFS Fraud and Recovery Unit determined that certain DSS employees provided false information to establish benefit eligibility. Our audit of the DFSP was performed to determine the propriety of this and other allegations.

This examination was performed to determine the propriety of certain transactions. The following procedures were performed:

1. Interviewed employees and officials of the DSS OFS
2. Interviewed disaster food stamp clients and other appropriate persons
3. Analyzed disaster food stamp data obtained from the DSS
4. Examined selected documents and records of the DFSP
5. Reviewed applicable state laws and regulations

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Management's Response



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SECRETARY

April 23, 2007

Mr. Steve J. Theriot, CPA
Office of Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Theriot:

Please refer to your letter of April 9, 2007 regarding compliance audit findings on the Department of Social Services (DSS) Disaster Food Stamp Program (DFSP).

Hurricanes Katrina and Rita resulted in unprecedented disaster in Louisiana. Immediately following the storms, DSS began providing food assistance to affected citizens. While administering the program, which resulted in an also unprecedented 493,556 households receiving DFSP benefits, we recognized that inadequacies existed. DSS and the Office of Family Support (OFS) staff conducted an internal review of our performance immediately following the storms of 2005. Staff identified areas of concern and subsequently developed refined policy and procedural practices in time for the 2006 hurricane season, as well as prior to any outside reviews or audits.

As shared with your compliance auditors when they began work in August 2006, extensive revisions were made to the OFS Chapter 4 Family Assistance Manual Section O, Disaster Food Stamp Program. These changes were included in the DFSP Training Packet used during the May 2006 OFS training sessions in preparation for the 2006 hurricane season. Following issuance of an agency Executive Bulletin addressing the questions and answers from the 2006 training, this revised training packet was incorporated into the new OFS Chapter 5 Training Manual as Part IV, DFSP Training Manual. This new manual will be used during the OFS DFSP training later this month in preparation for the 2007 hurricane season. The Louisiana DFSP policy and procedure guide has been a model recognized by the Gulf states during a federal training conference.

To further improve the overall integrity of any future DFSP, policy regarding Electronic Benefit Transfer (EBT) was revised to address the concerns identified during the 2005 DFSP, such as card handling procedures, card distribution to multiple DFSP application sites and card stock security requirements. The more detailed revised policy was incorporated into the OFS Chapter 3 EBT Handbook, Part H. – EBT Disaster Card procedures, and most recently updated June 1, 2006.

In addition, our self-initiated corrective action includes mobilization of an OFS Disaster Response Monitoring Team during future DFSP operations. This team will be responsible for monitoring the Parish Offices or other DFSP application sites to insure that established procedures and policy are being followed. The team will be comprised of Quality Control and Fraud and Recovery Sections, both within the OFS Quality Assurance Division. Disaster Response Monitoring Team responsibilities are outlined in OFS Chapter 4 Section O-280, DFSP.

We generally concur with the report findings. Our responses below address the four major deficient areas.

- **Benefits issued to ineligible DSS employees.**

Fraud and Recovery (F&R) staff continue to review the 1,425 DSS employee cases, and will continue their review until all cases are processed. At the end of this self-driven process we expect that all ineligible benefits will have been identified and appropriately addressed.

As of April 18, 2007, F&R has completed full reviews of 455 cases, and approximately 200 other cases are at different stages of completion. In accordance with Federal Regulations (7USC 273.18), all DFSP recipients, including employees, who are determined to have received ineligible benefits are being required to repay the Agency. Where warranted, other steps are being considered, such as disciplinary action, disqualification for benefits and referral for consideration of criminal charges. Ineligibility resulted not just from false information but also from incomplete and inaccurate information that may have been no fault of the employee.

Regarding the report recommendations:

DSS has adopted formal policies and procedures for employees to follow should they need to apply for DFSP in the future. OFS Policy Manual Chapter 4, Section O-380 revised June 1, 2006 and OFS Policy Manual Chapter 5, Section IV – DFSP Training revised January 31, 2007 provide explicit guidelines for employee applications.

For first-line quality assurance, current policy now states that a Parish Manager or designee must sign and approve any DFSP application for a household containing a DSS employee, and must enter case information in the L'AMI Disaster Subsystem for that case. Additionally, if the Parish Manager or designee reviewing an employee application has any concerns or questions regarding the validity of the application, an F&R investigator will review the case prior to issuance of benefits.

This differs from the audit recommendation that F&R staff review each employee application prior to issuance of benefits, however we believe that this is the most feasible and effective approach when the agency cannot predict the extent of a disaster. If the impact of the disaster and the number of DFSP application sites are limited, F&R and Quality Control staff within the Division Quality Assurance will review all employee applications if possible. Note that if all employee applications cannot be reviewed prior to benefit issuance, the certifications must and will be reviewed as soon as possible following the conclusion of the DFSP, in accordance with federal regulations.

- **DSS did not follow program controls.**

As cited, in the OFS EBR North Parish Office, operations were not reflective of DSS program controls. We acknowledge that there was inadequate training for DSS staff prior to initiating the 2005 DFSP, primarily due to the public's immediate need for implementation of this massive effort. During implementation and administration of the DFSP, although specific policies and procedures were established and numerous Executive Bulletins were issued, clear and consistent communication of policy and procedure was lacking.

Regarding the auditor's recommendations:

Improvements to address identified inadequacies in DFSP policy and procedures were made prior to the 2006 hurricane season. OFS staff members were trained on the revised policy prior to May 2006. Training to prepare for the 2007 hurricane season is scheduled for OFS staff in late April 2007 and is underway at this writing.

OFS Policy Manual Chapter 4, Section O - DFSP was officially revised and issued June 1, 2006, and the May 2006 staff training was based on those revisions. The May 2006 DFSP training packet provided to trainees included the new policy. The information in that packet was later incorporated into the new Chapter 5 OFS Training Manual, Part IV - DFSP Training Manual, when it was issued January 2007. This online training manual will insure consistency and accuracy of information disseminated.

- **DSS allowed excessive benefits to be issued to DFSP clients.**

We cannot disagree with this finding. Fraud and Recovery has identified cases with the characteristics noted by the auditor, and some of these cases may be included in the auditor's case sample supporting this finding. However, without the actual case names/numbers, we cannot determine if the cited findings are valid, nor can we pursue any appropriate recovery of benefits. We are requesting the identifying case information from the compliance auditors to better address this finding. A detailed version of this request for identifying case information was sent to Compliance Auditors G. Clapinski and K. Jones via email on April 17, 2007.

Regarding the auditor's recommendations:

As noted above, in preparation for the 2006 hurricane season, training was provided to OFS staff prior to May 2006 to insure that necessary information is obtained from the client and all information is accurately recorded. Training to prepare for the 2007 hurricane season is being conducted in late April 2006. Current policy states that a DFSP application and application worksheet must be completed entirely whether the DFSP application is approved or denied. The applicant is now required to submit the names, dates of birth and social security numbers for all household members. All of this information is entered in the L'AMI Disaster Subsystem. Both L'AMI and the Disaster Subsystem run matches against this information prior to benefit issuance to prevent duplicate participation of DFSP benefits.

Additional corrective action will be taken on cases for both non-employees and any employees on the list of cases identified by the auditors as having excessive benefits. Such corrective action could include recovery of benefits and any other appropriate action.

- **DSS issued overlapping "regular" Food Stamp and DFSP benefits.**

Two problems were cited: First, the automated systems used at the time of the 2005 DFSP did not contain sufficient safeguards and edits. Second, applicants were not required to provide verification of household member information.

We cannot disagree with the \$483,300 overpayment amount cited by the auditor. As in the third finding, without the actual case names/numbers, we are unable to determine if the cited findings are valid, nor can we pursue any appropriate recovery of benefits. We are requesting the identifying information from the auditors to better address this finding. A detailed version of this request for identifying case information was sent to Compliance Auditors G. Clapinski and K. Jones via email

on April 17, 2007. In the meantime, a data match is being pursued by the agency's F&R Section to identify recipients who received benefits from both the regular Food Stamp Program and DFSP for the same period.

Regarding the auditor's recommendations:

OFS Chapter 4 Policy O-340-DFSP on verification revised June 1, 2006 states some eligibility factors must be verified, some should be verified when possible, and others should be verified when questionable. This instruction is repeated in OFS Chapter 5, OFS Training Manual, Part IV - DFSP Training Manual.

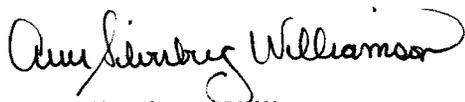
Note that if there is a pending application for regular Food Stamps, a client is not prevented from being certified for DFSP, nor should he be. However, steps will be taken to prevent certification of regular Food Stamps for the same period. System enhancements will be programmed to prevent an overlapping or duplicate issuance for the same month. Appropriate priority will be given to this system programming request. In the interim, staff will be trained to perform additional system clearances to check for existing regular Food Stamp cases prior to DFSP certification, during and after administration of any DFSP program.

Additional corrective action will include recovery of benefits and any other appropriate action regarding non-employees and any employees on the list of cases identified by the auditors as having overlapping benefits.

I expect that this response clearly indicates the self-initiated corrective action pursued by DSS immediately following the 2005 DFSP and long before receipt of this compliance audit report. All areas of concern noted in the audit report were already identified by the agency well prior to initiation of this audit review. We will continue to exhibit proactive leadership in planning for any future disasters requiring a DFSP to insure that citizens' urgent, basic need for food in the aftermath of disasters is met while maintaining the integrity and validity of the Disaster Food Stamp Program.

Please advise if you have any questions.

Sincerely,



Ann Silverberg Williamson
Secretary

ASW/DDS/LP

Steve J. Theriot, CPA
April 23, 2007
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cc: Lisa Woodruff White
Terri Ricks
Bridget Depland
Veda Emerson
Cathy Lockett
David D. Sigue