



PERFORMANCE AUDIT • REPORT NUMBER 23-16 • JUNE 2024

# Monitoring of Prepaid Cards at DHS and GDOL

## Improvements Needed to More Effectively Monitor Prepaid Card Vendor

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### Why we did this review

During the COVID-19 pandemic, a historic amount of government benefits was issued by Georgia state agencies. Many benefits were distributed on prepaid cards through a contract with an external vendor.

This audit evaluated the extent to which two state agencies—the Department of Human Services (DHS) and the Georgia Department of Labor (GDOL)—have monitored their prepaid card vendor. These agencies administer some of the largest government benefit programs that utilize a prepaid card, including Supplemental Nutrition Assistance Program, Temporary Assistance for Needy Families, child support, and unemployment insurance.

### About Prepaid Cards

Prepaid cards were introduced in the 1980s as an alternative to using coins in pay phones. As prepaid cards became more prevalent, governments began using them to deliver benefits. In the private market, prepaid cards are widely used by consumers with limited access to traditional banking services. Prepaid cards are federally regulated as financial products by the Consumer Financial Protection Bureau and the Federal Deposit Insurance Corporation. In fiscal year 2023, approximately \$4.1 billion and \$75.6 million in benefits were distributed via prepaid cards by DHS and GDOL, respectively.

## Monitoring of Prepaid Cards at DHS and GDOL

### Improvements Needed to More Effectively Monitor Prepaid Card Vendor

#### What we found

Our review of prepaid card contracts at the Department of Human Services (DHS) and the Georgia Department of Labor (GDOL) found neither agency sufficiently monitored its vendor to ensure performance met contractual expectations. While its contract includes specific performance standards, DHS has not ensured the vendor addressed deficiencies when they occurred. GDOL's contract did not include sufficient terms or required reporting necessary to establish an adequate monitoring system.

#### ***The Department of Human Services should improve its monitoring system for its prepaid card vendor.***

DHS has established a system to monitor the prepaid card vendor; however, staff did not ensure the vendor addressed deficiencies when they occurred.

DHS's contract terms clearly communicate expectations and set up a system for monitoring, which includes measurable performance standards, regular reporting, and ways to address poor performance. DHS assigned staff to monitor the contract and receive regular reporting from the vendor; however, the data used to monitor did not always align with the performance standards set in the contract. For example, for the performance standard of 95% of calls answered within 25 seconds, DHS staff reported using a field that showed the average speed of calls answered. When deficiencies occurred, staff did not ask the vendor to address them or impose a corrective action plan, as indicated by the contract. These issues limited the effectiveness of DHS's monitoring system.

Additionally, DHS does not maintain its contract monitoring documentation in a manner that would help inform contract decisions. While DHS staff indicated they check for compliance on a monthly basis, the monitoring documentation is not centralized or easily accessible to allow for more long-term assessments that could result in a corrective action plan and/or financial penalties. Additionally, centralized documentation would allow staff to

more easily assess vendor performance for contract renewals and provide the supporting documentation necessary to justify these decisions.

We also reviewed DHS's contract renewal documentation and identified improvements that could be made to better demonstrate that the agency assessed vendor performance prior to renewing the contract, as required by the Department of Administrative Services and best practices.

***The Georgia Department of Labor should establish a monitoring system for its prepaid card vendor.***

GDOL does not have a sufficient contract monitoring system in place for the prepaid card vendor, primarily because necessary components were not included in the contract. GDOL's contract does not include measurable performance standards that clearly communicate agency expectations or required reporting that would demonstrate compliance with these standards. The contract also does not outline steps the agency would take to address poor performance, should it occur. Additionally, GDOL has not assigned staff to monitor performance, and staff do not receive reports on areas such as customer service and system outages that would allow for monitoring. As a result, GDOL has not monitored the vendor and does not know how well the vendor is performing.

GDOL has also not assigned staff to assess performance prior to renewing the contract. As a result, it has continued to renew the contract without understanding whether the vendor performed satisfactorily.

**What we recommend**

DHS should improve its contract monitoring process by working with its vendor to obtain data fields directly related to the customer service standards specified in its contract. DHS staff should ensure that the vendor addresses performance deficiencies and centralize documentation of performance reviews. Staff can use this documentation to determine whether corrective action plans are needed to address performance issues and to inform the assessments required for annual contract renewal decisions.

GDOL should establish a contract monitoring process for its prepaid card vendor. This should include working with the vendor to incorporate additional terms into its contract for clearly defined performance standards and required reporting. GDOL should assign staff to monitor vendor performance, address deficiencies, and conduct performance assessments prior to contract renewal.

See **Appendix A** for a detailed listing of recommendations.

***DHS Response:*** *DHS agreed with the overall report and recommendations. The agency stated it will continue to monitor its vendor, use contract procedures to request corrective action when issues are identified, and work with the vendor to ensure performance meets contract terms. Agency responses are included at the end of each finding.*

***GDOL Response:*** *GDOL agreed with the overall report and recommendations. The agency indicated it would amend the contract to include clearly defined terms and begin assessing vendor performance to improve contract monitoring. Agency responses are included at the end of each finding.*

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## Purpose of the Audit

This review examines contract monitoring of prepaid cards at the Department of Human Services (DHS) and the Georgia Department of Labor (GDOL). Specifically, our audit set out to determine the following:

- Do state agencies set appropriate contract terms to monitor prepaid cards?
- Do state agencies follow best practices for monitoring prepaid card vendors?

The review was limited to how these contracts were monitored; it did not include the initial procurement process or any contract for one-time payments. A more detailed description of the objectives, scope, and methodology used in this review is included in **Appendix B**. A draft of the report was provided to DHS and GDOL for their review, and pertinent responses were incorporated into the report.

## Background

### Government Prepaid Cards

Prepaid cards were introduced in the United States in the 1980s as an alternative to using coins in pay phones. By 1990, the federal government had begun transitioning the Food Stamp program<sup>1</sup> to prepaid cards known as Electronic Benefit Transfer (EBT) cards, which Georgia began using in the late 1990s. As prepaid cards became more prevalent, governments began using them to deliver other benefits, such as unemployment insurance. In the private market, prepaid cards are widely used by consumers who have limited access to traditional banking services.

There are two main types of prepaid cards used by government entities:

- **Electronic Balance Transfer (EBT)** – Typically used for food benefits, such as the Supplemental Nutrition Assistance Program (SNAP). Claimants can use EBT cards for eligible food items but must make purchases from federally authorized merchants. Cards cannot be used to buy any non-food household items (e.g., alcohol, vitamins, etc.).
- **Electronic Prepaid Card (EPC)** – Typically used for cash benefits, such as unemployment insurance. EPC cards are branded (e.g., MasterCard, VISA), and benefits can be redeemed for cash or unrestricted items (individual government programs may have restrictions on merchant types such as liquor stores). They can be used with any brand-accepting merchant.

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<sup>1</sup> In 2008, the Food Stamp program became known as Supplemental Nutrition Assistance Program, or SNAP.

## Federal Regulation of Prepaid Cards

The federal government regulates public and private cards through the Federal Deposit Insurance Corporation (FDIC) and the Consumer Financial Protection Bureau (CFPB). The FDIC is responsible for insuring card coverage and creating liability restrictions for prepaid cards. The CFPB is responsible for establishing consumer protections and requirements regarding fee and term disclosures, unauthorized transactions, and product features. CFPB updated key regulations (known as Regulation E and Regulation Z) in 2019.

Multiple Georgia state agencies use prepaid cards to deliver a variety of benefits. Our review focused on the two agencies that have some of the largest government benefit programs utilizing prepaid cards: the Department of Human Services and the Georgia Department of Labor.

### Department of Human Services

The mission of the Department of Human Services (DHS) is to “strengthen Georgia by providing individuals and families access to services that promote self-sufficiency, independence, and protect Georgia’s vulnerable children and adults.” DHS delivers some services by managing federal benefit programs that have used prepaid cards to distribute benefits since the late 1990s. As shown in **Exhibit 1**, DHS uses two types of prepaid cards to issue benefits for three agency programs, which are discussed below the exhibit.

#### Exhibit 1

#### DHS issues benefits for three programs on two prepaid cards

	SNAP	TANF	Child Support
Card Type	EBT	EPC <sup>1</sup>	EPC <sup>1</sup>
Unit Managing Card	EBT Unit	EBT Unit	Child Support Services

<sup>1</sup>Both TANF and child support use a single card.

Source: DHS interviews

- **SNAP** – The Supplemental Nutrition Assistance Program provides monthly food benefits to improve the levels of nutrition among low-income families. SNAP is fully federally funded and overseen by the U.S. Department of Agriculture Food and Nutrition Services. The program has required all states to provide SNAP benefits through EBT cards since 2002.

In Georgia, SNAP payments are managed by DHS’s EBT Unit, though another DHS unit determines eligibility for benefits. In June 2023, approximately 790,000 Georgia households received more than \$338 million in SNAP benefits.

- **TANF** – Temporary Assistance for Needy Families is a program to help low-income families with children achieve economic self-sufficiency.<sup>2</sup> TANF is fully federally funded and overseen by the Office of the Administration of Children and Families within the U.S. Department of Health and Human Services. States can issue monthly benefits via direct deposit, paper checks, and/or prepaid card; however, Georgia only uses prepaid cards for TANF.

<sup>2</sup> TANF also includes smaller programs: Grandparents Raising Grandchildren, Refugee Cash Assistance, and Repatriated Citizens.

Although TANF uses an EPC card, DHS's EBT Unit also manages TANF payments, while another unit determines eligibility for benefits. In June 2023, Georgia issued approximately \$1.6 million in TANF benefits to 8,200 Georgia households.

- **Child Support** – The child support program directs court-ordered payments from a non-custodial parent to a custodial parent. While it is administered by the state, the program does not involve the distribution of any public funds. Customers typically receive child support payments via direct deposit or deposit to an EPC card.

The child support program is managed by the DHS Division of Child Support Services. Approximately \$67 million in child support payments were disbursed in June 2023, and 43% (\$29 million) were on prepaid cards.

After a competitive bidding process, DHS contracted with a single vendor to provide prepaid card services for all three programs. The current contract period spans from fiscal years 2023-2033, while the previous contract period with the same vendor was from fiscal years 2013-2022. For the SNAP program, DHS pays the vendor a monthly price of \$0.27 per EBT card account (approximately \$2.5 million in fiscal year 2023). For TANF and child support, DHS does not pay the vendor. Instead, the vendor receives revenue from card fees paid by the cardholder and merchants (i.e., interchange fees<sup>3</sup>).

During the COVID-19 pandemic, the amount of total SNAP benefits and the number of households served increased, while TANF and child support programs experienced temporary pandemic-related fluctuations.<sup>4</sup> As shown in **Exhibit 2**, by fiscal year 2021, the SNAP program distributed nearly twice the benefits as in fiscal year 2019, and it served approximately 35% more households. In fiscal year 2023, benefits and households remained higher than pre-pandemic totals. TANF and child support, however, served fewer households and distributed fewer benefits in fiscal year 2023 compared to fiscal year 2019.

## Exhibit 2

### DHS disbursed billions in benefits on prepaid cards (FY 2019-2023)

Fiscal Year	SNAP	TANF <sup>1</sup>	Child Support
2019	\$2,175,440,585	\$32,521,152	\$409,152,013
2020	\$2,435,300,968	\$26,838,463	\$396,236,548
2021	\$4,275,882,042	\$24,913,279	\$491,597,764
2022	\$5,674,330,053	\$43,795,693	\$334,268,506
2023	\$3,790,984,620	\$19,684,557	\$309,796,843

<sup>1</sup> The TANF population in Georgia has declined over time, but the program experienced pandemic-related increases in fiscal year 2022.

Source: DHS financial records

<sup>3</sup> Interchange fees are transaction fees that merchants pay to several parties, including the card issuer, each time a customer uses their credit/debit card to make a purchase.

<sup>4</sup> Pandemic-related emergency benefits include P-SNAP, P-EBT, and P-TANF. Payments made on child support cards increased significantly due to the inclusion of pandemic-related benefits.



### Georgia Department of Labor

The mission of the Georgia Department of Labor (GDOL) is to “assist individuals to attain their work goals and increase self-sufficiency through employment, training, and support services.” GDOL staff provide re-employment services, services for veterans, and claims processing for unemployment insurance (UI). Since 2012, GDOL has offered EPC cards as an optional method for delivering UI benefits.

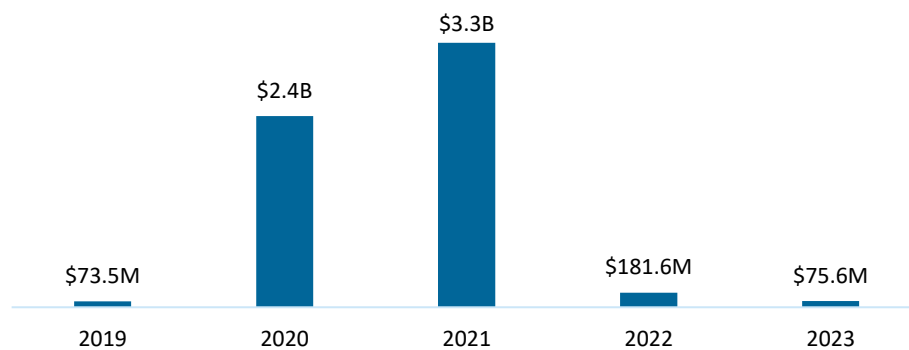
The UI program provides temporary income for workers who are unemployed through no fault of their own. UI is funded through employer taxes, but eligibility is set through federal and state law and overseen by the U.S. Department of Labor. GDOL is responsible for determining claimant eligibility and allows claimants the choice of receiving benefits through direct deposit or an EPC card. The EPC card is the default payment type if the claimant does not select direct deposit. In June 2023, GDOL paid out \$26.7 million in UI benefits, of which \$4.2 million (16%) was paid out on EPC cards.

GDOL contracts with the same vendor as DHS for prepaid card services (GDOL also selected the contractor through a competitive bidding process). The current contract spans from fiscal years 2020-2029, while the previous contract period with the same vendor was from fiscal years 2013-2019. Similar to the DHS TANF and child support programs, GDOL does not pay the vendor for the EPC cards. The vendor receives revenue from card fees paid by the cardholder and merchants (i.e., interchange fees).

During the COVID-19 pandemic, claims for UI benefits increased substantially, remaining higher than pre-pandemic levels for more than a year. As shown in **Exhibit 3**, UI benefits paid out on EPC cards increased by approximately \$2.3 billion between fiscal years 2019 and 2020.<sup>5</sup> These benefits included traditional UI programs and several new federal programs created during the pandemic. The new programs increased the number of claimants and temporarily raised UI benefit amounts.

### Exhibit 3

#### GDOL issued substantial UI payments on prepaid cards (FY 2019-2023)<sup>1</sup>



<sup>1</sup> GDOL was unable to provide the amount paid for 2021-2023. We estimated these years based on the daily amounts GDOL could provide.

Source: GDOL financial records and DOAA analysis

<sup>5</sup> GDOL estimates approximately 25% of all payments were made to EPC cards consistently from fiscal years 2019-2023.

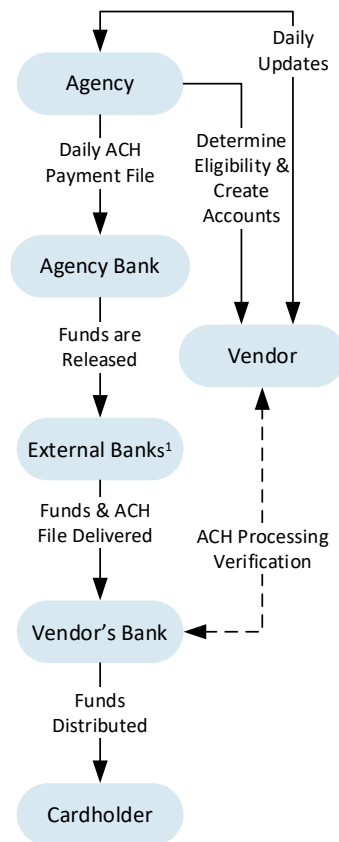
### Prepaid Card Bank Processes

Both DHS and GDOL have similar processes for creating cardholder accounts and posting payments to prepaid cards. These processes are intended to ensure cardholders receive the correct payments in a timely manner.

Before a prepaid card account is created, each agency follows its internal processes for determining program eligibility. As shown in **Exhibit 4**, once the agency has obtained the necessary information for an account to be established, this information is sent to the vendor using a maintenance file, with multiple account updates sent daily. Also on a daily basis, agencies send payments to their bank via an automated clearing house (ACH) file, which is then transferred to an external bank (e.g., Federal Reserve) where the payment is processed. Once the external bank receives the ACH file, the amount each cardholder should receive is sent by the external bank to the vendor’s bank. The vendor’s bank then deposits the appropriate amount into each prepaid cardholder’s account. Generally, it takes one to two days to transfer the ACH file and post the payment to the cardholder account.

#### Exhibit 4

#### Bank processes are generally similar for all prepaid card programs



<sup>1</sup>For programs with a direct deposit option (UI and child support), payments would go directly to the customer’s bank account. Source: DHS and GDOL records and staff interviews

## Contract Monitoring

Contract monitoring is a process for ensuring that a vendor adequately performs a contracted service. When a state agency contracts out the performance of a service, the agency remains responsible for ensuring the work is performed satisfactorily and government funds are used appropriately. Ultimately, the state agency is responsible for the consequences of poor performance whether the agency or a vendor provided the service.

Several components are necessary to create an effective contract monitoring system. These include contract terms that sufficiently communicate agency expectations to the vendor, data reporting that demonstrates performance, and regular monitoring that determines whether the vendor is performing satisfactorily. Monitoring also includes taking action to address any problems identified; for multi-year contracts, agencies must also assess the vendor's performance and determine whether to renew the contract.

State agencies have resources available to assist in establishing effective monitoring practices, as described below.

- **Georgia Procurement Manual** – The Department of Administrative Services' State Purchasing Division publishes its administrative rules in the Georgia Procurement Manual. The manual outlines agencies' procurement responsibilities, which include contract monitoring. For service contracts, for example, the manual notes that agencies could pay for a deliverable upon the completion of a stated task, milestone, or event.
- **Components of an Effective Monitoring System** – In 2003, the Georgia Department of Audits and Accounts published a best practice report to emphasize the importance of contract monitoring and explain the tools that can be used. The State Accounting Office directs state agencies (and other government entities) to use this report as guidance for developing an effective contract monitoring system. The report can be found here: [Components of an Effective Contract Monitoring System](#).

## Findings and Recommendations

**Finding 1:** Agency contracts should communicate expectations and outline how poor performance will be monitored, identified, and enforced.




To ensure contracted vendors perform according to expectation, agencies must first establish a contract with elements that set standards and facilitate ongoing monitoring. DHS incorporated performance expectations and reporting requirements into the terms of its contract with the prepaid card vendor. GDOL’s contract did not specify measurable performance standards in areas such as customer service or require the reporting necessary to monitor those areas.

Performance standards reduce the potential for poor performance by clearly communicating expectations to the vendor.

According to best practices, an agency can reduce the potential for poor vendor performance by communicating contract requirements through clearly defined performance standards. Performance standards should be measurable, outcome-based, and connected to the quality of services—for prepaid debit cards, standards would relate to areas such as the timely posting of benefits to cardholder accounts and speedy resolution of customer service calls. Contracts should also include reporting requirements so agencies can monitor vendor performance against these metrics. Finally, the contract should specify what actions the agency will take in response to poor performance, including the use of corrective action plans and financial penalties.

DHS and GDOL contract with the same vendor for similar services, but terms and language differed between the two contracts. As shown in **Exhibit 5**, DHS followed best practices for including key monitoring elements in its contract, but GDOL generally did not.

**Exhibit 5**  
**DHS used key contract elements that facilitate monitoring**

	 <b>Performance Standards</b>	 <b>Reporting</b>	 <b>Addressing Poor Performance</b>
<b>DHS</b>	Clearly defined, measurable, and outcome-based	Connected to standards, on a set schedule	Defined corrective action plans and financial penalties
<b>GDOL</b>	Not stated	Vague, not connected to standards	No enforceable recourse for poor performance <sup>1</sup>

<sup>1</sup> The contract allows withholding of payment but does not require payments from GDOL; vendor receives revenue from interchange fees.

Source: DOAA review of DHS and GDOL contracts

DHS has the necessary contract elements to hold its vendor accountable.

## Department of Human Services

DHS's current contract includes the elements necessary to hold the vendor accountable for its performance. The contract uses clear performance standards to communicate expectations and includes reporting requirements related to the standards. The contract also specifies when poor performance will result in a corrective action plan and allows for financial penalties when performance does not improve.

DHS's contract provisions communicate expected performance standards, as well as regular reporting required for performance monitoring. The contract's scope of services states the general services that must be established by the vendor (e.g., account setup, account maintenance, card issuance, customer service). In addition, the contract includes performance standards and applicable service levels. For most performance standards, the vendor is required to send data reports to DHS regularly for all programs. Specific performance standards in the contract include the following:

- **Timeliness** – The contract requires the vendor to set up initial accounts and post payments to accounts within 24 hours (48 hours for child support). Each requirement is connected to a specific report that is delivered daily.
- **System outages** – The contract states that the central computer system for SNAP should be available 99.9% of the month and requires a monthly report. Staff indicated they included the SNAP requirement due to federal regulations, and they considered it high risk because it can delay cardholder access to funds. However, the contract does not include a similar performance standard for the TANF and child support programs, although the vendor's report also includes outages for those programs.
- **Customer service** – DHS has measurable performance standards for customer service that emphasize the vendor's responsibility to cardholders. For each standard, the contract specifies expected performance, the applicable data report, and reporting frequency. For example, over a single month, 97% of all calls transferred to a customer service representative are expected to be answered within two minutes of the transfer. The data for this measure must be included in a monthly helpdesk activity report.

DHS's contract provisions also allow the agency to address poor performance. For each performance standard, the contract states when a corrective action plan (CAP) is deemed necessary, such as failing to meet a customer service standard for two consecutive months. Each performance standard has a financial penalty associated with failure to resolve the CAP, including a dollar amount and frequency in which the penalty would be assessed. For example, the vendor can be charged \$1,000 per percentage point each month that it fails to meet any one of the four customer service metrics after executing a CAP (e.g., \$7,000 for answering only 90% of transferred calls within two minutes instead of the required 97%). If the vendor does not resolve poor performance through the CAP, the contract allows DHS to suspend or terminate the contract.

GDOL does not have all necessary contract elements to hold its vendor accountable.

### Georgia Department of Labor

GDOL's current contract does not include all elements necessary to hold the vendor accountable for its performance. While the contract outlines the general services the vendor is expected to provide, it does not establish clear and detailed performance standards or reporting methods. Additionally, the contract does not establish a method to address poor performance short of termination, such as corrective action plans or financial penalties.

GDOL's contract includes a scope of services with general contract provisions that outline the vendor's responsibilities. However, with few exceptions, it does not include clear, measurable performance standards the vendor is expected to meet when serving cardholders (as described below). In addition, the contract does not specify the regular reporting that would allow GDOL staff to perform ongoing monitoring.<sup>6</sup>

- **Timeliness** – GDOL's contract requires "immediate electronic processing of all transactions" between GDOL and the vendor,<sup>7</sup> as well as a 24-hour window to post payments and set up new accounts. However, the contract does not specify how data and information showing progress would be reported.
- **System outages** – GDOL's contract requires minimal disruption of service but does not define "minimal" or specify how it would be measured and reported.
- **Customer service** – GDOL's contract requires the vendor to make customer service available to the cardholder at all times but does not specify expected performance or how it would be measured. By contrast, as discussed earlier, DHS's contract includes standards that hold the vendor accountable to a specific hold time and requires associated monthly reports. Additionally, in its response to GDOL's request for proposals (which is incorporated into the contract), the vendor stated its priority is to resolve customer complaints on the initial call, but GDOL does not have a method for determining whether this occurred or a clear statement of what the agency would consider an acceptable rate or timeframe for resolutions.

Finally, the GDOL contract does not outline steps to address poor performance or noncompliance. While the contract includes standard language that allows GDOL to withhold payment for failure to deliver a required service or good, this provision is ineffective because the contract requires no payments.<sup>8</sup>

<sup>6</sup> The contract's scope of services requires daily, weekly, and monthly reports on program data and activity, but it does not specify what data or activity the vendor is required to report.

<sup>7</sup> GDOL receives a report that notes file upload and processing times by the vendor. The vendor indicated the process is generally completed within 30 minutes of receipt.

<sup>8</sup> The standard contract language included in GDOL's contract with the vendor allows GDOL to deduct costs from vendor payables or compensation. However, the agency does not pay the vendor; rather, the vendor earns profit from fees on cardholders and merchants.

Modifications to the standard contract language could specify a more appropriate way to enforce poor performance, such as implementing financial penalties. GDOL also incorporated standard contract language to terminate the contract for failure to deliver a service, but this provision may be difficult to enforce without clear connections to specific performance standards and data showing whether these standards have been met.

## **RECOMMENDATIONS**

1. Due to the critical nature of system outages, DHS should work with the vendor to amend the contract and incorporate performance standards for TANF and child support system outages.
2. Given the length of the current contract, GDOL should work with the vendor to amend the contract and incorporate additional terms. These terms should include clearly defined performance standards, regular reporting to demonstrate compliance with the standards, and methods for addressing poor performance. If the vendor refuses to amend the contract, GDOL should consider whether to issue a new Request for Proposal and stop renewing the current contract.

### ***Agency Response:***

***Recommendation 1:*** DHS agreed with the recommendation. The agency stated it “will review federal regulations, industry standards, and any available states’ contracts for TANF and child support to determine if there are specified performance standards for system outages.” Upon such review, DHS will incorporate any specified performance standards in the fiscal year 2026 contract.

***Recommendation 2:*** GDOL agreed with the recommendation. The agency stated it will “amend the contract beginning July 1, 2024...to include clearly defined performance standards and regular reporting.”

**Finding 2: Agencies should adequately monitor vendor performance for the prepaid card contracts.**




Contract monitoring helps ensure the vendor provides services according to the requirements set by the contract. DHS has monitoring processes in place and receives reports related to its prepaid card vendor’s performance; however, it did not address several cases of poor vendor performance. GDOL did not have processes in place or receive the data reports needed to sufficiently monitor its vendor.

According to the Georgia Procurement Manual, agency staff are responsible for monitoring and documenting whether a vendor meets contract requirements. According to best practices, regular monitoring helps ensure the vendor is fulfilling contract requirements and allows the agency to determine whether performance standards are being met. When an agency identifies deficiencies, staff should communicate with the vendor and ensure the deficiencies are addressed. Insufficient monitoring can allow unidentified problems to persist and signal to the vendor that poor performance is acceptable.

Our review of agencies’ monitoring of the prepaid card contract focused on areas that were also reviewed in Finding 1. These included card and payment timeliness (discussed in the text box on page 14, customer service, and system outages. Performance in these areas can directly impact cardholder experience. For example, if the vendor’s customer service function does not resolve an issue related to a SNAP beneficiary’s payment processing, the cardholder may not have sufficient funds to pay for groceries.

DHS and GDOL expressed a general satisfaction with their vendor and noted that any issues they raised were quickly resolved. However, as shown in **Exhibit 6** and described below, poor performance was not always identified by agency staff when it occurred. In addition, when poor performance was identified, staff did not always ensure problems were addressed by a corrective action plan or other documented consequence.

**Exhibit 6**  
**Agencies did not ensure poor performance was addressed**

	 Sufficiently Monitored Performance	 Identified Poor Performance	 Implemented Consequences
<b>DHS</b>	Incomplete data in reports obtained	Some, but not all	Did not request corrective action in all instances
<b>GDOL</b>	Insufficient data reports or performance standards	No	No

Source: DOAA review of DHS and GDOL contracts, staff interviews, and DHS performance data



DHS staff have not fully addressed vendor performance issues.

## Department of Human Services

As discussed in Finding 1, DHS's contract outlines a process to monitor the prepaid card vendor, which includes performance standards, required reports, and consequences for poor performance. Additionally, DHS has assigned staff to monitor vendor performance. However, we found evidence that staff have not been monitoring as expected or have not fully addressed performance issues with the vendor.

The DHS contract is monitored by two separate groups that receive reports based on the type of cards used by their programs. The DHS EBT Unit is the contract administrator for all prepaid cards and directly monitors the SNAP and TANF programs, while the Child Support Services Division directly monitors the child support program. Staff receive EBT reports to cover SNAP and EPC reports to cover TANF and child support (as such, the EBT Unit receives both types of reports). Reporting includes customer service-related reports on Interactive Voice Response (IVR), Customer Service Representative (CSR) interactions, and the nature of CSR calls.

Despite customer service reporting requirements, DHS staff did not have the appropriate data to monitor against several contractual performance standards, as described below. In only one instance (call abandonment rates), DHS staff in both the EBT Unit and the Division of Child Support Services<sup>9</sup> received reports with data that allowed them to assess performance against contractual standards. In addition, DHS staff generally review performance one month at a time and do not document performance trends across multiple months.

- **Speed of Calls Answered** – While the performance standard states the vendor should document that 95% of all calls are answered within 25 seconds, DHS staff in both units reported monitoring the metric with a field that shows the average speed of answer.<sup>10</sup> The appropriate field was available in reports prior to 2020 but was later removed (DHS staff were unaware of its removal).
- **Speed of Transferred Calls Answered** – DHS set a performance standard that customer service representatives answer 97% of all calls transferred from an IVR within 120 seconds. However, staff in the EBT Unit reported using the same data field as for the above standard, which shows an average and does not reflect transferred calls. Child Support Services staff reported using the appropriate field, which was available in nearly all reports between fiscal years 2019-2023.
- **Nature and Resolution of Calls** – DHS's contract requires the vendor to document the nature and resolution of 98% of all calls. Neither program receives a report that shows the rate of call resolution, and only

<sup>9</sup> Child Support Services Division did not initially receive the reports but improved its data collection process starting in 2020.

<sup>10</sup> Average speed of answer does not provide the information necessary to evaluate the performance standard in the contract. The vendor could report an average speed of answer of 25 seconds in a month, but under certain scenarios more than half of all calls would have wait times longer than 25 seconds.

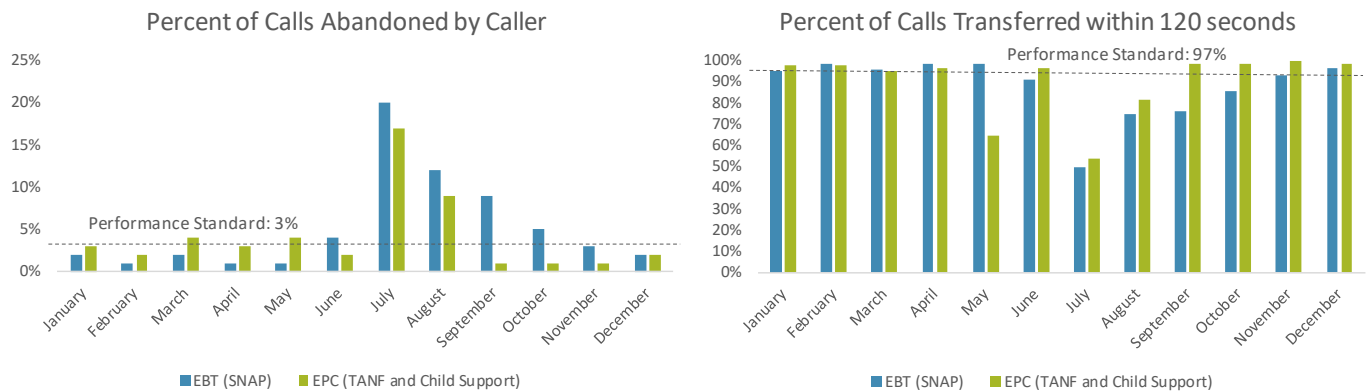
the EBT Unit receives a report showing the nature of customer calls. However, the report was not readable,<sup>11</sup> so staff would be unable to use it to sufficiently determine the reasons customers called the vendor.

- System Outages** – The DHS contract requires the vendor to have its EBT<sup>12</sup> central computer system available 99.9% of the time and provide a monthly report showing the minutes of downtime. EBT staff receive a system outage report from the vendor when the system has been down unexpectedly or in advance for scheduled maintenance. When an outage occurs, DHS staff indicated they manually check the system and compare it to reports received from the vendor. DHS staff document some aspects of an outage, but not their assessment of whether the vendor complied with the standard overall.<sup>13</sup>

DHS staff generally expressed satisfaction with the vendor based on its responsiveness to their call inquiries; however, we identified instances of poor performance that were not addressed. For example, in calendar year 2023, EBT performance standards were not met for metrics related to abandonment rate for five consecutive months or speed of calls transferred for six consecutive months (see **Exhibit 7**).<sup>14</sup> EPC programs (TANF and child support) also experienced four months of poor performance in these areas during the year, only two of which were consecutive. As discussed in Finding 1, according to contract terms, a corrective action plan (CAP) should be triggered after two consecutive months of performance lower than the standard (for some metrics).

**Exhibit 7**

**DHS vendor did not meet two EBT performance standards for five consecutive months (CY 2023)**



Source: DOAA Analysis of DHS customer service reports

<sup>11</sup> The vendor inserted a blurry pdf image into an Excel workbook file. DHS staff had not previously noticed this issue but did not dispute that the image was unreadable.

<sup>12</sup> As noted in Finding 1, the EBT system outage requirement is related to a federal SNAP regulation, and there is no comparable requirement for TANF or the child support program.

<sup>13</sup> Because the assessment was not documented, we could not determine whether noncompliance occurred. Staff indicated the outages are rarely noncompliant with the contract.

<sup>14</sup> EBT speed of calls transferred had two non-consecutive months of poor performance preceding this five-month period. As noted earlier, fields indicating speed of calls answered and nature and resolution of calls were not useable for calendar year 2023.

DHS staff stated they were aware of the poor performance and investigated the reasons but did not impose a CAP. However, this tactic reduces the effectiveness of the agency's contract monitoring system. For example, DHS staff noted that the introduction of chip cards and issuance of pandemic benefits impacted performance in June-August 2023. However, these were not unexpected events, and DHS allowed issues to continue without requesting a CAP or otherwise requiring the vendor to address them. According to the contract, a CAP should have been requested after two consecutive months (July 2023), and financial penalties could have been imposed starting in September 2023. If DHS had imposed a CAP or requested the problems be corrected, the vendor may have addressed the performance issues more quickly.

DHS implemented one informal<sup>15</sup> CAP during the COVID-19 pandemic, although it did not result from DHS's internal monitoring processes. Instead, the CAP was initiated in August 2020 after a media inquiry highlighted issues raised by an unsatisfied cardholder (however, our analysis of vendor reports found that customer service deficiencies began as early as April 2019). After the media inquiry, DHS identified high call abandonment rates and long wait times by performing its own test calls. To determine whether improvements occurred during the CAP, DHS relied on the vendor's weekly slideshow presentations rather than official reports.

During the audit, DHS provided the audit team with vendor reporting but was unable to readily provide documentation of the additional reviews and assessments that staff indicated they performed. According to best practices,

### **Additional Metrics Reviewed**

The following contract requirements were also reviewed as part of this report. While both are important for providing cardholders with access to benefits and information, the processes generally do not necessitate the same direct monitoring as the other measures discussed in this finding.

**Timeliness of Posting Payments** – Staff at both agencies review daily reports to reconcile total payments sent to the vendor and address any rejected files. Although neither agency directly monitors the timely posting of payments to accounts or issuance of new cards, the vendor's ability to achieve this is generally considered low risk. Based on their understanding of the vendor's process and third-party testing, agency staff have concluded the uploading of cardholder payment information is within their expected time frames. We reviewed a limited sample of reports and identified no issues related to upload timeliness.

**Regulation E** – Both agencies ensure their vendor provides cardholders with all documents and disclosures required by Regulation E of the Electronic Fund Transfer Act. These regulations require that financial institutions issuing electronic payment cards provide cardholders with long and short forms of fees associated with the cards, as well as a terms and services statement. Both DHS and GDOL have identified these documents as part of the standard mailing package for new cardholders, and they are also available online through prepaid card portals.

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<sup>15</sup> The CAP was kept informal because the issues occurred during the COVID-19 pandemic, and the vendor cited the contract's force majeure clause (uncontrollable events).

monitoring documentation should be centralized and easily accessible within a contract file. This would help staff more easily identify trends such as the continued deficiencies in customer service standards. It can also help support decision making, such as when a CAP or financial penalties are warranted or whether a contract should be renewed. (Contract renewals are discussed in Finding 3.)

### Georgia Department of Labor

GDOL is unable to sufficiently monitor its prepaid card vendor.

As noted in Finding 1, GDOL's contract does not outline performance standards, specify required reports, or impose consequences for poor performance. As a result, GDOL is unable to sufficiently monitor the prepaid card vendor to ensure proper service to current cardholders. Additionally, GDOL has not assigned staff to review the vendor's performance.

Though not required by the contract, GDOL receives regular IVR reports from the vendor; however, they are not used to assess vendor performance. Rather, GDOL uses the reports as an indicator of potential fraud.<sup>16</sup> As described above, DHS uses a CSR report to assess customer service performance standards, such as speed of calls answered and the nature of calls.

While GDOL staff expressed a general satisfaction with the vendor based on responsiveness to agency inquiries, without measurable goals and regular reporting, the agency cannot provide assurance the contract vendor is effectively serving cardholders. GDOL instead relies on the vendor to voluntarily disclose and address performance issues. For example, staff stated the vendor notified them that hold times were longer during the COVID-19 pandemic. However, the agency had no data to indicate the extent or duration of these issues and did not request a corrective action plan or impose other consequences to address them.

It should be noted that the vendor indicated reports similar to those used by DHS are available to GDOL. Given the vendor's observed performance gaps on the DHS contract, it is reasonable to assume such monitoring would identify opportunities for improvement in customer service and system operability related to the GDOL contract.

### RECOMMENDATIONS

1. DHS should ensure it obtains and utilizes data fields that adequately demonstrate performance related to the customer service metrics specified in its contract.
2. DHS should ensure the vendor addresses identified performance deficiencies.
3. DHS should maintain its monitoring documentation in a manner that supports its contract decision making.

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<sup>16</sup> According to GDOL staff, a large increase in the number of cards activated or changes made to account information can indicate fraudulent activity.

4. GDOL should implement a monitoring process that includes identifying appropriate performance standards, obtaining applicable reporting, and assigning staff to review vendor performance.
5. GDOL should communicate any deficiencies to its vendor and ensure that poor performance is addressed.

***Agency Response:***

***Recommendation 1:*** DHS agreed with the recommendation. The agency noted that it “will ensure all appropriate data fields located within the...reports are used to track, evaluate, and notify the vendor of any performance deficiencies.” DHS stated this will include improving reporting parameters and metrics received to ensure compliance can be monitored.

***Recommendation 2:*** DHS agreed with the recommendation and noted that the agency’s current process for assessing monthly compliance reports is under review. To ensure performance deficiencies are identified, the agency stated reports will be reviewed at multiple levels and staff are currently being trained on how to review reports. Additionally, DHS stated, “Upon notification of deficiencies to the vendor, a corrective action plan will be requested...and monitored until all deficiencies are resolved.”

***Recommendation 3:*** DHS agreed with the recommendation. The agency noted it is currently implementing a new system that will organize and store relevant contractual documents, including programmatic reports, to support contract monitoring. It is expected to be implemented by fiscal year 2025.

***Recommendation 4:*** GDOL agreed with the recommendation. The agency noted it would monitor vendor performance using a contract assessment form, which would capture the performance and quality of the vendor’s services.

***Recommendation 5:*** GDOL agreed with the recommendation. The agency noted if performance deficiencies are identified, they will be addressed with the vendor.

**Finding 3: State agencies should ensure vendor performance is sufficiently assessed prior to contract renewal.**

State administrative rules and best practices require agencies to review vendor performance prior to contract renewals. DHS attempts to evaluate the prepaid card vendor’s performance prior to renewal but should improve its assessment tool to comply with state requirements. GDOL did not follow its standard contract renewal procedures for the prepaid card contract and thus did not comply with state requirements.

The Georgia Procurement Manual requires that state contracts may be renewed only after the state entity determines that the vendor’s prior performance was satisfactory. According to best practices, agencies should evaluate vendor performance prior to finalizing renewal decisions to mitigate the risk of another year of goods/services from an underperforming vendor.

According to the Georgia Procurement Manual, state agencies should complete a contract assessment form—created by the Department of Administrative Services (DOAS)—to determine whether the vendor has performed satisfactorily and met its contractual obligations. **Exhibit 8** shows an excerpt from the DOAS form, which requires agencies to evaluate both the delivery and quality of goods and services provided. The agency’s evaluator must rate areas related to whether the vendor fulfilled contract deliverables, complied with requirements without failures, and addressed any identified failures. The form also prompts the agency to conclude whether the contract should be recommended for renewal and state the reason(s) why.

**Exhibit 8  
DOAS requires assessment of vendor performance**

Delivery - Services	Did Not Meet	Met	Exceeds	Not Applicable
a. Supplier completed within contracted amount and did not exceed budget	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b. Supplier completed deliverables (scope of work) as stated in the contract for the review period	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c. Supplier complied with all requirements and did not have any failures or remediation actions	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
d. If failures or remediation required, Supplier responded promptly to correct and remedy	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
e. Supplier complied with all reporting requirements	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
f. Supplier response to Communications or Direction	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Delivery Comments:</b> Evaluator should complete this section with comments to support the scores provided above. Include examples of any issues that were resolved, overall satisfaction with the materials/services received from the Supplier, and the services/goods received on the contract.				
<b>Recommend for Renewal</b>	Yes <input type="checkbox"/> No <input type="checkbox"/>		<b>Reason:</b>	

Source: Excerpt from DOAS Contract Assessment Form

As shown in **Exhibit 9** and discussed below, the extent to which DHS and GDOL assessed vendor performance prior to contract renewal varied, but the assessment performed was not sufficient at either agency.

**Exhibit 9****State agencies did not annually assess contractor performance****Assessing Performance Prior to Renewal**

<b>DHS</b>	Followed agency procedure which did not sufficiently review performance
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<b>GDOL</b>	Did not follow agency procedure to review performance
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Source: DOAA analysis of DHS and GDOL forms and staff interviews

**Department of Human Services**

DHS has a procedure for program staff to assess vendors prior to contract renewal. However, the form used for the prepaid card contract primarily assesses the extent to which a vendor poses a financial risk, rather than ensuring that it performed sufficiently.

DHS requires program staff to assess the prepaid card contract's risk by completing an internally created pre-award form to inform contract renewal decisions. In fiscal years 2019-2023, program staff completed the form annually. Staff reported that they had considered vendor performance and believed the vendor was meeting contractual expectations based on feedback from all staff involved with the prepaid card vendor.

While staff conduct an overall assessment, DHS's form does not prompt staff to sufficiently assess vendor performance prior to contract renewal. Rather, the form primarily assesses the vendor's perceived financial-related risks (e.g., program complexity, vendor's experience) prior to issuing future funds. Only one of the form's 23 questions addresses the vendor's prior performance ("Was reasonable progress made towards performance goals for prior grant awards?"), and DHS only requires supporting comments if staff answer "no." By contrast, the DOAS form (see **Exhibit 8**) prompts evaluators to rate the quality of vendor performance and include supporting comments, such as examples of issue resolution and overall satisfaction with services provided. Incorporating similar questions and requirements into the DHS form could ensure an additional level of transparency and documentation.

DHS staff agree that completing their annual assessment form should include thoroughly assessing the vendor's progress toward meeting contractual requirements; however, it is not clear that DHS staff conducted the same level of review required by DOAS using the agency form. Program staff indicated that additional comments or specific remarks regarding the prepaid card vendor's performance were absent because they address issues as they arise throughout the year—not during the renewal period. As discussed in Finding 2, however, DHS did not ensure that the vendor's poor performance was identified and addressed.

It should be noted DHS uses the DOAS assessment form for other contracts related to support services (e.g., janitorial, landscape services for county offices).

DHS did not sufficiently review performance when renewing the prepaid card contract.

According to staff, DHS human service contracts (such as the prepaid card contract) require additional considerations prior to renewal—notably, consideration of financial risks. However, staff could continue to assess these risks without reducing the required assessment of vendor performance.

### Georgia Department of Labor

GDOL did not follow its own procedures for reviewing performance when renewing the prepaid card contract.

Despite having a procedure in place to assess a vendor's performance semi-annually, GDOL has not followed it for the prepaid card contract and instead renewed the contract without assessing the vendor's prior performance. Additionally, GDOL was unable to provide documentation that it officially renewed the prepaid card contract for at least one fiscal year.

GDOL's contract renewal procedure<sup>17</sup> directs staff to assess vendor performance prior to making annual renewal decisions. Twice a year, program staff are expected to assess their vendor using an agency form, which is similar to the DOAS assessment form. As discussed previously, this form helps ensure that the agency assessed whether a vendor performed satisfactorily in the prior year to inform the renewal decision.

For the prepaid card contract, however, GDOL did not follow its own assessment procedure. Between fiscal years 2019-2023, GDOL did not use the required form to assess the extent to which the vendor met its contractual obligations. Consequently, the agency's senior management, who was less familiar with contract details, was unable to consider the vendor's prior year of performance when signing annual renewals for prepaid card services. As discussed in Finding 2, GDOL does not have processes in place to monitor its vendor's activities, so contract renewals continued without an assurance that the vendor was performing adequately.

Although the agency has contracted for prepaid card services for more than a decade, GDOL has not assigned a programmatic staff member the responsibility of ensuring satisfactory vendor performance. However, GDOL reported that program staff (such as call center managers or administrative managers) are typically assigned to conduct renewal assessment procedures for other contracts. DHS also contracts with the same prepaid card vendor and has familiar program staff assigned to monitor vendor performance and conduct renewal procedures.

Additionally, due to missing renewal documentation, the audit team was unable to verify whether GDOL appropriately renewed the contract for all years during the period reviewed. GDOL provided renewal agreements for fiscal years 2023 and 2024 but could not provide documentation for fiscal year 2019 or the first half of 2020.<sup>18</sup> DOAS staff noted the absence of such documentation could have technically resulted in a contract expiration or termination. As discussed in

<sup>17</sup> According to GDOL, the assessment procedure is not documented; rather, the procurement office directs staff to conduct assessments as an informal agency procedure.

<sup>18</sup> GDOL initiated a new contract with the same prepaid card vendor for the period of January 2020 to June 2022. Because the initial contract period was for 2.5 years, GDOL did not require a contract renewal during this time.



Finding 4, however, GDOL may have formally renewed the fiscal year 2019 contract but did not maintain supporting documentation due to its current contract file maintenance system.

### **RECOMMENDATIONS**

1. DHS should ensure that program staff sufficiently review vendor performance prior to renewal to comply with state requirements. This could include improving its human service contract assessment form or further documenting considerations for performance assessments.
2. GDOL should follow its internal procedures for contract renewal and require agency staff to assess the prepaid card vendor's performance to ensure compliance with state requirements.

### ***Agency Response:***

***Recommendation 1:*** DHS noted its agreement with the recommendation. It stated the implementation of a new contract assessment system in fiscal year 2025 “will demand greater accountability for contract assessment prior to renewals” and further assess vendor performance.

***Recommendation 2:*** GDOL agreed with the recommendation. It noted at least three different divisions “will work together to monitor the components and financial requirements of the contract quarterly” via the agency’s contract assessment form.

**Finding 4: State agencies should retain copies of all contract documents to comply with the state’s record retention policies.**


Neither DHS nor GDOL retained full prepaid card contract documentation for the fiscal year 2019-2023 period. State law requires agencies to follow retention schedules published by the State Records Committee, which includes retaining contracts and documentation for seven years after expiration.

O.C.G.A. § 50-18-90 gives the State Records Committee<sup>19</sup> authority to approve agencies’ retention schedules; currently, the committee requires agencies to retain contracts for seven years after expiration. In addition, the Georgia Procurement Manual indicates agencies must ensure contract documents can be easily located to support contract management, open records requests, and the completion of audits. Readily available contract documentation also allows staff to better monitor and manage the contract. For example, if an agency experiences turnover, new staff would need to review performance standards specified in the contract for monitoring purposes.

To ensure all relevant documents are accessible for reference and review, best practices recommend that agencies maintain a well-organized contract file. For state agencies, this file would include documents such as the contract and attachments from the Request for Proposal (e.g., the vendor proposal and the scope of services). As described below and shown in **Exhibit 10**, neither agency maintained all necessary documentation from its previous contract.

**Exhibit 10**

**Agencies did not retain all prior contract documents**

 <b>Retain Contract Documentation</b>	
<b>DHS</b>	Missed one key contract attachment
<b>GDOL</b>	Agency staff could not locate documents

Source: DHS and GDOL records

**Department of Human Services**

DHS was able to provide most contract documents for the applicable time period. DHS provided the contract and all attachments for its current contract (fiscal years 2023-2033). For the contract from fiscal years 2013-2022, DHS provided all documents, with the exception of the performance standards the vendor was expected to meet.

<sup>19</sup> The State Records Committee reviews retention schedules submitted by agency heads and local governments through the Department of Archives and History in accordance with O.C.G.A. § 50-18-92. The committee can approve, disapprove, amend, or modify the schedules.

DHS's Office of Procurement and Contracts uses TeamWorks to manage its contract documents centrally. However, staff reported not all documents are uploaded due to file size limitations and files are sometimes difficult to locate due to inconsistent naming. DHS is in the process of implementing a new system that will house and organize all future contract documents. The system is expected to be operational by fiscal year 2025.

### **Georgia Department of Labor**

All documents (signed contract and attachments) were accessible to the audit team for GDOL's current prepaid card contract (fiscal years 2020-2029). However, GDOL was unable to provide the contract and attachments from its fiscal years 2013-2019 contract, which ended five years ago and thus falls within the retention requirements.

Staff stated that GDOL expects each program unit (Business Unit, Finance Division, etc.) to retain its relevant records. GDOL is currently acquiring a new modernization contract that is expected to centralize documentation and improve contract record retention. Implementation is expected in spring 2025.

### **RECOMMENDATIONS**

1. DHS should maintain all contract documents, including attachments, to comply with record retention requirements.
2. GDOL should ensure it fully complies with record retention requirements by maintaining copies of its contract and related documents.

### ***Agency Response:***

***Recommendation 1:*** DHS agreed with the recommendation. The agency stated it will continue to comply with records retention requirements in fiscal year 2025 with "the implementation of the new system's functionality...[which supports] the collection, storage, and retention of all contractual documents in a central repository."

***Recommendation 2:*** GDOL agreed with the recommendation. The agency stated it is "currently procuring a contracts module database for retention of agency contracts."

## Appendix A: Table of Findings and Recommendations

	Agree, Partial Agree, Disagree	Implementation Date
<b>Finding 1: Agency contracts should communicate expectations and outline how poor performance will be monitored, identified, and enforced. (p. 7)</b>		N/A
1.1 Due to the critical nature of system outages, DHS should work with the vendor to amend the contract and incorporate performance standards for TANF and child support system outages.	Agree	FY 2026
1.2 Given the length of the current contract, GDOL should work with the vendor to amend the contract and incorporate additional terms. These terms should include clearly defined performance standards, regular reporting to demonstrate compliance with the standards, and methods for addressing poor performance. If the vendor refuses to amend the contract, GDOL should consider whether to issue a new Request for Proposal and stop renewing the current contract.	Agree	July 2024
<b>Finding 2: Agencies did not adequately monitor vendor performance for the prepaid card contract. (p. 11)</b>		N/A
2.1 DHS should ensure it obtains and utilizes data fields that adequately demonstrate performance related to the customer service metrics specified in its contract.	Agree	June 2025
2.2 DHS should ensure the vendor addresses identified performance deficiencies.	Agree	June 2025
2.3 DHS should maintain its monitoring documentation in a manner that supports its contract decision making.	Agree	FY 2025
2.4 GDOL should implement a monitoring process that includes identifying appropriate performance standards, obtaining applicable reporting, and assigning staff to review vendor performance.	Agree	July 2024
2.5 GDOL should communicate any deficiencies to its vendor and ensure that poor performance is addressed.	Agree	July 2024
<b>Finding 3: State agencies should ensure vendor performance is sufficiently assessed prior to contract renewal. (p. 17)</b>		N/A
3.1 DHS should ensure that program staff sufficiently review vendor performance prior to renewal to comply with state requirements. This could include improving its human service contract assessment form or further documenting considerations for performance assessments.	Agree	FY 2025
3.2 GDOL should follow its internal procedures for contractual renewal and require agency staff to assess the prepaid card vendor's performance to ensure compliance with state requirements.	Agree	July 2024

<b>Finding 4: State agencies should retain copies of all contract documents to comply with the state's record retention policies. (p. 21)</b>		<b>N/A</b>
4.1 DHS should maintain all contract documents, including attachments, to comply with record retention requirements.	Agree	FY 2025
4.2 GDOL should ensure it fully complies with record retention requirements by maintaining copies of its contract and related documents.	Agree	April 2025

## Appendix B: Objectives, Scope, and Methodology

### Objectives

This report examines the contract monitoring of prepaid cards at the Department of Human Services and the Georgia Department of Labor. Specifically, our review set out to determine the following:

1. Do state agencies set appropriate contract terms to monitor prepaid card vendors?
2. Do state agencies follow best practices for monitoring prepaid card vendors?

### Scope

This audit reviewed contract monitoring practices at the Department of Human Services (DHS) and Georgia Department of Labor (GDOL) for prepaid card services, which are used to distribute unemployment insurance, Supplemental Nutrition Assistance Program, Temporary Assistance for Needy Families, and child support payments. We selected these two agencies based on the size of their programs, so smaller programs (such as state workers' compensation benefits) were excluded. We also excluded the Women, Infants and Children (WIC) program at the Department of Public Health because the transition to prepaid cards was recent.

The audit generally considered activities that occurred from fiscal years 2019-2023, with consideration of earlier or later periods when relevant. Information used in this report was obtained by reviewing relevant laws, rules, and regulations; comparing contract monitoring best practices with agency practices; reviewing agency contractual files and monitoring documentation; analyzing vendor performance data; and interviewing agency officials and staff from both state agencies. To identify specific contract monitoring best practices, we reviewed guidance from the Georgia Department of Administrative Services' (DOAS) *Georgia Procurement Manual*, the Georgia Department of Audits and Accounts' *Components of an Effective Contract Monitoring System* report, and other sources; to better understand state requirements specifically, we interviewed subject matter experts at DOAS.

Government auditing standards require that we also report the scope of our work on internal control that is significant within the context of the audit objectives. Both of our objectives address aspects of the internal control structure for the prepaid card contract. Specific information related to the scope of our internal control work is described by objective in the methodology section below.

### Methodology

**To determine the extent to which state agencies set appropriate contract terms to monitor prepaid card vendors**, we reviewed best practice guides to establish criteria for appropriate contract monitoring terms. We then assessed whether these terms were included in agency contract documents to ensure the agencies can hold their prepaid card vendor accountable. We interviewed agency staff to determine whether staff established additional standards outside of contractual documents.

To determine whether agencies had appropriate contract terms, we obtained contracts through the Georgia Procurement Registry and requested additional contractual documents from agency staff for fiscal years 2019-2023. Due to agencies' limitations in retrieving such documents, we identified issues with record retention (discussed in Finding 4) and ultimately compared state and best practice criteria with agency procedures to determine whether any additional controls were needed.

**To determine the extent to which state agencies followed best practices for monitoring prepaid card vendors,** we utilized best practice criteria for monitoring vendor performance established in meeting our first objective, as well as agency-specific criteria from their respective contract documents. We interviewed agency staff to identify what they consider important risk areas to monitor, whether and how they monitor such areas, and how they believe the prepaid card vendor has performed. Additionally, to receive additional clarification about state criteria specifically, we interviewed DOAS State Purchasing Division staff regarding contract monitoring criteria. After considering DOAS input, we determined what additional controls would help state agencies better comply with state requirements and best practice criteria.

The audit team used various performance monitoring reports, when available, to assess whether the vendor's performance complied with contractual performance standards. We requested customer service monitoring reports from DHS and analyzed data available for calendar years 2018-2023. Our assessment of the data identified it as credible for the purposes of our analysis; however, because the underlying source data belongs to the third-party vendor, we could not verify the data's reliability. Additionally, we obtained system outage data for fiscal years 2019-2023. Since the data did not contain relevant fields to allow DHS or the audit team determine compliance with its corresponding performance standard, it was not used for analysis.

The audit team did not obtain copies of vendor performance reports from GDOL because the agency's contract did not include standards or reporting by which to assess the vendor's performance and staff indicated they were not performing regular monitoring.

To determine the extent to which DHS imposed corrective action if the vendor's performance did not meet criteria, the audit team interviewed staff to determine whether and how the agency identified and addressed poor performance. The audit team also requested documentation from DHS regarding any corrective actions requested and compared its actions to contractual terms. The audit team evaluated whether DHS had identified the poor performance and requested the vendor take corrective action and whether additional controls were necessary to help the agency identify and address poor performance.

To assess whether state agencies followed best practices for contract renewal procedures, we reviewed state and best practice criteria. We compared criteria with agency renewal procedures, which were determined by interviewing agency procurement and program staff and assessing renewal documentation. The audit team worked with DOAS to determine whether additional controls could help the agency improve contract renewal practices and better comply with criteria.

To determine timeliness of payment posting, we obtained daily financial reconciliation data from DHS and GDOL for each of the prepaid card programs. We tested five randomized weekdays between January-March 2024 (excluding state holidays) to determine the upload speed of payments being processed by the vendor on prepaid cards. In addition, we reviewed the vendor's Systems and Organization Controls Report (published by a third party that tests information technology controls) and determined that the vendor's system had reasonable assurance to process payments effectively. We also interviewed agency staff and reviewed contract documents to assess the agencies' understanding of the vendor's processes.

**To calculate how much DHS and GDOL issued on prepaid cards for background purposes,** we requested financial disbursement data from each agency for fiscal years 2019-2023. While DHS was able to provide complete data, GDOL prepaid card data was indistinguishable from

direct deposit data for approximately 15% of the days during the requested time period, with missing data occurring in fiscal years 2021-2023. For these days, actual prepaid card amounts could not be determined by the agency. To estimate prepaid card amounts disbursed on all missing days, the audit team calculated the percentage of all known prepaid card disbursements made in a fiscal year and then applied the respective annual percentage to the total amount disbursed for each day that was missing data. We believe this provides a reasonable estimate of prepaid card disbursements.

We conducted this performance audit 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.

If an auditee offers comments that are inconsistent or in conflict with the findings, conclusions, or recommendations in the draft report, auditing standards require us to evaluate the validity of those comments. In cases when agency comments are deemed valid and are supported by sufficient, appropriate evidence, we edit the report accordingly. In cases when such evidence is not provided or comments are not deemed valid, we do not edit the report and consider on a case-by-case basis whether to offer a response to agency comments.



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