



Washington State Auditor's Office

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Independence • Respect • Integrity

Electronic Benefit Transfer Cards

In 2010 and 2011, local media investigations highlighted inappropriate use of Electronic Benefit Transfer (EBT) cards, which the state issues to provide clients with safety-net benefits such as food. Shortly thereafter, legislation was adopted that identified the elimination of fraud and abuse as a priority for the Department of Social and Health Services (DSHS). Other states have also identified ineligible safety-net participants and inappropriate EBT card use. Audits in these states and the U.S. Department of Agriculture (USDA) Inspector General have recommended improved use of data analysis to reduce these problems. We conducted this audit to see if DSHS is effectively applying such analysis in the two largest programs that use EBT cards.

Large state-managed federal programs support legal state residents who need help

When jobs are scarce and money runs low, people may turn to the government for help in buying groceries and paying essential bills.

In 2013, following the Great Recession, more than 1.1 million Washingtonians received food benefits. This is 427,000 more people than five years earlier. In light of such dramatic increases, federal and state governments have raised concerns about potential fraud and abuse of EBT cards.

States administer the two federal programs that provide this assistance:

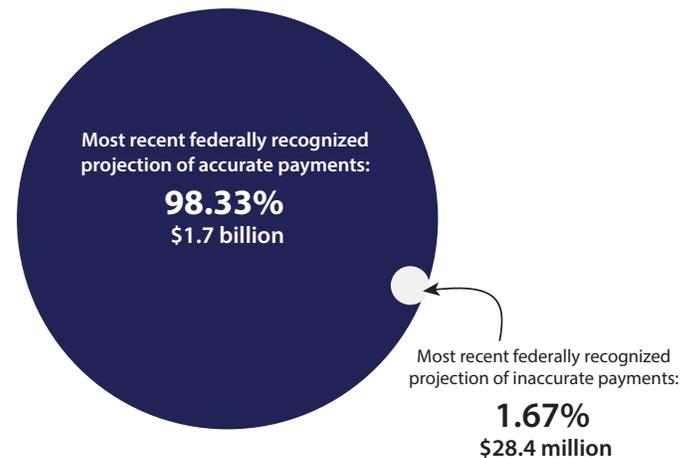
1. The U.S. Department of Agriculture, Supplemental Nutrition Assistance (SNAP), which provides \$1.7 billion in food assistance. The SNAP program in Washington is known as Basic Food.
2. Temporary Assistance for Needy Families (TANF), which provides nearly \$220 million in cash benefits to citizens living in Washington.

DSHS is responsible for assuring that only eligible clients participate in these two programs and that they are issued the correct amount of benefits.

DSHS has already improved its oversight of the two largest programs, SNAP and TANF

DSHS has made considerable improvements in recent years. Two recent USDA reviews praised DSHS' monitoring system, with one review calling it "exemplary." Last year's 98.3 percent SNAP payment accuracy rate was the nation's sixth best. USDA recently told us that DSHS' preliminary payment accuracy rate for 2014 is one of the highest in the nation. Although subject to USDA verification, if this high payment accuracy rate is affirmed, it could result in a bonus from USDA.

Inaccurate payments made to Washington SNAP clients represent less than 2% of the program's value in 2013



Note: Inaccurate payments include the value of both overpayments and underpayments.

SUCCESSES

- ✓ DSHS processes are effective at preventing benefits to people with an invalid SSN, which has contributed to DSHS' high payment accuracy rate
- ✓ DSHS has significantly reduced the number of replacement cards
- ✓ DSHS has strong processes to monitor transactions at prohibited businesses

DSHS is effectively managing and has adequate controls over the use of invalid Social Security numbers, replacement of lost cards, and prohibited use of benefits

DSHS is also responsible for monitoring the EBT cards that clients use to access benefits. Its management of this aspect of the program is effective in preventing the abuse of those benefits.

Invalid Social Security numbers. We did not find any instances where DSHS extended benefits to household members who used an invalid Social Security number. The state uses a real-time match with the Social Security Administration to confirm identification numbers upon application and at regular reviews.

Replacement cards. Some clients sell their EBT card to another person for cash and then request a new card. Scrutinizing client requests for replacement cards helps to minimize this risk. In 2012, Washington began requiring clients to receive the replacement cards through the mail. In addition to reducing foot traffic in state offices, the resulting seven to 10 business day wait time has also reduced the number of replacement cards. DSHS reported it has reduced the number of clients with four or more replacement cards in a year from about 12,000 in 2012 to about 5,000 in 2014. To achieve a further reduction, we recommend the state require clients who have requested eight or more replacement cards to explain why they need additional cards.

EBT card use at prohibited businesses. Washington is expanding its use of analytics to identify improper card use. It has established strong processes to monitor transactions at prohibited businesses. Our audit did not identify any transactions at prohibited businesses such as casinos and strip clubs.

Additional improvements by DSHS could further strengthen program eligibility and oversight

The three opportunities shown in the graphic at right could help DSHS save or recover money. We estimated the potential recoveries from ineligible clients with excessive wages at as much as \$786,000 annually and that filtering out-of-state purchases to identify non-residents could save around \$280,000 annually.

We found other opportunities for DSHS to improve program integrity and identify the best use of its resources. They include:

Hiring additional investigators to correspond with the higher numbers of clients the programs now serve. An internal agency review and the USDA Inspector General have both expressed concern about how the growth in SNAP beneficiaries has not been matched with an increase in investigative resources.

Measuring outcomes associated with two types of investigations to ensure cost-effective use of the Office of Fraud and Accountability (OFA) resources. DSHS' OFA has shifted resources toward criminal fraud investigations, which appear to result in few prosecutions. Tracking the results of these and other non-criminal fraud investigations would help DSHS evaluate whether OFA should refocus its resources on helping to identify ineligible clients and remove them from program rolls administratively.

As intended by state law, empowering OFA to help strengthen the agency's policies and procedures that prevent and detect ineligible program participation and other types of fraud and abuse.

We will continue auditing DSHS's performance

Due to significant public and legislative interest, we are conducting an additional audit of DSHS. It will examine OFA's workload priorities and performance reporting, and how they affect the backlog of overpayment cases. We expect to publish this audit in 2015.

OPPORTUNITIES



Reviewing employer reported wages would enable DSHS to identify recoverable benefits



Broadening its data analysis to identify more clients with high out-of-state card use, and asking them to explain why, would enable DSHS to stop benefits to more ineligible clients



More comprehensive cross-checks with the Social Security Administration would enable DSHS to discontinue benefits to some deceased clients sooner
