



## Performance Audit

# Electronic Benefit Transfer Cards

November 26, 2014

The Department of Social and Health Services (DSHS) administers large federal food and financial assistance programs, which provide nearly \$2 billion in annual benefits to low-income Washington residents. These program benefits can be abused or paid to persons who do not qualify to receive them. Recent legislation required DSHS to make efforts to address these risks an agency priority. This audit assesses DSHS efforts to do so.

We concluded that DSHS efforts are effective in those areas examined. We did identify a few areas where DSHS can further improve that effectiveness, such as using data to more quickly identify program participants who have moved out of state, earned more income than allowed, or died while receiving benefits.



# Table of Contents

---

Executive Summary	3
Introduction	7
Background	8
Audit Scope and Methodology	11
Audit Results	13
Recommendations	29
Agency Response	31
Appendix A: Initiative 900	40
Appendix B: Methodology	42
Appendix C: Ten Years of Annual DSHS Payment Accuracy Rates for SNAP Program	44
Appendix D: EBT Card Use Areas Examined	45
Appendix E: Client and Agency Social Security Number Requirements	47
Appendix F: Opportunities to Reduce the Burden on State Resources	49
Appendix G: Total Overpayment Determinations for all Food Service and Public Assistance Programs in fiscal year 2013	50
Appendix H: Average Rent by State	51
Appendix I: Review of DSHS Benefit Terminations for 30 Clients	52

## ***The mission of the Washington State Auditor's Office***

The State Auditor's Office holds state and local governments accountable for the use of public resources.

The results of our work are widely distributed through a variety of reports, which are available on our website and through our free, electronic [subscription service](#).

We take our role as partners in accountability seriously. We provide training and technical assistance to governments and have an extensive quality assurance program.

For more information about the State Auditor's Office, visit [www.sao.wa.gov](http://www.sao.wa.gov).

## ***Americans with Disabilities***

In accordance with the Americans with Disabilities Act, this document will be made available in alternative formats. Please email [Communications@sao.wa.gov](mailto:Communications@sao.wa.gov) for more information.

## ***State Auditor's Office contacts***

### **State Auditor Troy Kelley**

360-902-0360, [Auditor@sao.wa.gov](mailto:Auditor@sao.wa.gov)

### **Chuck Pfeil, CPA :: Director of State & Performance Audit**

360-902-0366, [Chuck.Pfeil@sao.wa.gov](mailto:Chuck.Pfeil@sao.wa.gov)

### **Lou Adams, CPA :: Deputy Director of Performance Audit**

360-725-5577, [Louella.Adams@sao.wa.gov](mailto:Louella.Adams@sao.wa.gov)

### **Christopher Cortines, CPA :: Performance Audit Principal**

360-725-5431, [Christopher.Cortines@sao.wa.gov](mailto:Christopher.Cortines@sao.wa.gov)

### **Thomas Shapley :: Deputy Director of Communications**

360-902-0367, [Thomas.Shapley@sao.wa.gov](mailto:Thomas.Shapley@sao.wa.gov)

## ***To request public records***

### **Public Records Officer**

360-725-5617, [PublicRecords@sao.wa.gov](mailto:PublicRecords@sao.wa.gov)

# Executive Summary

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:

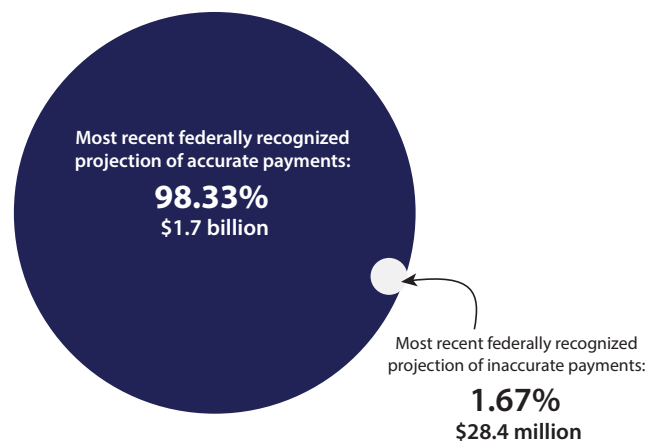
1. The U.S. Department of Agriculture, Supplemental Nutrition Assistance (SNAP), which provides \$1.7 billion in food assistance. The SNAP program in Washington is known as Basic Food
2. Temporary Assistance for Needy Families (TANF), which provides nearly \$220 million in cash benefits to citizens living 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." (See page 9.) 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. 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.

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.

## SUCCESSSES

- ✓ 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***

**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

---

DSHS is actively improving its oversight, resulting in one of the highest payment accuracy rates in the nation. Because of these improvements, DSHS may potentially receive a bonus from the USDA in 2015. While recognizing this achievement, the audit identified a few areas where DSHS can continue to make further improvements. The following recommendations should help DSHS make these improvements.

1. To recover benefits paid to clients who earned too much quarterly income, we recommend DSHS:
  - a) Complete its investigation of the clients identified during the audit who had income that exceeded or likely exceeded eligibility limits.
  - b) Review employer-reported wages submitted to the Employment Security Department for all program participants quarterly. Contact employers and conduct other investigative work to confirm overpayments. Submit referrals to the Office of Financial Recovery, which can establish benefit deductions for current clients and other types of payment recovery plans for former clients.
  - c) Establish performance metrics for its overpayment recovery efforts, including those related to clients with high quarterly incomes. Use these measures to focus recovery efforts where it is most cost-effective. In assessing cost-effectiveness, consider that DSHS can keep 20 percent to 35 percent of the SNAP benefits it recovers (if caused by client error) and 50 percent of the TANF benefits.
2. To reduce payments to ineligible clients who live out of state, we recommend DSHS:
  - a) Revise its computer filters to identify all clients who had 65 percent or more of their EBT card use out of state for two months. DSHS should immediately run these revised computer filters as it receives the weekly EBT transaction data from the bank.
  - b) Send automated requests for contact to all households that have 65 percent or more of their card spending out of state for two consecutive months.\*
  - c) After providing a 10-day notice as required by SNAP program rules, discontinue benefits to those who do not respond to the requested contact, and to those whose response indicates they moved out of state.\*

\* DSHS should obtain USDA approval of these procedures before enacting them.

3. To minimize the benefits paid to deceased clients and to safeguard any unspent benefits, we recommend DSHS:
  - a) Obtain the Social Security Master Death file to identify deaths that its current cross-matches are not finding. The Master Death file costs \$7,245 in the first year and \$2,730 annually thereafter.
  - b) First check vital statistics maintained by the Department of Health to confirm the accuracy of the death notices it receives from the Social Security Administration for clients who lived alone. Limit the 10-day adverse action letters to those whose death notice could not be confirmed by the DOH check.
  - c) Obtain permission from USDA to sweep SNAP benefits immediately upon death when the deceased client lived alone. If it cannot obtain this permission, adopt the Oregon practice of immediately deactivating these benefit cards. Start exploring both possibilities

with potential future EBT card vendors to identify those capable of accommodating these safeguards.

4. To potentially reduce fraud by reducing the number of EBT replacement cards even further, we recommend DSHS:
  - a) Require clients who are not mentally ill and have requested eight or more replacement cards during a 12-month period to meet with caseworkers and explain why, before they are mailed another replacement. Over time, as clients change their behavior, lower this number to four replacement cards.
  - b) Immediately conduct a FRED investigation of clients who received more than eight replacement cards in a 12-month period but won't explain why, or have explanations that indicate cards have been misused.
5. To help improve its overall oversight and program integrity, we recommend DSHS:
  - a) Hire more OFA investigators to help keep up with the increase in program beneficiaries.
  - b) Use the added OFA investigators to support the audit's recommended data analysis to identify more ineligible program participants or overpayments to participants.
  - c) Empower OFA to further strengthen DSHS policies and procedures that prevent ineligible program participation. These strengthened policies and procedures should require:
    - Standardized FRED investigation reports, which are used by caseworkers to determine whether benefits should be discontinued. A consistent format for these reports would make it easier for financial workers to use them when making these determinations.
    - Discussion and follow-up between financial workers and FRED investigators and how potential disagreements are addressed.
  - d) Measure the outcomes associated with the two types of OFA investigations to assure cost-effective use of OFA resources. Use these measurements to assess whether it would be more cost-effective to perform fewer criminal investigations and more:
    - FRED investigations that help identify more ineligible clients and discontinue their benefits.
    - Improvement to DSHS policies and procedures to further reduce ineligible program participation and EBT card abuse.

# Introduction

---

In recent years, local media investigations have highlighted cases of questionable electronic benefit transfer (EBT) card use and fraud. Washington is not alone in this problem, as other states identified ineligible safety-net participants and EBT transactions that are fraudulent or show a high risk for fraud in their programs.

The Department of Social and Health Services (DSHS) is tasked not only with assisting those in need, but with protecting taxpayer funds from fraud and abuse. In fact, recent legislation has identified the elimination of fraud and abuse as a DSHS priority. Audits in other states have made recommendations to improve the use of data analysis to reduce ineligible participation and fraudulent card use. In 2012, the U.S. Department of Agriculture (USDA) Inspector General reported that states do have tools for ensuring applicant eligibility and detecting fraud, but do not make full use of them. The report also said slight increases in oversight efforts could make a significant impact on program integrity.

We focused our audit on these two programs:

- Supplemental Nutrition Assistance Program (SNAP, also called Basic Food or food stamps)
- Temporary Assistance for Needy Families (TANF)

We conducted this audit to determine:

- Can DSHS improve its use of available data analysis tools to prevent and detect ineligible program participation and inaccurate benefit payments?
- Can DSHS improve its use of available data analysis tools to prevent and detect inappropriate EBT card use?
- Are there ways the Department's Office of Fraud and Accountability (OFA) can help DSHS improve its oversight and program integrity?

# Background

---

In the past, people who needed help to pay their bills during times of unemployment or financial stress received a check from the federal or state government. Those who needed help buying food received paper coupons – “food stamps” printed in various denominations and bound in a booklet, each with a one-to-one face value with actual money. In 2004, states eliminated paper checks and coupons, replacing them with a plastic card resembling a debit card, usually called an electronic benefits transfer (EBT) card.

As in the past, clients must apply for assistance to the state-run department charged with distributing federal and state funds. They must demonstrate their need, prove their identity, and meet residency requirements. Once their eligibility is confirmed, they must comply with the rules of the program if they are to continue receiving benefits, spending the money they receive on approved uses – such as food, transportation and clothing – but not cigarettes, alcohol or gambling.

## **EBT cards offer a convenient way to transfer benefits to clients**

EBT cards allow eligible clients to access cash benefits through Automated Teller Machines (ATM) and food benefits through point-of-sale (POS) devices in retail stores. A card is issued to the client upon approval of his or her benefit package; loaded with the first month’s benefits, then reloaded electronically on the same day every month. While encouraged to track their spending through their receipts, clients can also check their benefits balance online at a secure website. If a card is lost or stolen, clients may request a replacement by calling a toll-free number. In many ways, cards are an improvement over paper-based benefits: they eliminate the need for printing coupon books; they can be managed entirely electronically, including the deactivation of lost or stolen cards; and most cards in Washington bear the authorized client’s name.

DSHS contracts with JP Morgan Chase to manage the Department’s EBT transaction processing and card management.

## **Two large public assistance programs in Washington rely on EBT cards**

The audit examined the largest two programs in Washington that use EBT cards: SNAP/Basic Food and TANF. Smaller programs employing EBT cards include: Aged, Blind, Disabled; State Supplemental Payment; Refugee Cash Assistance; and Consolidated Emergency Assistance Program.

Supplemental Nutritional Assistance Program (SNAP) is a federally funded program administered by the state that provides \$1.7 billion in food benefits to 597,000 low-income households that include 1.1 million people. EBT cards issued for use in the SNAP/Basic Food program may only be used to purchase food, and may not be used to withdraw cash or purchase other items.

Temporary Assistance for Needy Families (TANF) is a federal and state program that provides nearly \$220 million in cash assistance to 49,000 low-income households that include 113,000 people. The state funds 31 percent of the program costs. The federal government funds the remaining 69 percent. The new federal

### **What is considered “low income?”**

---

up to **200%**

of the federal poverty guideline

---



Welfare Integrity and Data Improvement Act requires states, by February 2014, to maintain practices and policies that prevent TANF assistance on EBT cards from being used at any liquor store, casino or other prohibited venues.

In Washington, certain laws and regulations apply to both programs:

- Program participants must be legal U.S. residents and live in Washington. Program participants may use their EBT card out of state.
- Participants must also have a valid Social Security number (SSN) or demonstrate that they are attempting to obtain one.
- Other eligible household members may use the card. Clients can also designate an alternate cardholder who must get their own EBT card.

## Two DSHS divisions are responsible for oversight and administration of EBT card usage

The Economic Services Administration (ESA) administers the SNAP and TANF programs.

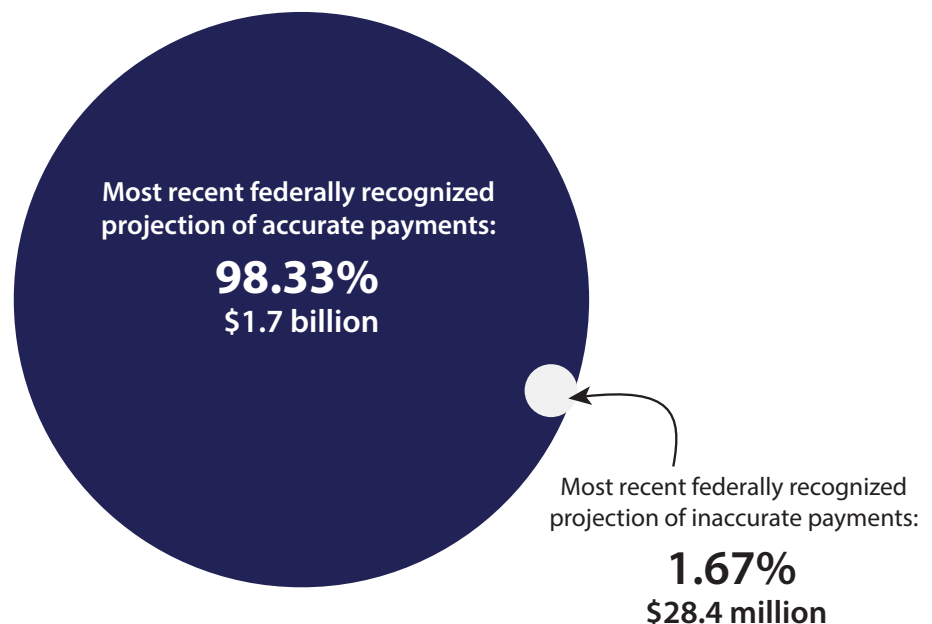
Consistent with Engrossed Substitute Senate Bill 5921, which was passed in 2011, the Office of Fraud and Accountability (OFA) has these responsibilities:

- Investigate potential EBT card fraud and eligibility concerns. This work is conducted by criminal investigators and fraud and early detection (FRED) investigators.
- Maintain a list of the casinos, liquor stores, and adult entertainment establishments that are required to program their ATM and point-of-sale machines so they do not accept EBT cards. Identify those prohibited businesses that have wrongfully accepted EBT cards.
- Recommend policies, procedures and best practices to prevent and detect inappropriate card use and program participation.

## DSHS has already taken steps to improve program integrity

Since 2011, when the Legislature required DSHS to prioritize fraud prevention, the agency's accuracy rate for payments to SNAP participants improved from 96 percent to 98 percent. Exhibit 1 shows the most recent federally recognized projection of accurate payments made in 2013 for the \$1.7 billion SNAP program. Inaccurate payments are estimated at \$28.4 million, less than 2 percent of the program. See Appendix C for more data on program accuracy rates.

**Exhibit 1 – 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.

Federal observers have recognized several positive efforts made by DSHS to tighten controls over EBT card use. A 2012 Government Accountability Office report on the limitations states face in restricting benefit use at improper locations noted Washington's methods of restriction as "most practical."

A USDA Food and Nutrition Service review in 2013 noted "DSHS had an exemplary program integrity system with no major deficiencies." The USDA recognized DSHS achievements in the following areas:

- Comprehensive procedures and protocols to prevent and detect fraud
- Trained fraud investigators
- An EBT trafficking unit with investigators monitoring fraud at stores and on social media
- A toll-free hotline for law enforcement officers who arrest people who are found to have multiple EBT cards

Real-time information sharing can prevent other states from approving applications to new residents before their benefits are discontinued at their previous residence. Washington recently offered several other states, including Idaho, Oregon and Alaska, access to its enrollment database. The state hopes these and other states will offer reciprocal access to their systems, which could further reduce the likelihood that clients can receive benefits in two states at once. The federal government is conducting a pilot project that will connect enrollment databases in five Southern states. If the pilot succeeds, the goal is to provide all states with nationwide enrollment information. DSHS administrators told us they plan to cross-reference to this national database as soon as it becomes available.

DSHS also created a unit to identify clients who have been flagged in the national Public Assistance Reporting Information System (PARIS) database for receiving benefits in more than one state. DSHS reported that in the first few months of using this database, it saved more than \$1 million by discontinuing service to clients receiving benefits in another state.

# Audit Scope and Methodology

---

In conducting this audit, we explored these specific questions:

- Can DSHS improve its use of available data analysis tools to prevent and detect ineligible program participation and inaccurate benefit payments?
- Can DSHS improve its use of available data analysis tools to prevent and detect inappropriate EBT card use?
- Are there ways OFA can help DSHS improve its oversight and program integrity?

To answer these questions, we obtained EBT transaction data for cards used by clients in the TANF and SNAP programs from July 1, 2012, through June 30, 2013, and conducted tests outlined below. We also read USDA reviews and internal DSHS reviews that examined DSHS policies and procedures, and interviewed DSHS personnel to understand these policies and assess their effectiveness. In the course of our audit work, we also considered the potential to increase DSHS's 98.3 percent SNAP payment accuracy rate, as well as OFA's priorities and whether they are optimal for helping strengthen DSHS oversight of EBT card use.

## Tests to identify ineligible program participants

To identify people who are ineligible to receive benefits, we looked for clients who:

- Earned more than permitted to qualify for both TANF and SNAP
- Lacked a valid Social Security number
- Were recorded in state databases as deceased but whose benefits were not ended promptly
- Made more than 65 percent of their EBT card purchases out of state for four or more months and then did not complete their mid-certification review
- Had unusually high EBT card benefit balances

We then examined DSHS processes to see how effective they were at preventing and detecting benefit payments to households with cardholders who did not have a valid Social Security number, earned too much income, were deceased, or moved out of state.

## Tests to identify inappropriate EBT card use.

A variety of behaviors can indicate inappropriate use of the client's benefits, including potential fraud. To identify questionable EBT card use, we looked for EBT card users who:

- Made five or more transactions within an hour
- Received more than four replacement cards
- Used their card at liquor stores, smoke shops, adult entertainment venues, bail bonds companies, tattoo or piercing parlors, or casinos
- Had their card used after the date their death appeared in state or federal records
- Used their entire EBT card balance on a single transaction

Once we identified potentially ineligible clients or inappropriate card use, we asked DSHS staff to investigate further. We also asked them to describe the actions they take when ineligible clients and improper card use are discovered.

In the case of clients who had five or more charges in an hour or charges at businesses that appeared to be prohibited, further review showed that these activities were small and well-controlled. **Appendix D** has more information about our audit of these two areas. We did not examine high-balance EBT cards or instances where the entire balance was spent in a single transaction because the benefits involved in these areas were quite small.

### **Audit performed to standards**

We conducted this performance audit under the authority of state law (RCW 43.09.470), approved as Initiative 900 by Washington voters in 2005, and in accordance with Generally Accepted Government Auditing standards (December 2011 revision) issued by the U.S. Government Accountability Office. 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. See **Appendix A**, which addresses the I-900 areas covered in the audit. **Appendix B** contains more information about our methodology.

### **Next steps**

Our performance audits of state programs and services are reviewed by the Joint Legislative Audit and Review Committee (JLARC) and/or by other legislative committees whose members wish to consider findings and recommendations on specific topics. Representatives of the State Auditor's Office will review this audit with JLARC's Initiative 900 Subcommittee in Olympia. The public will have the opportunity to comment at this hearing. Please check the JLARC website for the exact date, time, and location ([www.leg.wa.gov/JLARC](http://www.leg.wa.gov/JLARC)). The State Auditor's Office conducts periodic follow-up evaluations to assess the status of recommendations and may conduct follow-up audits at its discretion.

# Audit Results

---

## **Question 1: Does DSHS effectively use available data analysis tools to prevent and detect ineligible participation and inaccurate benefit payments in the largest two programs that use EBT cards?**

**Answer in brief:** We found that DSHS processes are effective at preventing benefits to household members who use an invalid Social Security number, which has contributed to DSHS' high payment accuracy rate. Our random samples of 60 households that included family members with invalid Social Security numbers showed DSHS properly excluded these members from the benefits calculation.

To further improve its prevention and detection of ineligible participants and inaccurate benefit payments, DSHS could review employer-reported wages, which would enable DSHS to identify recoverable benefits, and broaden its data analysis to identify more clients with high out-of-state card use, asking them to contact DSHS to explain the situation. The agency could also conduct more comprehensive cross-checks with the Social Security Administration in order to discontinue benefits to some deceased clients sooner. Finally, DSHS can better protect most deceased clients' unspent benefits by deactivating deceased clients' EBT cards immediately after death, or with federal permission, sweeping the benefits immediately after death rather than waiting a year as is typically required.

### **DSHS has effective processes to identify and prevent people with invalid Social Security numbers from receiving benefits**

Our samples strongly suggest DSHS follows federal rules for the nearly 6,000 cardholders who have an invalid Social Security number. (Appendix E has more information on Social Security number requirements.) We identified 5,701 cardholders who appeared to have an invalid or incorrectly entered Social Security number. DSHS paid nearly \$18 million in benefits to these cardholders, which made up nearly 1 percent of total SNAP and TANF spending in fiscal year 2013. We examined the cases of 60 cardholders selected at random. In 34 cases, the cardholder was an ineligible parent whose children are eligible for benefits; in 25 cases, the cardholder had an invalid or incorrectly entered Social Security number that has since been corrected.

In the remaining case, DSHS was already investigating possible identity theft. Because each issue is complicated, we describe them in more detail below.

## **Ineligible parents can act as cardholders for benefits to eligible children**

Under federal law states may give EBT cards to the parents of eligible children, even if those parents themselves are ineligible for benefits. Unlike typical cardholders who receive benefits for themselves and their dependents, these cardholders only received benefits for their eligible children.

Based on our sample results, we project about 3,200 households fall into this category, including 34 in our random sample. In the cases we reviewed, the parents' applications and those of ineligible children were denied, but their eligible children were approved. The parents typically give DSHS and their employers the same Social Security number, allowing DSHS to use the number to check employer-reported wages if it appears necessary. If the parents earn too much for their children to be eligible, DSHS can halt benefits.

## **Although clients and staff corrected the bad Social Security numbers, DSHS retains them in its system**

Before DSHS began using real-time Social Security number verification in 2012, an incorrect or invalid number could be used initially and then corrected soon after. Because the incorrect or invalid number was once used to collect benefits, DSHS' client system still connects both it and the corrected number to the client. Although they are no longer used, DSHS retains these original numbers, which were identified by the audit. We concluded that the benefits paid in the 25 cases we identified were valid.

## **We found opportunities for DSHS to identify and remove ineligible people from SNAP and TANF program rolls**

We found opportunities for DSHS to better oversee the eligibility of SNAP and TANF program participants. With these improvements, we believe DSHS can recover benefit overpayments, avoid benefit payments to ineligible clients, increase its chance of receiving future USDA bonuses, and reduce the burden on state funding. **Appendix F** has more information on how these improvements reduce the burden on state funding.

1. To identify recoverable benefits, DSHS could review employer-reported wages on a quarterly basis, not just at application and recertification, as is current procedure.
2. To stop benefits to more ineligible clients, DSHS could broaden its data analysis to identify more clients with high out-of-state card use, and request these clients make contact to explain why this is so.
3. To discontinue benefits to some deceased clients sooner, DSHS could conduct more comprehensive cross-checks with the Social Security Administration.

The next few pages of this report examine these areas in more detail. **Appendix C** contains a DSHS report on its 12-month historical payment accuracy rates from September 2003 through September 2012.

## 1. Reviewing employer-reported wages would enable DSHS to identify recoverable benefits.

SNAP and TANF program eligibility rules require that DSHS establish client eligibility based on current income. Because employers have a month after the quarter closes to report employee wages to the Employment Security Department, DSHS told us this wage information cannot be used to establish eligibility. However, DSHS acknowledges that if it cross-matched the income reported by the client to the quarterly wages that employers report to Employment Security, it could identify existing clients who received benefits they were not qualified to receive because they earned too much money to remain eligible.

### ***DSHS can recover benefits from clients who earned more than program rules allow***

Both state (WAC 388-410-0033; 388-410-0015) and federal (Title 7 §273.18) laws allow DSHS to deduct the overpayments from future benefits. For SNAP, these deductions cannot exceed \$10 or 10 percent – whichever is greater – of the client’s benefits if the overpayment was due to unintentional circumstances. Intentional errors raise the deduction level to \$20 or 20 percent of the client’s benefits. For TANF, the deduction for unintentional overpayments is 5 percent unless the client requests a larger deduction in writing. The deduction for intentional overpayments is typically 10 percent but can total up to 100 percent in limited circumstances.

Clients can also repay benefits in one sum or work with DSHS to establish a payment plan. For those people who are no longer active clients, DSHS can garnish wages, file liens on property, and work with the federal government to recover from income tax refunds or Social Security Administration benefits.

### ***Estimated recoverable benefits***

To assess the potential benefit of such a cross-match, we identified all DSHS clients, active and inactive, whose employer-reported quarterly income in fiscal year 2013 exceeded eligibility limits by more than \$1,000. In Exhibit 2, they are grouped by those whose quarterly income exceeded eligibility limits by \$1,000 to \$10,000 and by more than \$10,000.

### **Exhibit 2 – Households with quarterly income that potentially exceeded eligibility limits in fiscal year 2013**

Cardholder income in excess of quarterly limit <sup>1</sup>	Number of households <sup>2</sup>	Number of quarters <sup>2</sup>	Amount of quarterly SNAP and TANF benefits received
\$1,000 to \$10,000	11,173	14,320	\$7,509,551
more than \$10,000	487	661	\$450,068
<b>Totals</b>	<b>11,660</b>	<b>14,981</b>	<b>\$7,959,618</b>

Source: SAO prepared this exhibit using DSHS client data and employer reported wages provided by the Employment Security Department.

Notes: 1. Employment Security receives three combined months of employee wage statements from employers quarterly. 2. Some households had excess income in two or more quarters.

We examined a random sample of 30 households from each group, looking for DSHS records that explained why they qualified for benefits or if DSHS had sought to recover over-payments. We found 16 households (15 SNAP, 1 TANF) out of the 60 examined whose case records did not include an explanation for the high income. DSHS acknowledges it paid or may have paid clients benefits they should not have received, and OFA has investigated or is now investigating all 16 clients for potential overpayment. As Exhibit 3 shows, half of the 16 households who were ineligible or likely ineligible were still receiving benefits on December 31, 2013, and six were still receiving benefits as of August 27, 2014.

Based on the methodology described in Appendix B, we estimate potential recoverable benefits of up to \$786,000 in fiscal year 2013. This estimate assumes the ineligible clients and likely ineligible clients sampled received benefits that are representative of the population from which these random samples were drawn. Assuming similar ineligibility or likely ineligibility rates in the future, DSHS could potentially recover a similar amount each year. DSHS acknowledges some of this is recoverable.

**Exhibit 3 – Sample results for clients with high quarterly income  
July 1, 2012 through June 2013**

Sample population – by range that income exceeded quarterly limit	Sample size	Evidence of recovery	*Ineligible or likely ineligible	Active as of 12/31/13	Active as of 08/27/14
> \$1,000 - \$10,000	30	0	9	5	3
> \$10,000	30	0	7	3	2
<b>Totals</b>	<b>60</b>	<b>0</b>	<b>16</b>	<b>8</b>	<b>5</b>

Source –SAO prepared the exhibit above based on sample results. Sample data came from DSHS client data and employer reported wages provided by Employment Security.

***Definitely or likely ineligible: How did we decide?***

**Ineligible clients:** DSHS acknowledges it paid benefits to five clients who should not have received them. Either the client reported the high income but DSHS did not catch it, or DSHS affirmed the high income made the client ineligible.

**Likely ineligible clients:** These 11 clients received benefits for all three months in the quarter and did not report their high income as required.

**Who we excluded:** Clients who received less than three months benefits were excluded because they may have earned the high quarterly income before benefits started or after they stopped.

***Overpayment recovery rate***

DSHS does not track its overpayment recovery rate. To help us assess the potential for recovery, DSHS selected \$123,000 in overpayment determinations that were made for two days in July 2012. DSHS then tallied how much of this money had been recovered two years later, by July 31, 2014. Of the overpayments determinations made during these two days, DSHS told us it recovered more than 48 percent.

***DSHS splits its recoveries with the federal government***

If overpayment was caused by client error, DSHS is allowed to keep between 20 percent and 35 percent of the SNAP benefits it recovers. It is also allowed to keep 50 percent of the TANF benefits it recovers. The balance must be returned to the federal government responsible for the program. The overpayments we found in our sample were caused by client and DSHS errors.

Appendix G shows DSHS’ total overpayment determinations for all food and public assistance programs during fiscal year 2013.

***What is an overpayment determination?***  
 OFA investigates the eligibility of clients and whether they have been overpaid. If OFA and caseworkers conclude an overpayment has likely occurred, they contact the client. Clients may acknowledge the overpayment or choose to go through an administrative hearing. Whether by acknowledgement or administrative hearing, overpayment determinations are submitted to the Office of Financial Recovery.



## 2. Broadening its data analysis to identify more clients with high out-of-state card use, and requesting they contact DSHS to explain why this is so, would enable DSHS to stop benefits to more ineligible clients.

Audits in other states have shown that out-of-state EBT transactions may reflect ineligible clients who no longer live in the state that provides them with benefits. If a client has moved, the new state is responsible for administering the client's benefits. If the client receives benefits in both the old and the new state, the federal PARIS system is supposed to catch duplicate benefits. But the OFA Director and staff told us that this system – even with direct communications between states – is not always effective at catching duplicated benefits timely.

### ***SNAP reporting requirements differ from TANF's, and do not align with state law***

Even if a client remains eligible in the new state, benefits are likely to change as they are partly determined on the client's rent. As shown in **Appendix H**, rents can vary significantly from one state to the next.

However under federal law, SNAP clients are not required to report an address change until their upcoming check-in, which occurs every six months.

This is why DSHS requires only TANF but not SNAP participants to report their new address in the first ten days of the month following the move. Consequently, a client who no longer lives in Washington may continue to receive benefits for up to six months, which conflicts with state law (RCW 74.08.105), which says that payments should not be made to recipients living outside the state of Washington except in certain circumstances.

For food benefits, Washington (in WAC 388-468-0005) defines a state resident as someone who “currently lives in Washington and intends to continue living here permanently or for an indefinite period of time...”

Although federal law does not require SNAP clients to report moves more frequently than their six-month check-in, it does require DSHS to question eligibility earlier if it receives information that suggests the benefits package is no longer correct.

---

### **Moving for work and no longer eligible**

The U.S. Census Bureau indicates that work is one of the top three reasons why people move to a new state. Employment at a good wage means it is unlikely a former client will still need benefits.

---

### ***What federal law says about a state's obligation to clarify a SNAP client's proper benefit amount***

7 CFR §273.12 [SNAP] Requirements for change reporting households

(c) (3) Unclear information. During the certification period, the State agency may obtain information about changes in a household's circumstances from which [it] cannot readily determine the effect...on the household's benefit amount. The State agency must pursue clarification and verification of household circumstances using the following procedure:

(i) The State agency must issue a written request for contact (RFC) which clearly advises the household of the verification it must provide or the actions it must take to clarify its circumstances, which affords the household at least 10 days to respond and to clarify its circumstances... and...the consequences if the household fails to respond to the RFC.

(ii) If the household does not respond to the RFC, or does... but refuses to provide sufficient information to clarify its circumstances, the State agency must issue a notice of adverse action as described in §273.13 which terminates the case [and explains why]...

(iii) Periodic report. (A) The State agency may require a household to submit a periodic report on its circumstances...up to once every 6 months. [It need] not require a household certified for 6 months or less to submit a periodic report during its certification period. However...a household certified for more than 6 months must submit a periodic report at least once every 6 months...

## Steps DSHS takes to identify out-of-state clients who should not receive benefits

Although federal requirements allow clients to use their benefits in another state, DSHS computer filters sift through weekly EBT transaction data provided by JP Morgan Chase to identify active clients who have used their cards exclusively out of state for more than 30 days. However, these filters exclude clients living near state lines whose card use occurred at out-of-state stores that are patronized by 50 or more clients. This exclusion may overlook clients who have actually moved across the state line and should no longer be receiving Washington benefits.

Some clients with high out-of-state card use are detected through the PARIS system, which indicates they are now obtaining benefits in another state. In these instances, DSHS sends the client a letter terminating benefits. For other clients with high out-of-state card use, DSHS waits until their mid-year check-in to ask them about these out-of-state purchases. If clients fail to check in or are no longer a state resident, DSHS discontinues benefits. However, DSHS can do more to identify ineligible clients who do not live in Washington.

### DSHS steps do not identify all out-of-state clients as quickly as possible

To assess the potential for unidentified ineligible clients, we examined EBT card purchases to identify 10,099 households who spent more than 65 percent of their \$11.2 million in fiscal year 2013 benefits out of state. We found that clients with high out-of-state card use failed to complete their mid-year check-in at **twice the rate** of SNAP clients overall. One DSHS official acknowledged that clients with high out-of-state card use who missed their mid-year check-in were likely to have been ineligible for benefits.

We also assessed whether DSHS processes and computer filters were potentially missing opportunities to terminate benefits earlier to ineligible out-of-state clients. To make our assessment, we divided the 10,099 clients into three groups by the percentage of out-of-state card use, and reviewed a random sample of 30 clients from each group. We looked for clients who had at least four months of out-of-state card use that exceeded 65 percent, had not responded to their mid-year check-in, and remained inactive as of December 31, 2013. We believe these clients were likely ineligible to receive benefits.

As Exhibit 4 shows, clients who met all criteria made up between about 17 percent and 33 percent of the clients in our three samples. The remaining clients were still active, had notified DSHS of their move, or DSHS detected the out-of-state activity, investigated it and terminated benefits.

### Exhibit 4 – Clients with more than 65% of EBT card purchases out-of-state for four or more months who failed to check-in

July 1, 2012 through June 30, 2013

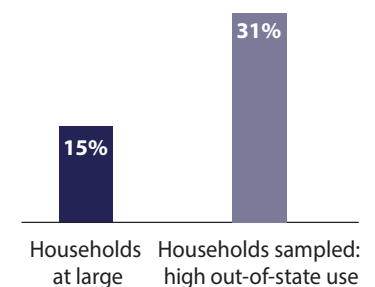
Out-of-state use > 65%	Total number of clients	Projected % of likely ineligible clients
90-100%	2,267	33.3%
80-90%	2,493	16.7%
65-80%	5,339	26.7%

**Source** – EBT card transaction data that DSHS obtained from JP Morgan Chase. SAO conducted procedures to assure this data was complete and accurate.

**Note 1** - In each of the three categories, remaining clients were still active, had notified DSHS of their move or DSHS detected the client's out-of-state activity, investigated it and terminated benefits.

**Note 2** – 65% of the ineligible clients identified in our samples once lived in cities bordering Oregon or Idaho.

Clients with high out-of-state card use failed to check in at twice the rate of SNAP participants at large  
Fiscal year 2013



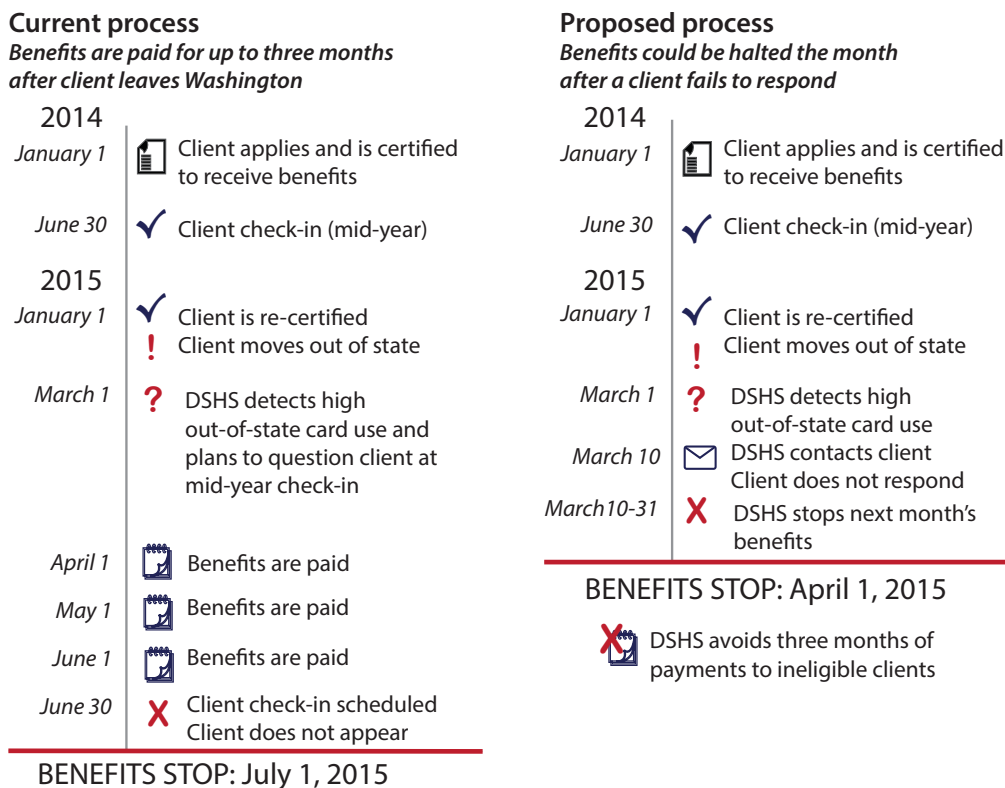
## Procedural changes could help DSHS more quickly identify clients who have moved out of state for earlier termination of benefits

Because DSHS only checks a client’s residency at their six month review, and does not aggressively pursue an early detection strategy, it misses an opportunity to identify and remove out-of-state clients sooner. By adding a step to proactively request earlier contact, the agency could discover out-of-state clients more quickly and use administrative processes to remove them from benefits rolls.

Exhibit 5 illustrates the current process and shows the effect of adding a written request-for-contact notice to all households who had 65 percent or more out-of-state card use for a two-month period. Because it would allow the agency to terminate benefits to those who failed to respond or who confirmed they no longer live in Washington, DSHS has an opportunity to avoid one to three months of benefit payments.

### Exhibit 5 - Process change creates potential to terminate benefits 3 months earlier for ineligible out-of-state clients

A six-month example timeline



*Note: Under the proposed process example, if the client moved out of state on 02/01/2015, DSHS could avoid only two months of benefits. If the client moved out of state on 3/1/2015, DSHS could avoid only one month.*

The OFA Director, responsible by law for recommending policies, procedures and best practices to detect and prevent fraud and abuse, told us he believes this process change would reduce payments to clients who no longer live in Washington and are receiving benefits in other states. DSHS believes this process change would meet federal requirements concerning the termination of client benefits. Furthermore, agency officials suggested that, with automation, it could control the cost of sending these contact requests.

There is an outstanding question of how such a process change interacts with federal law. The USDA’s Western Regional SNAP Office stated in an email to our Office that DSHS must obtain written approval to adopt this practice, and that the decision to permit the extra contact request ultimately rests with SNAP’s national office. But the Western Regional Office also stated it is available to help DSHS develop a waiver request, or explore policy options to achieve this end.

### **Estimated avoidable benefits could range from \$280,000 to almost \$300,000 annually**

The alternative process shown in Exhibit 5 would enable DSHS to avoid an estimated \$280,000 to \$295,000 in benefits annually. We calculated the range for our estimate using only two of the potential three months of “avoidable payments.” A full discussion of our methodology is in Appendix B.

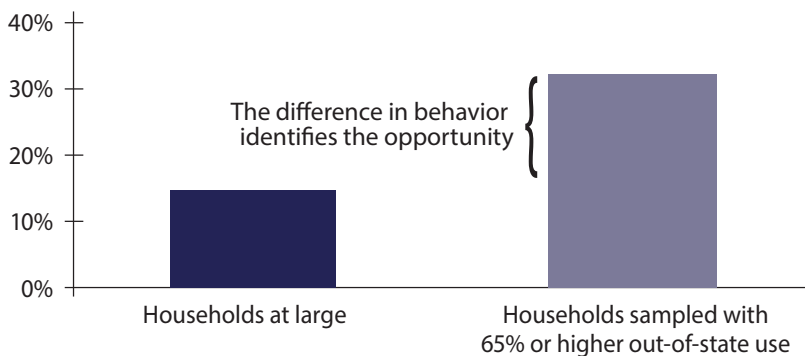
This estimated range assumes benefits paid to clients who missed their mid-year check-in and had four or more months of high out-of-state card use are similar to those paid to all other clients with high out-of-state card use. This estimated range does not reflect the possibility that the audit’s recommendations could potentially hasten the termination of benefits to other clients who would have reported their moves or had those moves detected by DSHS through other means.

As discussed above, clients with high out-of-state card use failed to check in for their six-month review at twice the rate as SNAP clients at large. This 16 percent difference is shown in Exhibit 6. Our high-end calculation of avoidable benefits started with this difference as it likely consists of ineligible clients who moved out of Washington. To make certain we were not overstating the potential for avoidable benefits, we then multiplied half this difference (8 percent) against the avoidable portion of the \$11.2 million.

The avoidable benefit payments would exceed the necessary postage and staff time responding to clients who contact DSHS as requested. We estimate these costs would total \$52,000, excluding one-time automation costs. DSHS agrees that \$52,000 is a reasonable cost estimate.

#### **Exhibit 6 – Clients with high out-of-state card use failed to check in at twice the rate of SNAP participants at large, indicating an opportunity to avoid paying benefits.**

*Percent of clients who missed check-in during fiscal year 2013*



Source: SAO prepared the exhibit above using EBT transaction data that DSHS obtained from JP Morgan Chase and DSHS reports that showed clients who did not check in for their 6-month certification review.

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

Charges on deceased clients' EBT cards in fiscal year 2013 totaled \$476,000. When deceased clients lived with other eligible household members, these other members may use the card. However, when deceased clients lived alone, such use should not occur. After death card use affected 40 percent of the 3,939 cardholders who died in this period, as shown in Exhibit 7.

***DSHS can reduce card use after death in two ways: Use the Social Security Administration's master deaths file to identify deceased clients, and use Department of Health records to verify those records.***

DSHS may learn of client deaths from family members, but it also relies on a daily cross-match of its records with data from the Social Security Administration. However, DSHS told us that the daily cross-match is sometimes unreliable because the Social Security Administration limits the number of clients sent in the daily file. As a result, the daily cross-match is not comprehensive and checks on average about 20,000 of DSHS's 1.1 million SNAP and TANF clients. Agency staff told us this has delayed how quickly it terminates some benefits. As an alternative, DSHS could obtain the Social Security Administration's master deaths file to conduct its own comprehensive monthly cross-matches.

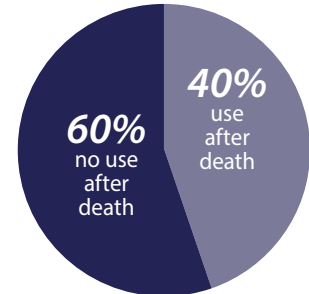
When DSHS learns of a death, it sends a letter to the deceased person's household, stating its intention to discontinue or reduce benefits and providing 10 days to respond before it does so. Depending on when the notice is sent and the day the client's EBT card is automatically reloaded, additional benefits may be available during these 10 days.

DSHS told us that the letter enables it to confirm the accuracy of death notices it obtains from the Social Security Administration, as required per federal SNAP regulations. But DSHS acknowledges it could confirm the death of some deceased clients directly by using death records maintained by the Department of Health. Department of Health told DSHS it would charge \$30 a month to provide them these records.

Although a sample of 30 clients showed DSHS processes resulted in the timely termination of benefits for two-thirds of these clients, it also confirmed the process improvements we describe would reduce after-death card use. This sample also showed three-fourths of these clients lived alone. We have provided the detailed results of this sample at **Appendix I**.

DSHS told us that its current process does not distinguish clients who lived alone from those that lived with other clients. Federal program rules (7 CFR §273.13) do not require DSHS to send a termination-of-benefits letter when the deceased lived alone.

**Exhibit 7 - The cards of 40% of EBT cardholders who died in FY 2013 were used after their death**  
3,939 cardholders died in FY2013



**Source** – SAO prepared the exhibit in part using EBT card transaction data that DSHS obtained from JP Morgan Chase. SAO conducted procedures on the data to make sure it was complete and accurate.

## **DSHS can reduce card use after death by deactivating or “sweeping” unspent benefits as soon as it learns that clients who lived alone have passed away.**

Federal program rules require that states sweep unspent benefits 365 days after the last card use. However, to offset the risk that a deceased client’s benefits will be accessed by unauthorized users, other federal rules allow states to deactivate EBT cards immediately upon learning of the client’s death. For example, Oregon immediately deactivates the benefits belonging to deceased clients who live alone, as stated in its July 2012 guidance “Issuing & Restoring Benefits.” DSHS does not currently deactivate cards of live-alone clients in this way but has expressed an interest in enacting this safeguard.

During the audit, DSHS officials approached the USDA to explore an alternative approach to safeguarding unspent benefits by immediately sweeping the unused card balances belonging to deceased clients who lived alone. USDA expressed support of this idea and plans to propose it at the upcoming rule-making session. Until then, USDA told us that one state has already obtained a waiver to reduce the waiting time for sweeping benefits, and it encourages DSHS to do the same.

Regardless of which safeguard it adopts, DSHS must work with its EBT transaction processing company to enact it. Its current vendor, JP Morgan Chase, whose contract expires in 2016, told DSHS it will not conduct the computer programming that is necessary to sweep these benefits or to deactivate them sooner for deceased clients who lived alone.

## **Question 2: Does DSHS effectively use available data analysis tools to prevent and detect inappropriate EBT card use in the SNAP and TANF programs?**

**Answer in brief:** We found that DSHS has strong processes to monitor transactions at businesses that are prohibited, such as casinos or strip clubs. Our audit did not identify any transactions at these types of businesses. We also found that DSHS has significantly reduced the number of replacement cards it issues. Multiple cards can indicate that clients are selling their SNAP benefits at a discount for cash.

We did find additional opportunities for DSHS to improve its controls over EBT card abuse by limiting the number of cards issued without a personal contact with a DSHS caseworker.

## **Reducing the number of replacement cards issued is about assuring clients use benefits as intended**

The USDA reported that clients who have requested multiple replacement cards show a higher risk of conducting fraudulent activity. Multiple replacement cards can indicate that clients are selling their SNAP food benefits at a discount for cash, enabling them to purchase items other than food, which is prohibited as a condition of program participation. It should be noted that cards that have been illegally sold for cash do not result in additional benefits to the client or added costs to the state. When the client seeks a replacement, DSHS transfers any unspent benefits from the old card onto the new card. But DSHS does not replace any benefits that were spent on the old card.

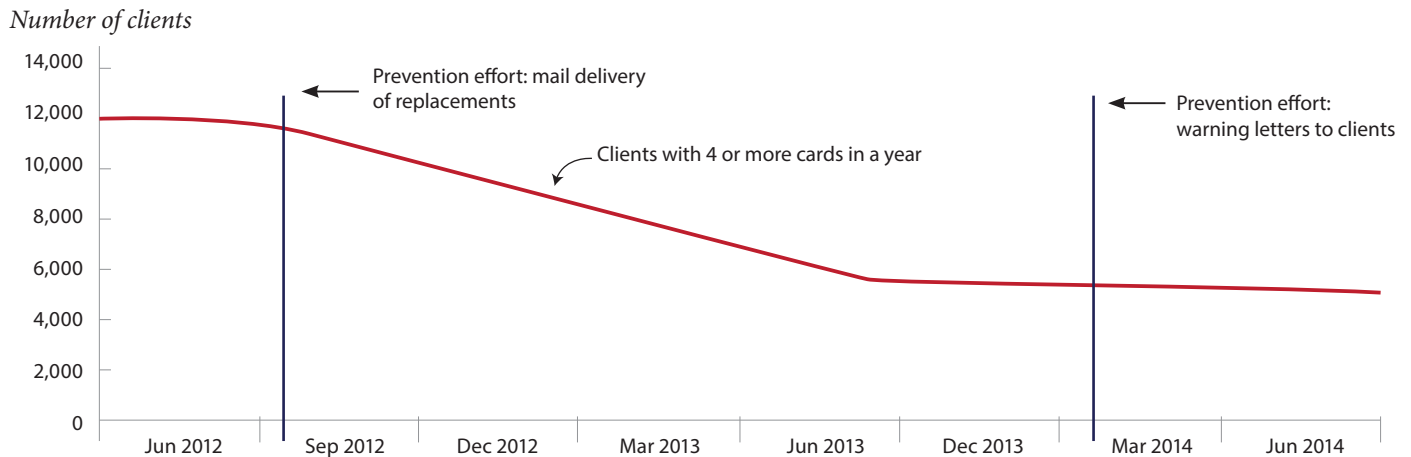
To significantly reduce the number of replacements, DSHS has already taken these two steps:

1. Requiring clients to obtain replacement cards by mail. In late September 2012, DSHS began requiring clients to obtain their replacement cards by mail rather than in person, which had been the practice. Obtaining a replacement by mail can take seven to ten business days. This delay discourages clients from losing their card.
2. Sending warning notices to clients with a high number of replacement cards. DSHS started sending these notices in February 2014. It reads:  
*“If we suspect you are illegally selling or trading your EBT card, personal identification number (PIN) code, or food benefits, we will refer your case for fraud investigation and possible prosecution.”*

Exhibit 8 shows these two measures have reduced the number of clients obtaining four or more replacement cards by 56 percent. Other states, including Massachusetts, have experienced similar reductions.

### Exhibit 8 – The number of clients requesting four or more replacement cards drops after recent DSHS steps to reduce the number of replacements

June 2012 through June 2014



Source: SAO prepared the exhibit using information that DSHS obtained from its ACES system. SAO performed limited procedures to assess the accuracy of the exhibit data for the period July 2012 through June 2013.

Although DSHS does not typically investigate clients with four or more replacement cards as the warning letter suggests, its use appears to be contributing to a small decrease in these replacements. If DSHS consistently conducted these investigations, it would likely see an even larger decrease.

## DSHS can take another step that could potentially further reduce the number of replacements.

Even with DSHS efforts, more than 5,700 clients still used at least five cards in fiscal year 2013, spending more than \$15.4 million. Exhibit 9 shows that, together, these clients used more than 33,000 cards. According to the USDA Inspector General, these clients show a high risk of selling their benefits for cash.

### Exhibit 9 – Number of clients who obtained five or more cards

July 2012 – June 2013

Number of cards used	Number of accounts	Total amount spent
Five	3,343	\$8.95 million
Six	1,357	\$3.61 million
Seven	594	\$1.59 million
Eight	275	\$0.69 million
Nine	129	\$0.35 million
Ten or more cards	91	\$0.22 million
<b>Total 33,288 cards</b>	<b>5,769 accounts</b>	<b>\$15.42 million</b>

Source – SAO prepared the exhibit above using data that DSHS obtained from JP Morgan Chase.

SAO conducted procedures on this data to make sure it was complete and accurate.

Note 1 – Some of the cards counted may include a client's original issue.

Note 2 – DSHS reported that past investigations showed many of the clients with 11 or more replacement cards were mentally ill. DSHS told us it maintains a record of clients who are mentally ill.

USDA offers states an additional tool for deterring clients from seeking numerous replacement cards. States are permitted to limit the number of replacement cards a client may obtain by mail without questioning by the issuing agency. For clients who have requested four or more replacement cards over a 12-month period, the USDA allows states to withhold benefit cards until the client meets with the agency to explain why. USDA believes this tool allows states to monitor SNAP program integrity and to determine the nature of excessive replacements. To use it, states must first establish a threshold that requires participants to contact caseworkers and provide this explanation. This threshold cannot be fewer than four replacement cards.

In 2011, DSHS hired a former federal attorney to review its fraud program. Among other recommendations, this reviewer said that more face-to-face interaction between DSHS and its clients would increase accountability. In response to a similar recommendation by its state auditor, Massachusetts began requiring clients who requested four or more cards during a 12-month period to explain why. Eighteen months after implementing this practice in December 2012, Massachusetts reported an 86 percent drop in clients requesting eight or more cards. During this same period, the two approaches used by DSHS resulted in a 68 percent drop for this same group of clients. If DSHS also used the Massachusetts approach, it would likely see this reduction continue.

DSHS told us it believes that unless it has evidence of fraudulent activity, federal rules do not allow it to withhold benefits, regardless of the number of cards requested. Based on this and its research of other states, DSHS does not believe this replacement card deterrent is cost-effective. But the USDA believes it could help assure that even more clients use their benefits as intended. In fact, the USDA may choose to require all states to enact this procedure.

Appendix D summarizes SAO's review of possible improper EBT card use and shows the audit did not identify any concerns in this area.



### Question 3: Are there ways its Office of Fraud and Accountability can help DSHS improve its oversight and program integrity?

**Answer in brief:** While DSHS has made improvements in overseeing the TANF and SNAP programs that use EBT cards, we did find three ways DSHS could further reduce ineligible program participation and EBT card abuse.

1. Hire more OFA investigators
2. Empower OFA to further strengthen DSHS policies and procedures that prevent ineligible program participation
3. Measure outcomes associated with two types of OFA investigations to assure cost-effective use of OFA resources

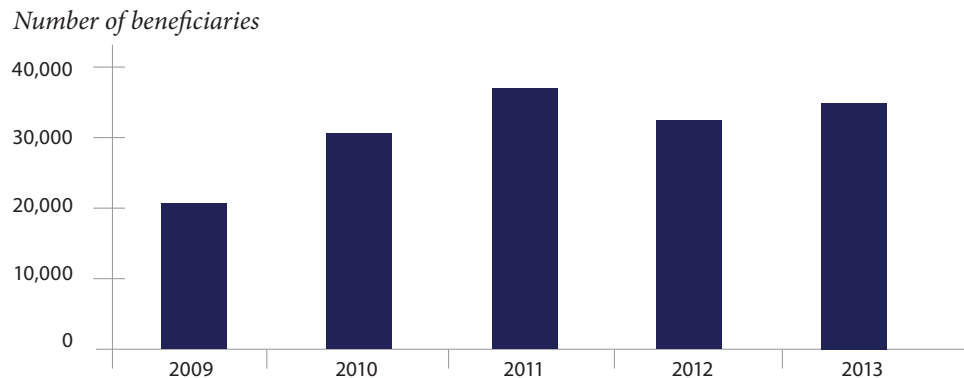
The state passed legislation in 2011 that made the elimination of fraud and abuse a DSHS priority, with a purpose of increasing public confidence in DSHS safety net programs. In its most recent strategic plan, DSHS adopted a goal “to increase public trust.” These three steps should enable DSHS to better meet this goal and to maintain one of the highest SNAP payment accuracy rates in the nation.

#### 1. Hire more OFA investigators

In a 2012 report, the USDA Inspector General expressed concern that states have not increased their investigative resources despite the significant increase in SNAP participation. This is also true in Washington. In the last five years, the number of DSHS investigators has not kept pace with the rising numbers of SNAP beneficiaries. **Exhibit 10** shows the increase in the number of SNAP beneficiaries for each investigator. In a moment, we will look at the composition of the investigational team, which also includes fraud and early detection (FRED) investigators as well as criminal investigators.

#### Exhibit 10 – The number of SNAP beneficiaries for each OFA investigator has risen since 2009

2009 through 2013



Source: SAO prepared the exhibit using client data that DSHS obtained from its ACES system and from staffing information provided by the OFA Director.

The former federal attorney hired in 2011 recommended DSHS hire 25 additional criminal investigators. DSHS has since hired only five additional investigators. One OFA staff member told us that DSHS' 34 investigators are still not enough to address program abuses, adding that when he first started working for the agency in 1990, OFA had 90 investigators. A second OFA employee expressed similar concerns.

Additional OFA investigators could support the audit's recommended data matching and data analysis. The 2011 review also recommended DSHS strengthen its fraud prevention efforts by increasing its use of data from Employment Security, the Social Security Administration, and other sources.

The agency has already taken steps to work with the USDA and other states to mine household data to find and investigate fraud. But additional OFA investigators would better enable DSHS to fulfill its strategic plan goals, address the 2011 review's recommendations, and conduct the data analysis recommended in this audit.

## **2. Empower OFA to further strengthen DSHS policies and procedures that prevent ineligible program participation**

The OFA Director, responsible by law for recommending policies, procedures and best practices to detect and prevent fraud and abuse, told us that he reviews DSHS policies in an advisory capacity, but does not actively propose new policies. This is partly because DSHS sees OFA as a policy advisor, not a policy developer, a role it assigns to program staff. However, a more empowered OFA could further strengthen DSHS policies and procedures to prevent fraud, waste and abuse.

Our interviews, as well as internal DSHS reviews, suggest that the agency needs to strengthen or create policies and procedures addressing these issues.

- **Standardize FRED investigation reports.** FRED investigators are responsible for investigating the eligibility of clients when questions about eligibility are raised. Each FRED investigation results in a report that caseworkers use to decide if a client's benefits should be discontinued. However, FRED investigation reports do not have a consistent format, making it more difficult for caseworkers to reach a decision. DSHS told us it is exploring possible improvements to FRED report formats.
- **Increase opportunities for discussion between caseworkers and FRED investigators.** DSHS processes do not sufficiently emphasize the importance of OFA's FRED investigators. Some investigators told us that even when investigations clearly show the client is ineligible, caseworkers do not always terminate benefits. An internal 2013 DSHS review noted that caseworkers are not required to tell OFA investigators about their decisions. This may make caseworkers less inclined to terminate benefits, since they do not have to explain or justify decisions. The OFA Director said that discussions about benefits decisions took place more often when OFA had more resources and its investigators worked beside caseworkers at decentralized field offices. He added these conversations helped caseworkers better understand the investigators' reports so they could make a more informed decision about a client's eligibility.

### 3. Measure outcomes associated with two types of OFA investigations to assure cost-effective use of these resources

In addition to the FRED reports discussed above, OFA is responsible for criminal investigations, which are provided to county prosecutors. State law (RCW 74.04.012 (3)) requires OFA to use best practices to deploy investigative resources “in a balanced and effective manner...”

While OFA must assess each fraud referral it receives, federal law (7 CFR 273 (16) (a) (1)) gives it discretion to decide which cases receive further action. It also gives OFA discretion to pursue administrative disqualifications or criminal charges through referrals to the county prosecutor. OFA Director and staff told us they have placed a heavy emphasis on criminal investigations. However, OFA does not use performance measures to prioritize its investigative resources, and does not know whether criminal investigations are the most cost-effective use of those resources.

DSHS officials told us they sometimes have difficulty persuading county prosecutors to take benefits fraud cases. In March 2013, the USDA reported concerns about county prosecutors who fail to act promptly on fraud referrals. The report added that while these cases are awaiting prosecution, DSHS cannot pursue administrative procedures to disqualify clients and halt benefits. FRED investigations that result in the administrative removal of ineligible participants may cost less – because benefits are terminated more swiftly – than those that are investigated for criminal prosecution and face delays at the courthouse. DSHS estimates that only 10 percent of its criminal investigations are referred to a county prosecuting attorney, but the agency does not know how many of these result in prosecution.

Since 2009, DSHS has changed the composition of its investigative team while also reducing total investigative resources. As **Exhibit 11** shows, criminal investigators now makes up a third of the investigation workforce.

#### Exhibit 11 – Change in number and composition of fraud investigators

2005 through 2014

Year	FRED investigators	Criminal Investigators	Total investigators
2005	44	0	44
2009	25	6	31
2010	28	6	34
2011	18	10	28
2012	20	10	30
2013	23	11	34
2014	22	11	33

Source – SAO prepared this exhibit using staffing data provided by OFA

Because FRED investigators’ reports are primarily used within the agency by caseworkers, this shift has reduced DSHS’ capacity to discontinue benefits to ineligible clients administratively. While pointing out that criminal prosecution is intended to deter others from committing benefits fraud, the OFA Director acknowledged it may be more cost-effective to shift resources back to eligibility investigations. Moreover, adjusting the mix of work could potentially improve DSHS’ high payment accuracy rate. The OFA Director agreed that studying the results of performance measurements, such as those below, would help OFA make the best use of its resources.

Recommended performance measurements would show the percentage of:

- FRED investigations that result in reduced or terminated benefits and how long it took to achieve the benefit change
- Criminal investigations that result in:
  - Reduced or terminated benefits and how long it took to achieve the benefit change
  - Referral to the county prosecuting attorney's office
- Referrals to the prosecuting attorney's office that result in convictions.

# Recommendations

---

As we have shown, DSHS is actively improving its oversight, resulting in one of the highest payment accuracy rates in the nation. Because of these improvements, DSHS may potentially receive a bonus from the USDA in 2015. While recognizing this achievement, the audit identified a few areas where DSHS can continue to make further improvements. The following recommendations should help DSHS make these improvements.

1. To recover benefits paid to clients who earned too much quarterly income, we recommend DSHS:
    - a) Complete its investigation of the clients identified during the audit who had income that exceeded or likely exceeded eligibility limits.
    - b) Review employer-reported wages submitted to the Employment Security Department for all program participants quarterly. Contact employers and conduct other investigative work to confirm overpayments. Submit referrals to the Office of Financial Recovery, which can establish benefit deductions for current clients and other types of payment recovery plans for former clients.
    - c) Establish performance metrics for its overpayment recovery efforts, including those related to clients with high quarterly incomes. Use these measures to focus recovery efforts where it is most cost-effective. In assessing cost-effectiveness, consider that DSHS can keep 20 percent to 35 percent of the SNAP benefits it recovers (if caused by client error) and 50 percent of the TANF benefits.
  2. To reduce payments to ineligible clients who live out of state, we recommend DSHS:
    - a) Revise its computer filters to identify all clients who had 65 percent or more of their EBT card use out of state for two months. DSHS should immediately run these revised computer filters as it receives the weekly EBT transaction data from the bank.
    - b) Send automated requests for contact to all households that have 65 percent or more of their card spending out of state for two consecutive months.\*
    - c) After providing a 10-day notice as required by SNAP program rules, discontinue benefits to those who do not respond to the requested contact, and to those whose response indicates they moved out of state.\*
- \* DSHS should obtain USDA approval of these procedures before enacting them.
3. To minimize the benefits paid to deceased clients and to safeguard any unspent benefits, we recommend DSHS:
    - a) Obtain the Social Security Master Death file to identify deaths that its current cross-matches are not finding. The Master Death file costs \$7,245 in the first year and \$2,730 annually thereafter.
    - b) First check vital statistics maintained by the Department of Health to confirm the accuracy of the death notices it receives from the Social Security Administration for clients who lived alone. Limit the 10-day adverse action letters to those whose death notice could not be

confirmed by the DOH check.

- c) Obtain permission from USDA to sweep SNAP benefits immediately upon death when the deceased client lived alone. If it cannot obtain this permission, adopt the Oregon practice of immediately deactivating these benefit cards. Start exploring both possibilities with potential future EBT card vendors to identify those capable of accommodating these safeguards.
4. To potentially reduce fraud by reducing the number of EBT replacement cards even further, we recommend DSHS:
    - a) Require clients who are not mentally ill and have requested eight or more replacement cards during a 12-month period to meet with caseworkers and explain why, before they are mailed another replacement. Over time, as clients change their behavior, lower this number to four replacement cards.
    - b) Immediately conduct a FRED investigation of clients who received more than eight replacement cards in a 12-month period but won't explain why, or have explanations that indicate cards have been misused.
  5. To help improve its overall oversight and program integrity, we recommend DSHS:
    - a) Hire more OFA investigators to help keep up with the increase in program beneficiaries.
    - b) Use the added OFA investigators to support the audit's recommended data analysis to identify more ineligible program participants or overpayments to participants.
    - c) Empower OFA to further strengthen DSHS policies and procedures that prevent ineligible program participation. These strengthened policies and procedures should require:
      - Standardized FRED investigation reports, which are used by caseworkers to determine whether benefits should be discontinued. A consistent format for these reports would make it easier for financial workers to use them when making these determinations.
      - Discussion and follow-up between financial workers and FRED investigators and how potential disagreements are addressed.
    - d) Measure the outcomes associated with the two types of OFA investigations to assure cost-effective use of OFA resources. Use these measurements to assess whether it would be more cost-effective to perform fewer criminal investigations and more:
      - FRED investigations that help identify more ineligible clients and discontinue their benefits.
      - Improvement to DSHS policies and procedures to further reduce ineligible program participation and EBT card abuse.

# Agency Response

---



## STATE OF WASHINGTON

November 26, 2014

The Honorable Troy Kelley  
Washington State Auditor  
P.O. Box 40021  
Olympia, WA 98504-0021

Dear Auditor Kelley:

We appreciate the opportunity to review and respond to the State Auditor's Office performance audit report, "*Electronic Benefit Transfer Cards.*"

Program integrity is a high priority for the Department of Social and Health Services (DSHS). The department takes seriously its responsibility to protect taxpayer funds from fraud and abuse and is committed to accurately determining benefit eligibility and providing effective oversight of electronic benefit transfer (EBT) cards.

The department ensures effective oversight of its programs in a variety of ways, and those efforts are reflected in the results of this performance audit. For example, as the audit report reflects, through the first eight months of federal fiscal year 2014, Washington State ranked in the top five in the nation for its food assistance payment accuracy rate (99+ percent). The ranking is based on strict and consistent federal standards used to evaluate each state's performance in the area of food assistance payment accuracy.

In 2013, DSHS established a special unit to manage the Public Assistance Reporting Information System (PARIS) interface. This interface allows federal and state government agencies to access and share information about public assistance applicants and recipients, with the goal of identifying and preventing people from receiving benefits in multiple states. As of mid-November 2014, the PARIS interface had helped DSHS identify and avoid more than \$12.9 million in inappropriate benefits.

During the course of this audit, the State Auditor's Office selected 10 areas of review to determine if the department's controls over EBT cards and card user eligibility are effective. Following a comprehensive review of each of the 10 focus areas, the State Auditor's Office found it unnecessary to pursue the following six focus areas because it determined that adequate controls are in place:

- More than 60 days of exclusive out-of-state use of EBT card benefit.
- Clients using deceased person's Social Security number.
- Clients using an invalid Social Security number.
- Use of EBT cards at unallowable locations.
- Five or more EBT card benefit transactions within an hour.
- Use of whole EBT card benefit in one transaction.

The department’s successes can be attributed to a wide range of controls established and applied through comprehensive and proactive policies, procedures and information technology systems. The department’s success is also the result of its innovative and hard-working program, IT and investigative staffs.

While DSHS is proud of the work it has done to improve program integrity, it appreciates the auditors’ suggested enhancements to controls over eligibility determination and administration of EBT cards. Auditors offered recommendations in four of the 10 focus areas:

- Client wages exceeding program eligibility limits.
- Clients with 65 percent or more of EBT card benefits spent out-of-state.
- EBT card benefits used after card holder’s death.
- High number of client EBT card replacements.

We believe the attached response to the audit report, including specific responses in these four areas, further demonstrates DSHS’ commitment to continue improving program oversight and administration.

We thank the State Auditor’s Office staff. It is clear that many hours of work were performed during this audit, and we appreciate the collaborative nature in which it was conducted.

Sincerely,



Kevin W. Quigley, Secretary  
Department of Social and Health Services



David Schumacher, Director  
Office of Financial Management

- cc: Joby Shimomura, Chief of Staff, Office of the Governor  
Kelly Wicker, Deputy Chief of Staff, Office of the Governor  
Miguel Pérez-Gibson, Executive Director of Legislative Affairs, Office of the Governor  
Matt Steuerwalt, Director, Governor’s Executive Policy Office  
Tracy Guerin, Deputy Director, Office of Financial Management  
Wendy Korthuis-Smith, Director, Results Washington, Office of the Governor  
Tammy Firkins, Performance Audit Liaison, Results Washington, Office of the Governor



This coordinated management response to the State Auditor’s Office (SAO) performance audit report received November 12, 2014, is provided by the Department of Social and Health Services (DSHS) and the Office of Financial Management.

---

**SAO PERFORMANCE AUDIT OBJECTIVES:**

The SAO sought to answer three questions:

1. Can DSHS improve its use of available data analysis tools to prevent and detect ineligible program participation and inaccurate benefit payments?
2. Can DSHS improve its use of available data analysis tools to prevent and detect inappropriate EBT card use?
3. Are there ways the Department’s Office of Fraud and Accountability (OFA) can help DSHS improve its oversight and program integrity?

---

**SAO Issue 1:** Reviewing employer-reported wages would enable DSHS to identify recoverable benefits.

**SAO Issue 2:** Broadening its data analysis to identify more clients with high out-of-state card use, and requesting they contact DSHS to explain why this is so, would enable DSHS to stop benefits to more ineligible clients.

**SAO Issue 3:** More comprehensive cross-checks with the Social Security Administration would enable DSHS to discontinue benefits to some deceased clients sooner.

**SAO Issue 4:** DSHS can take another step that could potentially further reduce the number of replacements.

**SAO Issue 5:** DSHS should hire more OFA investigators.

**SAO Issue 6:** DSHS should empower OFA to further strengthen DSHS policies and procedures that prevent ineligible program participation.

**SAO Issue 7:** DSHS should measure outcomes associated with two types of OFA investigations to assure cost-effective use of these resources.

---

Before responding to the specific recommendations, DSHS thanks the SAO for this performance audit report on electronic benefit transfer (EBT) card use.

**This report confirms DSHS’ commitment to program integrity and shows that improvements made in recent years are protecting taxpayer dollars from fraud and abuse.**

For example, the audit found no instances in which DSHS paid benefits to household members using an invalid Social Security number, a significant decline in the number of replacement cards issued, and no transactions at prohibited locations.

Underpinning DSHS’ excellent track record is the fact that Washington ranked in the top five in the nation for its highest food assistance payment accuracy rate – 99.89 percent for the first eight

months of federal fiscal year 2014. This ranking from the U.S. Department of Agriculture is based on DSHS' strict and consistent compliance with federal standards and its innovative, hard-working staff in the Economic Services Administration and Office of Fraud and Accountability.

The department also appreciates the SAO recommendations to further enhance controls over eligibility determination processes and EBT card oversight. As detailed below, DSHS will continue to strengthen its practices and, in one instance, seek permission from the USDA in areas in which the federal agency must approve changes.

SAO identified a series of recommendations for DSHS' consideration.

---

**SAO Recommendation 1: To recover benefits paid to clients who earned too much quarterly income, we recommend DSHS:**

- a) Complete its investigation of the clients identified during the audit who had income that exceeded or likely exceeded eligibility limits.
- b) Review employer-reported wages submitted to the Employment Security Department for all program participants quarterly. Contact employers and conduct other investigative work to confirm overpayments. Submit referrals to the Office of Financial Recovery, which can establish benefit deductions for current clients and other types of payment recovery plans for former clients.
- c) Establish performance metrics for its overpayment recovery efforts, including those related to clients with high quarterly incomes. Use these measures to focus recovery efforts where it is most cost-effective. In assessing cost-effectiveness, consider that DSHS can keep 20 percent to 35 percent of the Supplemental Nutrition Assistance Program (SNAP) benefits it recovers (if caused by client error) and 50 percent of the TANF benefits.

**STATE RESPONSE:**

DSHS attempts to recover benefits inappropriately issued to clients earning more than program rules allow. As stated in the audit report, DSHS acknowledges that it paid clients benefits they would have not received if the clients had followed income reporting requirements, per [7 CFR § 273.12](#) and [45 CFR § 233.36](#).

- a) The Office of Fraud and Accountability (OFA) immediately investigated the cases identified in the audit, and has taken action on overpayments where appropriate. As of November 25, 2014, action has been taken on 18 of 20 cases, totaling nearly \$63,000. To date, two cases resulted in the client being disqualified from receiving benefits for a minimum of one year, and two more are being investigated as criminal cases. DSHS has requested and continues to pursue wage documentation from employers.
- b) DSHS follows federal policy ([7 CFR § 273.9](#) and [7 CFR § 273.12](#)) for verifying and budgeting income to determine appropriate benefits. Specifically, 7 CFR § 273.12 addresses requirements for clients to report status changes and allows the state to choose the simplified reporting option for making changes between certification periods. Washington has adopted simplified reporting rules that limit mandatory reporting of income to only those changes that would put household income above the gross income limit for the household size.

DSHS reviews clients' Employment Security Department (ESD) wage data to assist in determining eligibility when clients apply for initial or continued benefits. DSHS uses this data to assist with identifying potential overpayments and addressing discrepancies or questionable client-reported information.

ESD wage data lags by at least five months and cannot be treated as "verified" upon receipt. This means DSHS is required to verify this data with the client and employers before using it to make an eligibility determination.

- c) Limited resources require strategic prioritization of work. Performance metrics are an important part of prioritizing work and determining collections success. The department will establish performance metrics for its overpayment recovery efforts. In the near term, DSHS will identify and use a manual approach. When the Office of Financial Recovery's (OFR) information technology system is modernized, DSHS will develop and adopt automated tools. OFR is responsible for collecting debts owed to the department.

### Action Steps and Time Frame

- OFA will review and process all appropriate overpayment cases provided by the SAO by December 31, 2014.
- OFR will convene a Client Overpayment Metric Work Group with a goal of developing and implementing performance metrics by May 31, 2015.

---

### SAO Recommendation 2: To reduce payments to ineligible clients who live out of state, we recommend DSHS:

- a) Revise its computer filters to identify all clients who had 65 percent or more of their EBT card use out of state for two months. DSHS should immediately run these revised computer filters as it receives the weekly EBT transaction data from the bank.
- b) Send automated requests for contact to all households that have 65 percent or more of their card spending out of state for two consecutive months.\*
- c) After providing a 10-day notice as required by SNAP program rules, discontinue benefits to those who do not respond to the requested contact, and to those whose response indicates they moved out of state. \*

*\* DSHS should obtain USDA approval of these procedures before enacting them.*

### STATE RESPONSE:

- a) Pursuant to federal law, out-of-state use, even if excessive, is permissible. Residency, however, is required. Federal policy [7 CFR § 273.3](#) restricts states from imposing durational residency requirements as a condition of eligibility. Also, [7CFR 274.8\(b\)\(10\)](#) addresses interoperability and clients' ability to redeem benefits in any state.

DSHS was unable to determine a strong and direct correlation between clients using 65 percent or more of their benefits out-of-state and a change in residency. Using a filter that does not control for border towns such as Vancouver, Walla Walla and Spokane — from where clients are likely to travel to a bordering state to shop — would likely trigger unnecessary and potentially inappropriate reviews by DSHS staff.

DSHS' practices include out-of-state use alerts that advise staff of cases that indicate a client may no longer live in Washington. DSHS uses several filters to reduce generating low-risk alerts. These filters eliminate alerts on closed cases, transactions occurring in border states where clients frequently shop, and transactions that indicate an out-of-state visit of fewer than 30 days.

DSHS controls for border town EBT activity when identifying potential ineligible program participation. Clients residing in border towns often shop in Oregon or Idaho for logical economic reasons such as lack of local, affordable grocery options or their preference to shop at large retailers, which may not be available in their own town. Clients may also live in Washington and work in another state. They may make purchases on their way home from work or during their lunch break.

DSHS also established a unit to manage the Public Assistance Reporting Information System (PARIS) interface in May 2013. This interface allows federal and state government agencies (including DSHS) to access and share information about public assistance benefit applicants and recipients with the goal of identifying, stopping and preventing the receipt of benefits in multiple states. **As of mid-November 2014, the PARIS interface and unit have helped the department identify and avoid more than \$12.9 million in inappropriate benefits.**

- b) If DSHS implemented the recommendation to send automated requests for contact, Washington could incur monetary penalties related to increased case and procedural errors due to incorrectly terminating SNAP cases. It would also increase the administrative staffing costs for SNAP and Temporary Assistance to Needy Families (TANF).
- c) If DSHS implemented the recommendation to discontinue benefits to those who do not respond to the request for contact, Washington could incur monetary penalties related to more case and procedural errors associated with incorrectly terminated SNAP cases. It would also increase the administrative staffing costs for SNAP and TANF.

### Action Steps and Time Frame

- DSHS continually works to improve the tools and methodology it uses to detect and prevent ineligible program participation. The USDA recently recognized the department's effectiveness in detecting EBT card trafficking on social media and e-commerce sites by awarding it a \$751,000 grant to step up these efforts and provide more timely law enforcement response in these cases. The grant was awarded in October 2014 and activities will continue through October 2016.

---

### SAO Recommendation 3: To minimize the benefits paid to deceased clients and to safeguard any unspent benefits, we recommend DSHS:

- a) Obtain the Social Security Master Death file to identify deaths that its current cross-matches are not finding. The Master Death file costs \$7,245 in the first year and \$2,730 annually thereafter.
- b) First check vital statistics maintained by the state Department of Health to confirm the accuracy of the death notices it receives from the Social Security Administration for clients who lived alone. Limit the 10-day adverse action letters to those whose death notice could not be confirmed by the DOH check.

- c) Obtain permission from USDA to sweep SNAP benefits immediately upon death when the deceased client lived alone. If it cannot obtain this permission, adopt the Oregon practice of immediately deactivating these benefit cards. Start exploring both possibilities with potential future EBT card vendors to identify those capable of accommodating these safeguards.

#### **STATE RESPONSE:**

- a) DSHS now has access to the Social Security Administration's (SSA) death data at no cost, but not through the Social Security Death Master File, which is a fee-for-service subscription. Staff check the SSA database when a client applies for benefits, completes an eligibility review and any other time action is taken on the case.

DSHS will explore process improvements prior to pursuing the master file. As part of process improvements, the department will change the way staff receive deceased client notifications, allowing them to take immediate action. The department will pursue an additional, ongoing cross-match with the SSA, ensuring that it has up-to-date death data.

- b) DSHS will implement the recommendation to check Department of Health vital statistic data to confirm the accuracy of death notices and send adverse action letters only to those whose death notice could not be confirmed by vital statistics.
- c) DSHS has applied for USDA approval to recover SNAP benefits immediately upon the death of an individual who lived alone. As of November 25, 2014, the department had not received a response from USDA.

The department's EBT contract will not be renewed. As part of the EBT request for proposals, DSHS will negotiate additional fraud prevention and detection services.

#### **Action Steps and Time Frame**

- DSHS will update procedures to require staff to manually check the SSA cross-match at eligibility review and mid-certification review by March 31, 2015.
- DSHS will check the Department of Health vital statistic data and limit adverse action letters to only those whose death notice could not be confirmed by vital statistics by March 31, 2015.
- DSHS will pursue an additional ongoing cross-match with SSA to ensure it has current death data by March 31, 2015.
- DSHS will pursue a quarterly Department of Health-verified death file for the purpose of discontinuing benefits to deceased individuals by June 30, 2015.
- DSHS will change the way staff receive deceased client notifications, allowing them to take immediate action by October 31, 2015.
- If the USDA grants permission to immediately recover benefits following the death of an individual who lived alone, DSHS will develop a *manual* process to do this by March 31, 2015.
- DSHS will work with the new EBT vendor (expected to begin work in January 2017) to *automate* this recovery of benefits by July 31, 2017.

**SAO Recommendation 4: To potentially reduce fraud by reducing the number of EBT replacement cards even further, we recommend DSHS:**

- a) Require clients who are not mentally ill and have requested eight or more replacement cards during a 12-month period to meet with caseworkers and explain why, before they are mailed another replacement. Over time, as clients change their behavior, lower this number to four replacement cards.
- b) Immediately conduct a FRED investigation of clients who received more than eight replacement cards in a 12-month period but won't explain why, or have explanations that indicate cards have been misused.

**STATE RESPONSE:**

DSHS already has reduced the number of replacement cards issued each year from 12,000 in 2012 to 5,000 in 2014. In response to specific recommendations:

- a) In collaboration with USDA/Food and Nutrition Service, the department will explore the possibility of requiring *all* clients who have requested eight or more replacement EBT cards within a 12-month period to meet with a DSHS worker to explain why they are requesting a replacement card before they are issued another card.

Federal policy [7 CFR 274.6\(b\)](#) requires states to make replacement EBT cards available for pickup, or to place the card in the mail, within two business days of the household notifying the state agency. Also, [7 CFR 274.6\(b\)\(5\)](#) states that when the client makes contact, the state agency will make the replacement EBT card available for pickup or place the card in the mail in accordance with §274.2(f) of this chapter within two business days following household contact with the state agency, regardless of whether an explanation was provided.

DSHS sends warning letters to households that have requested four or more EBT cards in a 12-month period. This letter advises clients of the penalties of trafficking and notifies them that their account is being monitored. Staff uses this letter in addition to other tools that monitor for suspicious activity to determine when a fraud referral is appropriate.

Delaying the delivery of EBT cards is a complex process that requires extensive programming in both the DSHS eligibility and the EBT vendor systems. The department's EBT vendor is not able to accommodate any system change requests as all available programming hours have been assigned to projects through January 2017, when the contract ends. The vendor has indicated it will not pursue a new contract with the state.

- b) OFA is reviewing EBT replacement cards to determine a meaningful threshold that represents an increased risk of EBT trafficking. It will use this information to prompt a Fraud Early Detection Program investigation.

**Action Steps and Time Frame**

- The new EBT vendor will be named in 2015 and undergo several months of orientation before officially beginning work by January 2017. DSHS will work with the new vendor to withhold excessive EBT replacement cards by January 2017.
- DSHS will require clients who have requested eight or more EBT replacement cards within a 12-month period to meet with a DSHS caseworker before they are issued another card by June 2017.

- DSHS will investigate individuals receiving eight or more replacement cards within a 12-month period by June 30, 2015, as that number indicates a high risk for potential EBT card trafficking.

---

**SAO Recommendation 5: To help improve its overall oversight and program integrity, we recommend DSHS:**

- a) Hire more OFA investigators to help keep up with the increase in program beneficiaries.
- b) Use the added OFA investigators to support the audit’s recommended data analysis to identify more ineligible program participants or overpayments to participants.
- c) Empower OFA to further strengthen DSHS policies and procedures that prevent ineligible program participation. These strengthened policies and procedures should require:
  - Standardized FRED investigation reports, which are used by caseworkers to determine whether benefits should be discontinued. A consistent format for these reports would make it easier for financial workers to use them when making these determinations.
  - Discussion and follow-up between financial workers and FRED investigators and how potential disagreements are addressed.
- d) Measure the outcomes associated with the two types of OFA investigations to assure cost-effective use of OFA resources. Use these measurements to assess whether it would be more cost-effective to perform fewer criminal investigations and more:
  - FRED investigations that help identify more ineligible clients and discontinue their benefits.
  - Improvement to DSHS policies and procedures to further reduce ineligible program participation and EBT card abuse.

**STATE RESPONSE:**

- a) DSHS agrees with this recommendation and will pursue directing or adding more resources to the activity.
- b) DSHS already uses data analytics to detect potential overpayments and will use any additional investigative staff to support these proactive efforts. The department is using Lean to develop additional investigative capabilities with its staff.
- c) DSHS encourages and supports collaboration on policies and procedures. One example is the partnership between ESA and OFA in creating and leading the Program Integrity Team. This team discusses and recommends improvements to DSHS policies and procedures to identify fraud and abuse (including ineligible program participation). While DSHS now has policies and procedures that prescribe worker actions related to potential fraud detection, referral and action, the department agrees collaborative process improvement efforts should continue.
- d) DSHS uses Lean management tools to ensure cost-effective use of state resources and to improve its investigative capacity. OFA is developing new case management system reports, to be in use by June 2015, to better track how resources are used.

**Action Steps and Time Frame**

- DSHS will develop and implement reports that document the OFA’s cost-effective use of state resources by June 2015.
- DSHS will pursue directing or adding more resources to the activity by September 2015.

# Appendix A: Initiative 900

Initiative 900, approved by Washington voters in 2005 and enacted into state law in 2006, authorized the State Auditor’s Office to conduct independent, comprehensive performance audits of state and local governments.

Specifically, the law directs the Auditor’s Office to “review and analyze the economy, efficiency, and effectiveness of the policies, management, fiscal affairs, and operations of state and local governments, agencies, programs, and accounts.” Performance audits are to be conducted according to U.S. General Accountability Office government auditing standards.

In addition, the law identifies nine elements that are to be considered within the scope of each performance audit. The State Auditor’s Office evaluates the relevance of all nine elements to each audit. The table below indicates which elements are addressed in the audit. Specific issues are discussed in the Results and Recommendations section of this report.

I-900 element	Addressed in the audit
1. Identification of cost savings	<b>Yes.</b> The audit identified \$280,000 in avoidable benefits and \$786,000 in potential recoveries. DSHS should be able to keep some of the \$786,000 it can recover. The audit also determined DSHS can deactivate any unspent benefits belonging to deceased clients at the time of death instead of keeping these benefits on the card and susceptible to misuse for at least 365 days. The audit identified \$476,000 in EBT card use that occurred after the clients’ death.
2. Identification of services that can be reduced or eliminated	<b>No.</b> The audit did not examine areas where services could be reduced or eliminated.
3. Identification of programs or services that can be transferred to the private sector	<b>No.</b> The audit did not examine services that could be transferred to the private sector.
4. Analysis of gaps or overlaps in programs or services and recommendations to correct gaps or overlaps	<b>Yes.</b> The audit identified data matches that DSHS should perform to find ineligible persons who are receiving or have received benefits they were not entitled to receive. The audit also identified the potential for increased use of requests for contact, which can help identify ineligible clients who no longer live in state.
5. Feasibility of pooling information technology systems within the department	<b>No.</b> But the audit does recommend improvements in the computer algorithms used by DSHS to identify ineligible clients with significant out-of-state card use. It also recommends data matching or improved data matching to ESD employer reported incomes and to the SSA Master File.
6. Analysis of the roles and functions of the department, and recommendations to change or eliminate departmental roles or functions	<b>Yes.</b> The audit recommends giving the Office of Fraud and Accountability more authority over DSHS policies. The audit also identifies the possibility to shift OFA investigative resources away from criminal investigations and towards helping remove more ineligible clients from the program.
7. Recommendations for statutory or regulatory changes that may be necessary for the department to properly carry out its functions	<b>Yes.</b> The audit recommends policy changes that would improve the communication and reporting between investigators and financial workers.



I-900 element	Addressed in the audit
8. Analysis of departmental performance, data performance measures, and self-assessment systems	<b>Yes.</b> The audit reports that the Office of Fraud and Accountability lacks performance measurements to sufficiently prioritize its resources.
9. Identification of best practices	<b>Yes.</b> The audit recommends computer tools and data matches used by other states to identify ineligible clients. It also recommends measures used in other states to further reduce the number of replacement cards.

---

# Appendix B: Methodology

---

We obtained EBT transaction data from July 1, 2012 through June 30, 2013. Performing those procedures described below, we focused on EBT card use in the TANF and SNAP programs.

To determine what was important to users of the audit, we interviewed:

- State legislators
- Staff from DSHS's Office of Fraud and Accountability
- Other DSHS program personnel

We also reviewed recently proposed and adopted legislation that attempted to minimize abuse by EBT card users.

To identify DSHS controls in place to prevent payments to ineligible clients and the abuse of EBT cards, we read USDA reviews and internal DSHS reviews that examined DSHS policies and procedures. We also reviewed these policies and procedures and we interviewed DSHS personnel to understand them and assess their effectiveness.

As part of our assessment, we looked for questionable EBT card use. To identify questionable EBT card use, we looked for EBT card users who:

- Had five or more transactions within an hour
- Received five or more replacement cards
- Used their card at liquor stores, smoke shops, adult entertainment, bail bonds, tattoo parlors, piercing parlors or casinos
- Had their card used after the recorded date of death
- Used their entire EBT card balance on a single transaction
- Identified individuals who fell into two or more of the categories.

As part of our assessment, we also looked for ineligible program participants. To identify ineligible program participants, we:

- Compared income reported by EBT card users to income reported by employers to the state's Employment Security Department
- Compared social security numbers reported by EBT card users to the SSA Master File maintained by the federal Social Security Administration. As part of this work, we looked for clients who had an invalid SSN or were using a deceased person's SSN.
- Used the SSA Master file to identify deceased EBT cardholders with card charges.
- Identified EBT card users who had more than 65% of their card use out-of-state for four or more months and failed to check in with their caseworker
- Had unusually high EBT card benefit balances

Random samples were used to review these potential exceptions and to determine the actual exception rates. The sample sizes used to determine the actual exception rates provide us with a 90 percent confidence level that we are within 15 percent of the actual exception rate. As discussed in the paragraphs that follow, the actual exception rates were used in our estimates of recoverable or avoidable benefits.

***Methodology to estimate recoverable benefits from households who earned more wages than allowed***

We used the projected ineligibility and likely ineligibility rates from our two random samples to estimate the amount of recoverable benefits. These rates were applied against the benefits shown in Exhibit 2 in the body of the report. Our estimate also incorporates the following adjustment. Because households may not have earned high income in each of the quarter's three months, it is possible that excess benefits occurred in just one of those months. For this reason, our estimate includes only one third of the quarterly benefits paid to high-income households. We believe this approach may understate the excess benefits paid to the over \$10,000 group as making such high quarterly income in just one month is unlikely.

***Methodology to estimate the avoidable benefits to households who moved out of state***

**Basis for estimated range:** Sample results and the alternative process at Exhibit 5 in the body of the report indicate on average, DSHS can avoid at least one-third of the benefits paid between certification and mid-year check-in to the ineligible households its current process is not detecting. This avoidable portion was used to determine the two ends of our estimated range.

- **Low-end estimate:** We took the projected likely ineligibility rates shown at Exhibit 4. We then weighted these rates as though likely ineligible clients received only six months' benefits and all remaining clients received 12. This weighting reflects the fact that most of the likely ineligible clients sampled received six months benefits before failing to check-in. These weighted rates were then multiplied times the avoidable portion of the \$11.2 million. As many of the remaining clients in our sample did not receive 12 full months of benefits, we believe this is a conservative estimate. For example, benefits to some clients were terminated in the middle of the 12-month period when clients self-reported their out-of-state moves or when DSHS detected them.
- **High-end estimate:** We started with the 16 percent difference between the two groups shown in Exhibit 6 in the body of the report. As discussed above, this difference likely consists of ineligible clients who moved out of Washington. To make certain we were not overstating the potential for avoidable benefits, we then multiplied half this difference (8 percent) against the avoidable portion of the \$11.2 million.

This estimated range assumes benefits paid to clients who missed their mid-year check-in are similar to those paid to all other clients with high out-of-state card use. This estimated range does not reflect the possibility that the audit's recommendations could potentially hasten the termination of benefits to other clients who would have reported their moves or had those moves detected by DSHS through other means.

# Appendix C: Ten Years of Annual DSHS Payment Accuracy Rates for SNAP Program

---

## Federal fiscal years ending September 2004 through September 2013

September 2004	92.4% accurate
September 2005	97.3% accurate
September 2006	97.4% accurate
September 2007	97.1% accurate
September 2008	96.1% accurate
September 2009	98.2% accurate
September 2010	96.7% accurate
September 2011	96.2% accurate
September 2012	97.5% accurate
September 2013	98.3% accurate

**Source:** Source: The information above was provided by the Office of Financial Recovery, which is the centralized collection agency for the Department of Social and Health Services.

**Note:** Based on preliminary 2014 results, USDA SNAP officials told SAO that DSHS has one of the highest SNAP payment accuracy rates in the nation.

## Appendix D: EBT Card Use Areas Examined

---

### **D.1 – Instances where clients charged more than \$100 consisting of five hourly purchases at one store are minimal and do not justify process changes – but keeping a watchful eye is advised.**

Trafficking occurs when EBT card holders sell their food benefits for cash at food retailers, often at a discount. USDA estimates that 1.3 percent of benefits nation-wide are used for such trafficking. This trafficking often occurs as a series of small transactions with the intent to hide the activity from state agency investigators. OFA works in partnership with the USDA to reviews this type of EBT card activity.

We identified 460 instances in which a SNAP client spent more than \$100 in five or more transactions in one hour. These transactions totaled only \$113,000. Because this is such a small amount, we do not believe it would be cost-effective for the agency to significantly increase its use of investigative resources in this area.

### **D.2 EBT card charges by prohibited businesses were minimal but DSHS is working with its card vendor to block such charges in the future.**

#### ***Laws that prohibit certain businesses from accepting EBT cards and DSHS efforts to enforce them***

Congress passed the Middle Class Tax Relief and Job Creation Act of 2012, also known as H.R. 3630. Federal and state law require Washington to prohibit businesses from accepting TANF and SNAP EBT cards if those businesses are liquor stores, bail bond agencies, casinos, gambling establishments, tattoo and piercing shops, nightclubs, strip clubs or any establishment where one must be 18 years old to enter. As other states have done, OFA works with the Department of Licensing, the Gambling Commission, the Liquor Control Board and law enforcement agencies to identify such businesses and establish a list of prohibited locations. Prohibited businesses must disable ATM and POS machines from accepting EBT cards.

OFA investigates prohibited Washington state businesses that illegally accept EBT cards. If they do so, DSHS' only tool is to refer them to the licensing authority, such as Department of Licensing, which can revoke the business license. DSHS indicates that state and federal laws do not allow it to recover from prohibited businesses that have accepted EBT cards. DSHS indicates that only the U.S. Departments of Agriculture and Health and Human Services can recover EBT benefits and only if those benefits were trafficked.

#### ***Charges by prohibited businesses were a very small slice of total program costs but these and other questionable EBT card charges require more OFA resources to investigate.***

Based on searches for vendor names that included “strip,” “nude,” “casino,” “card,” “gaming,” “gambling” and other similar terms, we did not find any EBT card use at these types of establishments as identified in 2011 media investigations. EBT card use at other businesses whose names included “liquor,” “wine,” “spirit” or “smoke” and other similar terms but did not include “grocer” totaled \$1 million.

Whereas state law prohibits EBT card users from purchasing tobacco items, it does not prohibit businesses that sell tobacco from accepting EBT cards. However, our review of those businesses whose name referenced “smoke,” “tobacco” and other similar terms showed that USDA had approved each of them, which indicates at least fifty percent of their sales consist of groceries. After removing the \$624,000 in charges by these businesses, the remaining charges totaled less than \$400,000. These charges were by businesses with names that referenced liquor or other similar terms. But USDA had approved nearly all of these businesses, too.

OFA indicates that compared to its other work, investigating potential improper card use requires an exhaustive amount of resources. In Massachusetts, the state can fine prohibited vendors who accept EBT cards \$500 for the first offense, and \$1,000 for each subsequent offense. The legislature could provide

DSHS with similar authority, which could help fund its fraud and prevention activities. Although not necessarily a tool for prohibited businesses with a long history of accepting EBT cards, such authority would provide DSHS a less punitive option for responding to prohibited businesses that have infrequently accepted EBT cards. However, such fines are unnecessary if DSHS' EBT card vendor can determine how to block charges by prohibited businesses. DSHS and JP Morgan Chase are participating in a pilot program to attempt this using merchant codes.

We encourage DSHS to continue its efforts to use vendor codes to deny payments to prohibited businesses that have accepted EBT cards at ATM and POS machines that should have been disabled from doing so. If unsuccessful, we encourage DSHS to pursue this with other vendors who are already doing this for other states.

### **D.3 – Potential legislative updates appear unnecessary**

State law prohibits EBT card use at liquor stores, casinos, strip clubs, tattoo shops and other establishments. However, state law has not been updated to address the recent legalization of marijuana, the privatization of liquor stores, and conflicts with federal law.

**Marijuana Establishments** – Initiative 502, which was approved in November 2012, recently authorized the legal sale of marijuana by state-approved distributors. While state law prohibits the acceptance of EBT cards at business where customers must be 18 to enter, it does not explicitly prohibit marijuana retailers from accepting them. DSHS considered a legislative proposal to do this. But it decided against it because DSHS believes current law already does the job.

Federal law also prohibits any EBT or credit card purchases of marijuana. Although card companies are reluctant to do business with marijuana retailers, the executive branch of the U.S. government has been working to establish guidelines for banks to accept deposits from the sale of marijuana. With these guidelines, it is anticipated that some card companies may start accepting charges from marijuana retailers, although this would violate U.S. congressional law. But regardless of federal law, DSHS has worked with the Liquor Control Board to add state-licensed marijuana retailers to its list of prohibited businesses, which it regularly monitors to see if they accept EBT cards. As discussed above, it is also working with its EBT card vendor to block charges by any and all prohibited businesses.

**Beer and wine specialty stores** – State law prohibits beer and wine specialty stores from accepting EBT cards. But some small convenience stores that sell beer and wine also use this license to sell food because it cost less than a grocery license. Federal rules allow these businesses to accept EBT cards if more than half the store's sales consist of groceries.

DSHS may want to work with the legislature to amend state law so that it is clearer, and where desired, better aligns with federal law.

# Appendix E: Client and Agency Social Security Number Requirements

---

This appendix contains the state and federal Social Security number requirements for clients who receive SNAP or TANF benefits.

## **WAC 388-400-0005 – Who is eligible for temporary assistance for needy families?**

- (1) You can get temporary assistance for needy families (TANF), if you...
- ... (h) Tell us your Social Security number as required under WAC 388-476-0005

## **WAC 388-400-0040 - Am I eligible for benefits through the Washington Basic Food program?**

- (3) To be eligible for Basic Food benefits, each AU member must:
  - ... (c) Give us their Social Security number as required under WAC 388-476-0005;

## **WAC 388- 476-005 - Social Security number requirements:**

- (1) With certain exceptions, each person who applies for or receives cash or food assistance benefits must provide to the department a Social Security number (SSN) or numbers if more than one has been issued. For Social Security number requirements for immigrants, see WAC 388-424-0009.
- (2) If the person is unable to provide the Social Security number, either because it is not known or has not been issued, the person must: (a) Apply for the Social Security number; (b) Provide proof that the Social Security number has been applied for; and (c) Provide the Social Security number when it is received.
- (3) Assistance will not be delayed, denied or terminated pending the issuance of a Social Security number by the Social Security Administration. However, a person who does not comply with these requirements is not eligible for assistance...
- (5) For food assistance programs: (a) A person can receive benefits for the month of application and the following month if the person attempted to apply for the Social Security number and made every effort to provide the needed information to the Social Security Administration.

## **From DSHS's Social Security Number (SSN) policies and procedures – Clarifying Information:**

2. Written proof from the Social Security Administration (SSA) of a submitted Social Security number application, typically SSA form SSA-5028 or any other SSA document, is valid for a maximum of 60 days. After 60 days, the worker should request one of the following:

The client's Social Security number; or

Documentation from SSA of the current Social Security number application status

3. A person must resubmit the Social Security number application with the necessary documentation if the application is rejected by SSA...

5. If a current and valid Social Security number is not available, the department must help the person apply for a Social Security number. Use "Good Cause" to extend the eligibility of clients who are demonstrating reasonable effort to comply with the Social Security number requirement and document in the ACES record the Good Cause criteria used...

**From DSHS's Social Security Number (Social Security number) policies and procedures –  
Worker Responsibilities**

9. h. If proof of Good Cause [is] not provided monthly, as required, consider an individual as Failing to Provide a Social Security number and terminate program benefits for which Social Security number is an eligibility factor.

**From 7 CFR 273.2 - Office operations and application processing:**

Section 273.2 (f) (1) (v) - Social security numbers. The State agency shall verify the social security number(s) (Social Security number) reported by the household by submitting them to the Social Security Administration (SSA) for verification according to procedures established by SSA.

Section 273.2(f) (1) (ii) Alien eligibility. (A) The State agency must verify the eligible status of applicant aliens. If an alien does not wish the State agency to contact the U.S. Citizenship and Immigration Services to verify his or her immigration status, the State agency must give the household the option of withdrawing its application or participating without that member...

Section 273.2 (f) (1)(ii) Alien eligibility. (C) The State agency must provide alien applicants with a reasonable opportunity to submit acceptable documentation of their eligible alien status as of the 30th day following the date of application. A reasonable opportunity must be at least 10 days from the date of the State agency's request for an acceptable document. When the State agency fails to provide an alien applicant with a reasonable opportunity as of the 30th day following the date of application, the State agency must provide the household with benefits no later than 30 days following the date of application, provided the household is otherwise eligible.



## Appendix F: Opportunities to Reduce the Burden on State Resources

---

The body of the report discusses ways in which DSHS can receive bonuses from the USDA if it achieves a high payment accuracy rate in the food benefits it pays SNAP clients. The audit makes recommendations that should help DSHS improve that accuracy. However, there are also other opportunities for the state to benefit financially from the audit's recommendations.

Washington must match more than 40 percent of the \$217 million in federal TANF funding it receives with state funding. So reducing the number of ineligible TANF participants provides DSHS with an opportunity to improve its use of these resources. Although the \$1.7 billion in SNAP benefits are funded entirely from the USDA, the state pays about half of the \$170 million in costs to administer the SNAP program. Reducing the number of ineligible SNAP participants should reduce the amount of state resources spent to administer the SNAP program or free them up for other activities.

DSHS has a responsibility and an incentive to manage the two federally funded programs with the same rigor it manages those that are entirely state funded. Although not true for all states, Washington's taxpayers pay the lion's share of the federal funding awarded to the state. Moreover, DSHS is allowed to keep 20 percent to 35 percent of any client-caused SNAP overpayments it recovers, and 50 percent of any TANF overpayments.

# Appendix G: Total Overpayment Determinations for all Food Service and Public Assistance Programs in fiscal year 2013

<b>Total overpayment determinations for all Food Service and Public Assistance Programs</b>				
<i>Fiscal year 2013; Dollars rounded to nearest thousand</i>				
	<b>Food service</b>		<b>Public assistance</b>	
<b>Month/Year</b>	<b>Number of cases</b>	<b>Dollars</b>	<b>Number of cases</b>	<b>Dollars</b>
July 2012	850	\$485,000	597	\$716,000
August 2012	1,052	\$640,000	600	\$663,000
September 2012	812	\$585,000	439	\$468,000
October 2012	973	\$632,000	539	\$656,000
November 2012	681	\$438,000	412	\$436,000
December 2012	837	\$509,000	485	\$595,000
January 2013	894	\$571,000	682	\$775,000
February 2013	998	\$589,000	732	\$831,000
March 2013	798	\$525,000	733	\$852,000
April 2013	1,007	\$633,000	681	\$799,000
May 2013	967	\$571,000	624	\$816,000
June 2013	696	\$407,000	630	\$705,000
<b>Total</b>	<b>10,565</b>	<b>\$6.58 million</b>	<b>7,154</b>	<b>\$8.31 million</b>

## What is an overpayment determination?

The Office of Fraud and Accountability (OFA) investigates the eligibility of clients and whether they have been overpaid. If OFA and caseworkers conclude an overpayment has likely occurred, clients go through an administrative hearing process. When this administrative process determines there has been an overpayment, this determination is submitted to the Office of Financial Recovery (OFR).

## Recovery of overpayment determinations

Both state (WAC 388-410-0033;388-410-015) and federal (Title 7 §273.18) laws allow OFR to deduct overpayments from a current client's EBT card or from future benefits. But these deductions cannot exceed \$10 or 10 percent – whichever is greater – of the client's benefits if the overpayment was due to unintentional circumstances. Intentional errors raise the deduction level to \$20 or 20 percent of the client's benefits. Clients can also repay benefits in one sum or work with OFR to establish a payment plan. For those people who are no longer active clients, DSHS can garnish wages, file liens on property, and work with the federal government to recover from income tax refunds or Social Security Administration benefits.

## Appendix H: Average Rent by State

The average amount of rent paid varies significantly from one state to the next. Because SNAP benefits are determined in part based on a client's rent, this table shows the amount of benefits is likely to change when a client moves from one state to another.

### Average monthly rent by state, 2008 Census data

State	Median gross rent	State	Median gross rent
<b>United States average</b>	<b>\$842</b>	Missouri	\$668
Alabama	\$657	Montana	\$627
Alaska	\$1,007	Nebraska	\$644
Arizona	\$859	Nevada	\$993
Arkansas	\$606	New Hampshire	\$918
California	\$1,155	New Jersey	\$1,108
Colorado	\$851	New Mexico	\$680
Connecticut	\$1,006	New York	\$984
Delaware	\$949	North Carolina	\$720
District of Columbia	\$1,059	North Dakota	\$564
Florida	\$952	Ohio	\$670
Georgia	\$800	Oklahoma	\$636
Hawaii	\$1,293	Oregon	\$819
Idaho	\$694	Pennsylvania	\$738
Illinois	\$828	Rhode Island	\$890
Indiana	\$687	South Carolina	\$706
Iowa	\$611	South Dakota	\$562
Kansas	\$671	Tennessee	\$682
Kentucky	\$613	Texas	\$788
Louisiana	\$715	Utah	\$793
Maine	\$722	Vermont	\$829
Maryland	\$1,108	Virginia	\$989
Massachusetts	\$988	Washington	\$911
Michigan	\$716	West Virginia	\$552
Minnesota	\$757	Wisconsin	\$708
Mississippi	\$644	Wyoming	\$700

# Appendix I: Review of DSHS Benefit Terminations for 30 Clients

---

Other state audits and DSHS officials indicate that DSHS should be able to discontinue benefits no later than the month after death. Although our review of a sample of 30 deceased clients showed that benefits to 20 of these clients were discontinued in the first month after death, it also affirmed that these process improvements, as mentioned in the body of the report, were needed to minimize after death card use.

Affirming need to sweep unspent benefits for deceased clients who lived alone (if approved by USDA) or deactivate cards. For most after-death card use sampled, there were no eligible household members helped by keeping benefits accessible. Twenty-three of the 30 deceased clients in our sample did not share their household with another client. There were no other clients approved to use these benefits. So keeping these balances open subjected them to unnecessary risk.

Terminating benefits quickly only minimized the amount at risk. Cards for eight of the 30 deceased clients were used after benefits were terminated. Three of these eight lived alone, indicating improper card use of nearly \$1,800. Another deceased client whose card was not used after death had nearly \$2,000 in unspent benefits before those benefits were swept a year after death.

Although not a federal requirement, DSHS sends adverse action letters to deceased clients who lived alone. Benefits for 6 clients were discontinued in the second month after death. Because four of the six lived alone, it is unclear who used the card. If DSHS did not send adverse action letters to deceased clients who lived alone, it could likely terminate benefits to these types of clients in the first month after death. After death spending on cards belonging to these four clients totaled nearly \$600.

Affirming need to conduct comprehensive checks against SSA Master File. Benefits for 4 clients were discontinued 4 to 11 months after death. Of the 30 sampled, these four made up half the benefits spent after death. Because three of these four clients lived alone, it is unclear who used the card. In each case, the DSHS' daily SSA cross-match did not provide timely notice of death. SAO reviewed the SSA Master File (to which DSHS does not subscribe) to see when SSA provided notice of these four deaths. For three of the four clients, had DSHS used this file, it could have terminated benefits five to ten months earlier. For two of these three clients, card use continued until benefits were finally terminated. After death card use for these two clients totaled \$2,596.

## Examples

One client applied for benefits five days before she died. Her card was used for nearly a year after her death. This use totaled about \$1,400.

A second client's benefits automatically went up after his death when federal income stopped, allowing someone else to spend \$1,215.