

PUBLIC TESTIMONY SUMMARY

I-900 STATE AUDITOR'S PERFORMANCE AUDIT:

Electronic Benefit Transfer Cards (November 26, 2014)

As Heard by the Joint Legislative Audit & Review Sub-Committee on I-900 Performance Audits
on December 10, 2014

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Title: Electronic Benefit Transfer Cards

Audit Scope and Objectives:

This audit is about electronic benefit transfer (EBT) cards and reducing the risk of fraudulent use of such cards. SAO reports it conducted this audit to determine:

- Can the Department of Social and Health Services (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 can help DSHS improve its oversight and program integrity?

SAO indicates it focused the audit on two programs:

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

SAO reports that it obtained EBT transaction data from July 1, 2012, through June 30, 2013.

SAO Findings:

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?

- DSHS has effective processes to identify and prevent people with invalid Social Security numbers from receiving benefits
- SAO found opportunities for DSHS to identify and remove ineligible people from SNAP and TANF program rolls
 1. Reviewing employer-reported wages would enable DSHS to identify recoverable benefits

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

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

- DSHS has strong processes to monitor transactions at businesses that are prohibited, such as casinos or strip clubs
- SAO found 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

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

- While DSHS has made improvements in overseeing the TANF and SNAP programs that use EBT cards, SAO found 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

SAO Recommendations:

SAO provides a number of detailed recommendations (pages 29-30) to DSHS to:

1. Recover benefits paid to clients who earned too much quarterly income
2. Reduce payments to ineligible clients who live out of state
3. Minimize the benefits paid to deceased clients and to safeguard any unspent benefits
4. Potentially reduce fraud by reducing the number of EBT replacement cards even further
5. Help improve its overall oversight and program integrity

Agency Responses in Audit Report?	Yes, beginning on page 31
Legislative Action Requested?	No

Agencies Testifying:

The Office of Financial Management (Tracy Guerin, Deputy Director)
 The Department of Health and Human Services (David Stillman, Assistant Secretary, Economic Services Administration)

Summary of Testimony from Audited Agencies:

We thank the Auditor’s office for the work. DSHS is doing a good job of continuously improving its fraud programs.

We are grateful for the audit’s acknowledgement of the great work DSHS staff do. Nearly one in four Washington citizens turned to the Economic Services Administration for cash and food assistance. We issued more than \$1.6 billion in food benefits in 2014 to more than 595,000 Washington households.

When the audit talks about the number of households affected by replacement cards, it's useful to reflect that those 5,000 households represent less than 1 percent of the total number of households receiving food assistance.

While the audit is great news for DSHS, it also shows places to move forward with improvements. Our oversight is strong – through the first eight months of the federal fiscal year, we are rated among the top five states in the nation for food assistance program payment accuracy. Both we and the SAO staff learned a lot in the course of the audit. The audit notes that in 2013 DSHS established a special unit to manage an interface that lets federal and state agencies know when a public assistance beneficiary is receiving benefits in multiple states. As of November 2014, the interface has helped identify and avoid more than \$12.9 million in inappropriate benefits. The audit showed that there were no instances of clients using deceased persons' Social Security numbers to apply for benefits, no instances of where clients used an invalid SSN to receive benefits, and no instances of EBT cards used in inappropriate locations.

DSHS appreciates the Legislature providing more authority to the Office of Fraud and Accountability and investing in DSHS to help reduce fraud. We have asked the federal government for a waiver that will allow us to sweep benefits as recommended in the audit. We agree DSHS can potentially reduce fraud by reducing the number of replacement cards even further. We agree that we can improve by adding even more analytic tools. The USDA has given DSHS a grant to add an investigator and some data analytic resources to help track the misuse of cards via social media. The handout we provided you has more detail on our efforts.

Other Parties Testifying:

Paul Bell, Bellevue College

Melantha Jenkins, Student Body President, Bellevue College

Summary of Testimony from Other Parties:

Our school is taking an active leadership role on the issue of state-funded institutions of higher learning serving their students by having vendors that accept EBT cards for appropriate food items sold on campus. We agree that it is a good idea to avoid fraud and abuse but are concerned that recommendations to increase restrictions might have an unintended consequence of making it harder for colleges that are trying to increase food security among their students. As you move forward on the recommendations, we hope you will consider providing a waiver for food vendors licensed under WAC 246-380-990 to allow vendors to sell approved items to people already receiving EBT benefits.

When I first enrolled at Bellevue College, I could only take a limited number of classes per quarter because I was struggling to afford college, other responsibilities, and making sure I had child care in place. I learned of the Basic Food Employment and Training Program on our campus, which helps make a person's college experience more accessible. You receive food stamps and assistance with books and tuition. That program continues to open doors for me.

We now have a population of students who receive food stamps. Many of these students cannot afford to buy food on campus. That population is forced to leave campus and head for grocery stores. If a student does have a car, that trip takes about 30 minutes, which takes time away from study time and time to meet with groups or teachers. Educational institutions are for students. Please make recommendations keeping what's best for the students as your primary concern.