

June 2014



Pennsylvania Department of the Auditor General
Eugene A. DePasquale, Auditor General
Bureau of State and Federal Audits

INTERIM REPORT OF
SIGNIFICANT MATTERS

REGARDING THE

DEPARTMENT OF PUBLIC WELFARE'S
ADMINISTRATION AND DELIVERY OF
BENEFITS USING EBT CARDS

June 2014

Interim EBT Report – Significant Matters

The Department of the Auditor General is currently conducting a special performance audit of the Department of Public Welfare's (DPW) administration and delivery of public assistance benefits using Electronic Benefits Transfer (EBT) cards, also known as ACCESS cards. The objectives of our audit were to determine whether DPW adequately safeguards EBT cards from unauthorized usage; determine whether EBT card usage is proper and in accordance with regulations and laws; and determine whether DPW adequately monitors EBT cards for unauthorized usage. The audit is being conducted under the authority of Sections 402 and 403 of the Fiscal Code and in accordance with applicable *Government Auditing Standards* issued by the Comptroller General of the United States. As stated in the engagement letter of April 11, 2012, our audit period was July 1, 2009 through the end of fieldwork. In this document, we describe the procedures that we used during the audit only to the extent that they relate to the items included in this interim report.

Previous to this special performance audit, the Department of the Auditor General issued a special performance audit report in August 2009 related to DPW's administration of the Special Allowance Program, which included weaknesses found in the accounting, processing, and controlling of EBT cards. Additionally, in September 2011, the Department of the Auditor General issued a special report regarding the need for better oversight and monitoring to prevent the misuse of EBT cards. These reports presented several recommendations to DPW to improve oversight and monitoring of EBT cards. DPW indicated that improvements would be implemented. Our current audit was initiated because DPW, subsequent to the issuance of the September 2011 special report, agreed to provide the card usage data that had been previously requested but not provided several times in 2010 and 2011. This audit, within the context of the audit objectives, has allowed us to follow up on some of DPW's improvements.

Government Auditing Standards encourages the early communication of significant matters to facilitate prompt corrective action. During the course of our current audit we identified potentially fraudulent situations and internal control deficiencies pertaining to the administration of public assistance benefits using EBT cards that we consider to be significant within the context of our audit objectives. We chose to share this information with you so that you could take immediate corrective action.

As DPW is aware, the Department of the Auditor General requested and obtained through DPW monthly EBT data for the period July 1, 2009 through March 31, 2012 from your vendor. This data included transactions that place benefits onto the EBT cards from DPW as well as transactions that withdraw benefits. These benefits included Temporary Assistance for Needy Families (TANF) and General Assistance, commonly known as cash benefits; special allowances; and Supplemental Nutrition Assistance Program (SNAP), commonly known as food stamps. The data to withdraw benefits identifies the merchant name and address, including automated teller machines (ATMs). We utilized some of this data to arrive at the deficiencies described below. We understand that this is not up-to-date data; however, we believe that these concerns should be brought to DPW's attention immediately. Furthermore, we realize that DPW, through various means, may have already identified some of the deficiencies identified in this report subsequent to March 31, 2012.

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Also, based on follow up to our previous reports, we found that in September 2011 DPW added a staff position to monitor EBT data. Through inquiry, we obtained an understanding of what monitoring procedures DPW has subsequently implemented. These procedures generally include identifying recipients who may be receiving benefits from Pennsylvania but reside in another state; identifying recipients who are receiving an excessive number of replacement cards; and identifying retailers who may be involved in card trafficking.

Data mining identified situations, including potential fraud, that need to be further investigated and exposed internal control deficiencies

The use of data mining is a valuable tool that management can use to detect suspicious activity, which, as noted above, DPW has been utilizing to some extent since the latter part of 2011. Additionally, data mining can identify internal control or prevention control deficiencies, such as insufficient supervisory oversight, which executive level management should attempt to mitigate in order to reduce the level of errors made or risk of potential fraud and abuse. The following describes the significant matters the auditors identified and the data mining techniques used to identify them.

Recipients receive high dollar individual benefit amounts

The auditors analyzed 21 months of vendor EBT data from July 2010 to March 2012 and extracted individual benefit transaction amounts that were \$3,000 or greater. We identified 20 such benefit transactions (19 cash benefits and one SNAP benefit) totaling \$87,457. Based on our review of the available information on DPW's Client Information System (CIS), 15 cash benefit transactions totaling \$71,257 appear questionable and five transactions (four cash benefits and one SNAP benefit) totaling \$16,200 appear reasonable. **These 15 transactions, ranging from \$3,073 to \$9,999, are questionable and may contain potentially fraudulent activity because nothing on CIS indicates that these recipients should have received these high dollar individual benefit amounts.**

Of these 15 transactions, 11 were made at the time the respective recipient was only receiving SNAP benefits and four were made at the time the respective recipient was receiving both cash benefits and SNAP benefits. For example, one recipient who was only eligible to receive SNAP benefits received two high dollar cash benefit transactions totaling \$15,514 (\$9,999 + \$5,515) on September 14, 2011. The majority of these benefits were withdrawn over a two week period by withdrawing \$200 more than 60 times. These transactions are suspicious and potentially fraudulent. DPW should investigate the above transactions to determine the reasons why they occurred and refer appropriate situations to the Office of Inspector General (OIG). Furthermore, if appropriate, DPW should determine whether there may be other recipients not identified in this finding (i.e., may have received benefit amounts that were less than \$3,000) that also received such ineligible benefits.

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Recipients' Social Security numbers (SSN) match the SSNs of deceased individuals

The auditors compared vendor EBT data for the nine month period between July 2011 and March 2012 to a Social Security Administration (SSA) Death Master File of individuals who were deceased as of August 2010 and identified 138 SSNs (excluding expungements) on the EBT data that matched the Death Master File. In other words, we found the existence of EBT activity between July 2011 and March 2012 related to 138 SSNs of individuals that have been deceased for at least 10 months. Collectively, 6,752 transactions (both benefits received and withdrawn) occurred during this period totaling approximately \$409,000 for these 138 SSNs. DPW should immediately evaluate these questionable transactions.

Upon cursory review of this EBT activity, it became evident that either the name and date of birth on the EBT data agreed with the SSA's Death Master File information or it did not. The Death Master File is a database containing information generally about persons who had SSNs and whose deaths were reported to the Social Security Administration from 1962 to the present. For the SSNs in which the name and date of birth match, one would expect that these transactions may more likely contain potentially fraudulent activity. For example, someone may have opened a case using a deceased individual's SSN and placed fraudulent benefits on it, or perhaps someone potentially assumed the identity of a deceased individual to obtain benefits. For the SSNs in which the name and date of birth did not match, one would also expect that some of this activity may be fraudulent or some may be errors, such as transposition errors in the entering of the SSNs into CIS. In either case, these SSNs should be investigated and appropriate action taken. Even if the resulting investigation determines that the errors were the result of not having the correct SSN entered into CIS, it would still be important to correct the error in order for DPW's Income Eligibility Verification System (IEVS) to properly alert case workers of changes, such as new income sources. In other words, having inaccurate SSNs in CIS reduces the effectiveness of IEVS, which may result in needless benefits being issued.

Using information available in CIS, we reviewed an example of each and noted the following:

Name and Date of Birth Match: The date of death listed on the SSA's Death Master File for this SSN was December 1, 2004. The recipient applied for and was approved for benefits in 2006. At the time of application, the case record comments state, in part, “. . . ID was issued in 2/01. The photo and signature do not look like her. She does not have any other ID. Photo is too old to compare looks.” Between 2006 and 2012 this recipient intermittently received cash benefits and SNAP benefits estimated at \$10,000 and \$22,000, respectively. According to the case record comments, DPW closed the case in 2012 after IEVS identified the SSN was associated with a deceased individual. DPW should determine why it took six years to close a case that appears should not have been opened. Furthermore, there is no indication in CIS that DPW turned this case over to the OIG for investigation of potential fraud.

Name and Date of Birth Do Not Match: The date of death listed on the SSA's Death Master File for this SSN was January 23, 1994. The recipient using this deceased individual's SSN applied and was approved for general assistance cash benefits and SNAP benefits in September 2008. The recipient provided a Native American Employment card, which the case worker took as proof of the recipient's identity (name, SSN, and citizenship); however, the number on the

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Employment card was only an eight digit number and therefore, not a valid SSN. The SSN noted on CIS was the same number with one digit added. This recipient received benefits for approximately three years. In August 2011, the case worker requested the recipient to come in for an interview. At the interview, the recipient admitted that he was receiving Social Security Disability Insurance payments since August 2010 under his “legal” name, which led to closing this fictitious case in September 2011. Although the case comments note that the recipient was informed that he may have incurred an overpayment for cash benefits, nothing in CIS indicates that an overpayment was initiated or the case was referred to the OIG for investigation. DPW should determine why the case worker accepted the employment card as proof of the recipient’s identity.

DPW should correct weaknesses in monitoring, including lack of independence, insufficient blank EBT card inventory procedures, and inadequate review of EBT logs

As previously noted, in August 2009 the Department of the Auditor General released a special performance audit related to DPW’s administration of the Special Allowance Program, which included weaknesses found in the accounting, processing, and controlling of EBT cards. In response to these weaknesses, DPW developed written procedures, along with standard logs, for the County Assistance Offices (CAOs), administered by the Bureau of Operations, to account for and control EBT cards. These procedures included controls to safeguard the blank cards, such as how EBT cards are to be stored, who has access to the cards, and who can destroy cards. Additionally, DPW developed a card security monitoring tool to be utilized by Bureau of Program Evaluation (BPE) examiners when on-site monitoring is performed at the CAOs. Both bureaus are under the Office of Income Maintenance (OIM).

For the audit currently being conducted, we performed procedures to determine whether DPW corrected the deficiencies included in the audit that we issued in August 2009. These procedures included and may continue to include interviewing personnel of various OIM bureaus, conducting an observation of the on-site examiners at a CAO visit, and reviewing the documentation and results of several on-site visits. We found that although DPW’s additional procedures have improved the controlling and monitoring of EBT card security, we identified three significant matters that require the immediate attention of management. These concerns relate to undue influence the Bureau of Operations management has over the on-site monitoring conducted by BPE, insufficient blank EBT card inventory procedures, and inadequate review of the logs used by CAOs to account for and control inventory.

Lack of Independence

Within the OIM there are five different bureaus that have different functional responsibilities regarding the EBT process. Among these bureaus are the Bureau of Operations, which oversees and implements the EBT process at the CAOs, and the BPE, which monitors EBT card security at the CAOs. During interviews, BPE personnel indicated that Bureau of Operations management have told BPE not to report certain issues noted during their on-site monitoring visits, such as a missing signature or date, because these are minor, and the CAOs do not have

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time to deal with minor issues. Additionally, BPE indicated that the Bureau of Operations refused to allow BPE examiners to conduct on-site monitoring visits for seven CAOs during the 2013 cycle because the CAOs were too busy due to implementing procedures for the Affordable Care Act.

Although we understand that the bureaus need to work together to some degree, we do not believe that the Bureau of Operations should be able to influence the results of BPE's EBT card security monitoring or to influence when BPE conducts a CAO monitoring visit. Monitoring is an important tool used by management to assess whether personnel are properly performing their duties, including accurately completing all information required on the card security logs or ensuring that the EBT cards are properly accounted for and controlled at the CAO on a daily basis. By design, BPE is intended to operate as an independent internal examiner of the EBT process and we believe this seriously impairs their ability to remain independent in their on-site reviews of the CAOs.

Lack of Sufficient EBT Card Inventory Procedures

In response to recommendations issued as part of our 2009 special performance audit of the Special Allowance Program related to weaknesses found in the accounting, processing and controlling of EBT cards, DPW officials stated that it would “develop a physical inventory policy and perpetual inventory forms for CAOs and incorporate on-site reviews of inventories and records within on-site audit programs.” However, our review of the six forms DPW implemented in 2010 as outlined in the OIM EBT Procedure Manual indicates that CAOs are only required to perform a physical count of cards when an EBT card shipment is received from the manufacturer. Additionally, BPE examiners are not performing a physical inventory during their on-site visits.

During our current audit, DPW acknowledged during interviews that procedures for periodically performing a physical inventory of all cards and the maintenance of a perpetual inventory at the CAOs have not been implemented. Without these procedures, accountability over unissued/blank EBT cards cannot be ensured. Although logs have been developed to track card activity on a daily basis, the logs are only tracking a few cards at a time and not the whole population of EBT cards. This lack of inventory procedures leaves the CAO open to theft, abuse and/or fraud primarily by CAO employees.

Furthermore, this internal control deficiency is exasperated by BPE examiners not performing a physical inventory of blank EBT cards and reconciling to the total number of cards that should be on hand in order to ensure that no unissued/blank EBT cards are missing. Our review of the on-site audit programs utilized by BPE revealed the audit programs do not require the performance of a physical inventory or the verification of a perpetual inventory of EBT cards. When we inquired about these procedures, BPE personnel stated that their review is more of a physical security review regarding EBT cards and they are not concerned with the inventory of the cards. Although we acknowledge that the on-site monitoring tool is designed to assess whether the unissued/blank EBT cards are located in a secure place and the access to these cards are limited, BPE needs to also independently ensure that all cards are accounted for. Additionally, given the BPE examiners have identified security weaknesses at some CAOs, such

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as the key to the EBT card storage is not kept in separate secure locations and EBT cards are not stored in secure locked location, it would be in DPW's best interest to require BPE examiners to independently verify that no EBT cards are missing. Employees having unissued/blank EBT cards, could have cards made and unauthorized benefits placed on them.

Lack of adequate review of the logs used by the CAOs to account for and control EBT cards

DPW has developed six logs to be used to account for and control EBT cards and supplies. Some logs should be used to feed other logs. For example, the EBT Issuance Log and EBT Card Destruction Log should feed the EBT Card Reconciliation log. The EBT Card Reconciliation Log is the main log used to track EBT card activity on a daily basis. For example, 10 cards were removed from inventory; three cards were issued; and one card was destroyed; thereby leaving six cards to return to inventory at the end of the day.

As part of BPE's on-site EBT card security review, examiners are required to obtain a sample of each log to ensure that the CAOs are using the logs. However, BPE does not require the examiners to obtain all the logs from a consistent time period, such as a particular week, in order to verify that the logs reconcile to one another. Without the examiners reconciling these logs, BPE cannot verify that cards were properly accounted for by the CAOs, which could lead to not detecting missing cards.

Recommendations:

We recommend that DPW:

1. Immediately review each of the high dollar individual benefit amounts received by recipients and assess whether the recipients were eligible to receive these benefits.
2. If these recipients, who received the high dollar individual benefit amounts, were not eligible to receive these benefits, ascertain whether there may be other recipients not identified in this finding (i.e. may have received benefit amounts that were less than \$3,000) that also received such ineligible benefits.
3. If appropriate, identify and rectify the causes as to why these ineligible high dollar individual benefit amounts occurred and refer all appropriate cases to the OIG for further investigation.
4. Develop procedures to identify high dollar individual benefit amounts on a routine basis and investigate these transactions to ensure they are appropriate and reasonable.
5. Immediately evaluate EBT activity related to the 138 SSNs associated with deceased individuals and determine whether these transactions were appropriate and reasonable and identify the reasons why they occurred.
6. For questionable, suspicious, and potentially fraudulent transactions related to the 138 SSNs, refer these cases to the OIG for further investigation.

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7. For recipients who inadvertently had SSN transposition errors in CIS, please correct the errors and review the cases for any new IEVS alerts, as appropriate.
8. Obtain access to the Social Security Administration (SSA) Death Master File and perform a periodic match against SSNs of individuals receiving SNAP, cash and special allowance benefits as a preventive control to timely identify potentially fraudulent benefits.
9. Ensure that the Bureau of Operations does not place undue influence on the Bureau of Program Evaluation (BPE) with respect to the independent monitoring of EBT activities at the CAOs.
10. Develop procedures for CAOs to periodically perform physical inventories of all unissued/blank EBT cards at each CAO and immediately start maintaining a perpetual inventory for each CAO starting with this physical count of EBT cards.
11. As part of BPE's on-site EBT card security review at each CAO, require BPE examiners to conduct a physical inventory of the unissued/blank EBT cards and reconcile the balance to the perpetual count of cards to ensure that all cards are present and accounted for.
12. As part of BPE's on-site EBT card security review, BPE examiners should obtain all logs from a consistent sample time period, such as a particular week, and review them in order to verify that the logs reconcile to one another.

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COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF PUBLIC WELFARE

JUN 03 2014

The Honorable Eugene A. DePasquale
Auditor General
Department of the Auditor General
229 Finance Building
Harrisburg, Pennsylvania 17120

Dear Mr. DePasquale:

Thank you for providing the Interim EBT Report – Significant Matters. The Performance Audit is being conducted on the Department of Public Welfare (DPW), Office of Income Maintenance (OIM) regarding the way it administers the delivery of public assistance benefits using Electronic Benefits Transfer (EBT) cards.

In this response, we are specifically addressing the twelve recommendations that were included in the Interim EBT Report.

Recommendation 1: Immediately review each of the high dollar individual benefit amounts received by recipients and assess whether the recipients were eligible to receive these benefits.

DPW Response: DPW staff reviewed each of the 20 high-dollar benefit amounts identified and found the following:

- Fifteen of the twenty cases (75 percent) were not benefits paid to a recipient. The payments issued were “Excess Over Unreimbursed Assistance (EOURA)” refunds, meaning that DPW collected child support in excess of the reimbursable cash assistance received by a household. The Excess URA refund is issued via the EBT system if the individual is an active cash or Supplemental Nutrition Assistance Program (SNAP) recipient at the time the refund is issued. This is a monthly reconciliation process conducted and administered by the Bureau of Child Support Enforcement (BCSE).
- Five of the twenty cases (25 percent) were benefits issued at application to eligible applicants. Four cases were TANF Diversion payments, which is a lump sum of either one, two, or three months of the Family Size Allowance of the applicant household, depending on the time span of the need. These four cases had large household sizes. The fifth case was a SNAP benefit authorization for a

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family of 11 for the time period December 5, 2011 to January 31, 2012. They were eligible for a monthly SNAP allotment of \$1,652.

Recommendation 2: If these recipients, who received the high dollar individual benefit amounts, were not eligible to receive these benefits, ascertain whether there may be other recipients not identified in this finding (i.e. may have received benefit amounts that were less than \$3,000) that also received such ineligible benefits.

DPW Response: Five of the twenty recipients listed on the high-dollar benefit report were in fact eligible to receive these benefits. The remaining 15 recipients received EOURA refunds for child support and are not cash or SNAP program benefit payments.

Recommendation 3: If appropriate, identify and rectify the causes as to why these ineligible high dollar individual benefit amounts occurred and refer all appropriate cases to the OIG for further investigation.

DPW Response: EOURA refunds are determined by the BCSE based upon total public assistance received and the amount of support paid. Regulations allow the clients to request TANF Diversion (up to three months, family-size allowance) if eligible for TANF and in order not be enrolled in the TANF program. Lastly, initial benefit authorizations are based upon eligibility for the specific program and dependent upon such variables as the household composition, income, demographic information, and resources.

DPW has not identified any fraud associated with these recipients that would warrant referral to the Office of Inspector General (OIG). Please note that DPW caseworkers routinely refer overpayments and suspected fraud to the OIG for investigation.

Recommendation 4: Develop procedures to identify high dollar individual benefit amounts on a routine basis and investigate these transactions to ensure they are appropriate and reasonable.

DPW Response: The formal automated One Time Issuance (OTI) procedure that DPW implemented provides check points for supervisors to conduct mandatory reviews of OTIs that meet or exceed established guidelines. Revealing these guidelines (e.g., Reason Code, Frequency, and Dollar Amounts) would jeopardize the integrity of this process. The following controls are in place prior to benefit issuance:

- If the OTI is for designated Reason Codes, there must be a supervisory review before it can be approved.
- If the OTI for a designated period is greater than a designated amount or number of issuances, they require supervisor review prior to being authorized.

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- The designated frequencies and amounts are not provided to the workers but are determined by system logic.

By taking these steps we have greatly reduced the potential for fraud, waste, and abuse of our resources. We continue to explore ideas to accomplish the intent of this recommendation and will implement procedures as needed.

Recommendation 5: Immediately evaluate EBT activity related to the 138 SSNs associated with deceased individuals and determine whether these transactions were appropriate and reasonable and identify the reasons why they occurred.

DPW Response: A thorough review of the 138 cases is in process and not yet complete. All case record documentation, including scanned images, eCIS screens, data matches, and case narrations were reviewed for verification of identity, Social Security number (SSN), and evidence of date of death or evidence of “life” after purported date of death. The 138 cases fall into the following categories:

- Appropriately closed – The CAO took timely action when verification of date of death was received, or the case was closed for other reasons and no benefits were paid to the individual.
- CAO has verified identity – The CAO followed policy regarding verification of identity and SSN, correctly documented the verification, and has narrated continuing interaction with client or other evidence that the individual is not deceased.
- No ID verification in the file – Although the CAO may have verified identity, SSN and date of birth, there is not sufficient documentation in the record for our review to verify.
- Refer to OIG – Any cases in which it appears that identity is suspect or that benefits may have been issued in error will be referred to the OIG for overpayment and/or investigation.

DPW will provide the results of our review as soon as it is completed and validated.

Recommendation 6: For questionable, suspicious, and potentially fraudulent transactions related to the 138 SSNs, refer these cases to the OIG for further investigation.

DPW Response: DPW takes suspected fraud very seriously, and as stated in our response to Recommendation 5, we will refer any such cases to OIG accordingly.

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Recommendation 7: For recipients who inadvertently had SSN transposition errors in CIS, please correct the errors and review the cases for any new IEVS alerts, as appropriate.

DPW Response: DPW will make corrections to any recipient SSN transposition errors in CIS that are identified as a result of our review. DPW routinely reports to the Social Security Administration (SSA) any issues we find with the data they provide.

Recommendation 8: Obtain access to the Social Security Administration (SSA) Death Master File and perform a periodic match against SSNs of individuals receiving SNAP, cash and special allowance benefits as a preventive control to timely identify potentially fraudulent benefits.

DPW Response: DPW receives various data validations from SSA, and applies that data in a number of ways.

BENDEX (Data Exchange 3)

Exchange 3 provides information obtained from SSA's Master Benefit Record (MBR) file, which is more commonly known as BENDEX. The information consists of Title II benefit information; Supplemental Security Income (SSI) entitlement; Medicare A and B information; and Black Lung and/or Railroad Retirement Board entitlement. Information includes entitlement and termination dates, changes in claim status, COLAs, claim account numbers, Title II benefit amount, and Medicare B premium amounts.

SDX (Data Exchange 6)

When SSA updates its Supplemental Security Record (SSR) files, a record of the changes is produced and sent to our system as the State Data Exchange file (SDX). The data is loaded into Exchange 6, indicating a change in the SSI record, or the introduction of a new record to the SDX.

Death Master File (DMF)

Our system receives information from the SSA's Death Master File (DMF). Daily requests for information can be submitted by our caseworkers on an ad hoc basis. Requests are automatically generated for new applicants registered and for individuals who are in the renewal process. We also receive a quarterly update from DMF. Our system provides name, date of birth, and SSN for the match. For the matched individuals, SSA provides name, date of birth, SSN, gender, and date of death.

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Prisoner Verification System (PVS)

Our system receives information from the Prisoner Verification System (PVS) through SSA for federal, state, and local prisoners incarcerated more than 30 days.

SSN Validation and Enumeration

In addition to the data exchange information mentioned above, our system currently sends an individual's demographic information and SSN to SSA in order to validate the individual's SSN. If the demographic information and SSN that we send matches what SSA has in its system, we will receive notification that the SSN has been **validated**. If we do not have an individual's SSN in our system, our system will send the demographic information to SSA to see if they can provide us the individual's SSN based on the demographic information. This process is called **enumeration**.

Recommendation 9: Ensure that the Bureau of Operations does not place undue influence on the Bureau of Program Evaluation (BPE) with respect to the independent monitoring of EBT activities at the CAOs.

DPW Response: The OIM executive team at times makes operational decisions to mitigate disruptions to the CAOs. Implementation of, and training for, the changes required by the Affordable Care Act (ACA) has required DPW to make adjustments to monitoring schedules. It is important to note that DPW treats BPE as an independent entity when they are monitoring EBT and other activities. The United States Department of Agriculture (USDA) recognizes BPE as an independent entity for conducting reviews related to SNAP. The USDA performs ongoing monitoring of BPE. OIM management determines all operational procedures and processes with input from staff, and BPE monitors and tests to those requirements.

Recommendation 10: Develop procedures for CAOs to periodically perform physical inventories of all unissued/blank EBT cards at each CAO and immediately start maintaining a perpetual inventory for each CAO starting with this physical count of EBT cards.

DPW Response: DPW is reviewing and updating the processes and procedures to include:

- Review and/or consolidation of EBT logs.
- Increase efficiencies and security requirements.
- Maintain a complete inventory of unused blank EBT cardstock.
- Update or institute new EBT card management procedures and policies.

Recommendation 11: As part of BPE's on-site EBT card security review at each CAO, require BPE examiners to conduct a physical inventory of the unissued/blank EBT cards

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and reconcile the balance to the perpetual count of cards to ensure that all cards are present and accounted for.

DPW Response: BPE will monitor and test to validate that the new EBT card management procedures and processes are followed.

Recommendation 12: As part of BPE's on-site EBT card security review, BPE examiners should obtain all logs from a consistent sample time period, such as a particular week, and review them in order to verify that the logs reconcile to one another.

DPW Response: DPW's updates to the EBT card management procedures and processes will include an improvement in daily log reconciliation to actual inventory of EBT blank cardstock. BPE will continue to monitor and test to validate all procedures and processes are followed.

Additional Supporting Information

Current SNAP Program Integrity Efforts

- DPW closely monitors EBT card use. For example, in February 2012 we started examining out-of-state EBT card use for three consecutive months with no in-state use. DPW has reviewed 21,218 cases meeting these criteria. This review has resulted in 47.4 percent of those cases being closed and \$13.2 million in cost avoidance.
- DPW is monitoring recipients who have requested an excessive number of replacement EBT cards, "excessive" being defined as four or more replacement cards in a six-month period. Since January 2013, 5,015 letters have been sent to targeted participants addressing suspicious activity. The deterrent rate of this effort, meaning six months after receiving a letter the participant did not receive more than two replacement cards, is 80.5 percent. DPW has referred 166 clients with continued replacement card behavior to OIG.
- Since January 2012, DPW has sent to OIG 1,393 leads for merchants with a pattern of even-dollar EBT card transactions. The team also has begun to review patterns of high-dollar transactions. Discussions are ongoing with OIG on how to improve this process and collaborate more closely with USDA Food and Nutrition Service (FNS).

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FNS SNAP Recipient Fraud Prevention and Detection Initiative

Pennsylvania is one of seven states selected to participate in this initiative. The purpose of this project is to “evaluate how each state or county handles fraud (processes and analytics), and to work directly with them in determining what strategies and best practices may fit with their individual needs. The primary objective is to improve how effectively recipients suspected of trafficking SNAP benefits are identified and investigated.” More specific objectives include:

- Assess state’s current anti-fraud processes and capabilities, with an emphasis on trafficking.
- Develop a roadmap to achieve an enterprise approach for reducing recipient fraud.
- Deliver proof of concept to demonstrate the feasibility of the anti-fraud approach.

FNS’s contractor has conducted numerous interviews with DPW and OIG staff on efforts related to SNAP waste, fraud, and abuse. The interviews have been followed with ongoing workshops. We anticipate valuable feedback from FNS at the completion of the project that will help improve Pennsylvania’s efforts as well as enhanced collaboration with FNS.

Thank you for the opportunity to respond to this interim report. Please contact Mr. David R. Bryan, Manager, Audit Resolution Section, Bureau of Financial Operations at (717) 783-7217, or via e-mail at davbryan@pa.gov, if you have any questions regarding this matter.

Sincerely,



Jay Bausch
Acting Deputy Secretary for Administration

c: Mr. John M. Lori
Ms. Janet B. Ciccocioppo
Mr. John Kaschak
Mr. David R. Bryan, Manager, Audit Resolution Section

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Auditors' Conclusion:

We commend DPW management for immediately addressing the significant matters contained in the Interim Report. For certain recommendations, management has indicated that it is continuing to review some of the information the auditors provided and for other recommendations, DPW has either concluded that no suspicious or fraudulent activity has taken place or has decided to review and revise certain policies and procedures to address the auditors' concern regarding tracking and monitoring blank EBT cards. Based on this information, as part of continuing this special performance audit, we will perform procedures to evaluate the conclusions reached and, if new processes and procedures are implemented during the execution phase of the audit, we will evaluate those changes.

Additionally, with regard to DPW's response related to the data validations that it already uses, we question whether these are working properly. If these data verifications were performed routinely and CAO staff were timely acting upon problems noted, situations as described in our examples within this report should have been detected timely. As a result, DPW needs to determine why these deficiencies were not detected and/or not timely acted upon by CAO staff.