

SPECIAL PERFORMANCE AUDIT

Department of
Human Services

Electronic Benefits Transfer

September 2016



Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General

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EUGENE A. DEPASQUALE
AUDITOR GENERAL

September 28, 2016

The Honorable Tom Wolf
Governor
Commonwealth of Pennsylvania
Harrisburg, PA 17120

Dear Governor Wolf:

This report contains the results of the Department of the Auditor General's special performance audit of the Pennsylvania Department of Human Services' (DHS), formerly the Department of Public Welfare (DPW), administration and delivery of public assistance benefits using Electronic Benefits Transfer (EBT) cards. The audit covered the period July 1, 2010 through April 6, 2016, unless otherwise indicated, with updates through the report's release.

This audit was conducted under the authority of Sections 402 and 403 of The Fiscal Code, 72 P.S. § 402 and 403, and in accordance with applicable generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our conclusions based on our audit objectives.

Our special performance audit had four objectives, from which we report five findings and 25 recommendations. Specifically, our objectives included the following: (1) determine whether DHS adequately safeguards EBT cards from unauthorized usage; (2) determine whether EBT card usage is proper and in accordance with regulations and laws; (3) determine whether DHS adequately monitors EBT cards from unauthorized usage; and (4) determine whether DHS forwards inappropriate EBT card activity to the Office of Inspector General for investigation.

As part of this audit, in June 2014 we released an Interim Report of Significant Matters (interim report), which contained the following significant matters: (1) Data mining identified situations, including potential fraud, that need to be further investigated and exposed internal control deficiencies; and (2) DPW should correct weaknesses in monitoring, including lack of independence, insufficient blank EBT card inventory procedures, and inadequate review of EBT logs. This interim report is included as Appendix B of this report.

Within this report, we provide the status of the areas addressed in the interim report as part of our findings, as well as present additional concerns identified as we continued our audit.

We found that DHS policy allows public assistance benefits to be paid to recipients up to 12 months after death. In fact, we determined that DHS paid 2,324 deceased recipient cardholders' accounts during the period July 2013 through June 2014.

We also found that although DHS has monitored out-of-state EBT card activity since 2012, out-of-state activity continues to exceed \$70 million annually. DHS' out-of-state monitoring efforts are limited by the software it utilizes.

Additionally, we determined that DHS fails to detect instances of inappropriate EBT card usage, especially after a recipient is deceased, and is not referring such cases to the Pennsylvania Office of Inspector General (OIG) for investigation and/or overpayment recovery. Investigation referrals submitted to the OIG are also not tracked and monitored by DHS.

We also found that DHS does not hold authorized representatives to the same accountability as EBT card recipients. Specifically, we found that authorized representatives are not required to sign any agreement indicating that they understand or agree to be bound by the EBT card responsibilities, terms and conditions, including the proper use of the EBT card, as well as related prohibitions and penalties. Further, DHS does not require facilities, such as group living arrangements or drug or alcohol treatment centers, to have policies in place for the proper use of EBT cards.

Finally, we found that while DHS has improved its handling and monitoring of blank EBT cards, more can still be done.

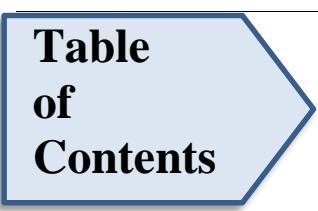
In closing, I want to thank DHS for its cooperation and assistance during the audit. DHS is in agreement with some findings and disagrees with others; however, it generally agrees with most recommendations. We will follow up at the appropriate time to determine to what extent all recommendations have been implemented.

Sincerely,



Eugene A. DePasquale
Auditor General

PA Department of Human Services


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Executive Summary

The Pennsylvania Department of Human Services (DHS), formerly the Department of Public Welfare, through its Office of Income Maintenance administers Electronic Benefits Transfer (EBT) cards, also known as ACCESS cards for eligible Pennsylvania recipients. EBT is a benefit delivery system that provides public assistance recipients with electronic access to their cash and SNAP benefits.

In June 2014, the Department of the Auditor General (Department) issued an Interim Report of Significant Matters (Interim Report) regarding the administration and delivery of benefits using EBT cards. Prior to this audit report's release, the Department issued a special performance audit report in August 2009 related to DHS' administration of the Special Allowance Program, which included a finding related to the accounting, processing, and controlling of EBT cards. Also, in September 2011, the Department issued a special report on the need for better oversight and monitoring to prevent the misuse of EBT cards.

The purpose of this report is to communicate the final results of our special performance audit of DHS' administration and delivery of public assistance benefits using EBT cards. Our audit objectives were determine whether: (1) DHS adequately safeguards EBT cards from authorized usage, (2) EBT card usage is proper and in accordance with regulations and laws, (3) DHS adequately monitors EBT cards for unauthorized usage, and (4) DHS forwards inappropriate EBT card activity to the Pennsylvania Office of Inspector General (OIG) for investigation. Unless otherwise noted, our audit covered the period July 1, 2010 through April 6, 2016, with updates through the report's release.

Our audit contains five findings and 25 recommendations for improvement. DHS agrees with some of the findings and disagrees with others; however, DHS generally agrees with most of the recommendations.

Finding 1: DHS policy allows public assistance benefits to be paid to recipients' accounts up to 12 months after death.

This finding is broken down into two sections. The first section describes our follow up to the Interim EBT Report – Significant Matters (included as Appendix B) regarding our data analysis test work. Specifically, we previously found two types of significant matters that needed to be investigated further: (1) 15 transactions greater than \$3,000 during the period July 2010 through March 2012 that were questionable because nothing in DHS' Client Information System (CIS) indicated that these recipients should have received these individual benefit amounts; and (2) 138 recipients with Social Security numbers (SSN) that matched SSNs of deceased individuals, which related to vendor EBT data for the period July 2011 through March 2012. Based on DHS' response to the interim EBT report and review of further information obtained from DHS, we found that 15 questionable transactions were acceptable transactions and not

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fraudulent. Regarding recipients' SSNs matching SSNs associated with deceased individuals, we found that DHS referred 14 recipients' cases to the OIG for investigation; 122 recipients were considered valid, but generally had various errors in their CIS accounts due to items such as caseworkers not verifying their SSNs and caseworkers making typographical errors; and two recipients were not on CIS, and should have been investigated further by DHS, but wasn't.

The second section of this finding describes our data analysis results for the period July 2013 to June 2014. We found the following: DHS again failed to detect instances of inappropriate EBT card usage and is not referring such cases to the OIG (see finding 3); DHS does not perform procedures to detect theft of EBT card benefits after recipients are deceased (see finding 3); and DHS paid more than 2,300 deceased recipients nearly \$700,000 in benefits during the 12 month period. Specifically, we found that reasons for DHS issuing benefits beyond recipients' date of death include: Untimely notification of death via Exchange 8 by DOH and/or the SSA; DHS requires caseworkers to only review Exchange 8 notifications during recipients' reporting periods; and DHS does not permit caseworkers to take action for Exchange 8 notifications when recipients are enrolled in the Pennsylvania Combined Application Project.

Finding 2:
Although DHS has monitored out-of-state EBT card activity since 2012, out-of-state activity continues to exceed \$70 million annually.

In September 2011, we reported on out-of-state usage of EBT cards in a special report in which we identified approximately \$5.2 million associated with benefits accessed and received outside of Pennsylvania during the month of May 2010. We indicated that DHS needed to scrutinize the frequency and appropriateness of out-of-state EBT card usage and to develop an internal process to monitor EBT card usage. DHS appointed staff to monitor inappropriate out-of-state EBT card usage and began monitoring this usage through data analysis in February 2012. From that point through June 2015, DHS has identified more than \$22 million in cost avoidance by closing more than 15,000 recipient accounts. DHS calculates cost avoidance by multiplying the monthly benefit at time of closing times six months (excluding medical benefits). However, we found that DHS' out-of-state monitoring efforts are hampered by limitations of the software it utilizes. By utilizing less restrictive criteria using a comprehensive software package with robust features , DHS could identify up to 40 percent more cardholders that could be "flagged" for further review. In other words, better out-of-state EBT card usage would occur.

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Finding 3: DHS fails to detect instances of inappropriate EBT card usage, especially after a recipient is deceased, and is not referring such cases to the Pennsylvania Office of Inspector General (OIG) for investigation and/or overpayment recovery.
Investigation referrals submitted to the OIG are also not tracked and monitored by DHS.

Finding 4:
Authorized representatives are not held to the same accountability as EBT card recipients.

As part of this special performance audit, we added an audit objective to determine whether DHS forwards inappropriate EBT card activity to the Pennsylvania Office of Inspector General (OIG) for investigation. We found that there were instances where DHS did not refer situations to the OIG for investigation or overpayment. Specifically, of the 60 recipients' accounts tested, we identified four cases, where DHS has acknowledged that caseworkers should have referred these cases to the OIG for overpayment or investigation, but did not. Additionally, we found that DHS does not perform procedures to detect theft of EBT card benefits after recipients are deceased. Based on our testing of 20 single-person households, we found that 9 (45 percent) had benefits spent/withdrawn after date of death collectively totaling \$9,303. We also determined that DHS does not track or monitor activity that is referred to the OIG for investigation. There are no logs maintained by the CAOs which record the number of referral forms sent to the OIG, when forms were sent, which caseworkers sent them, or the reason for the investigations. As a result, DHS cannot determine at any given time the number of investigation referral forms pending with OIG, nor how many investigation referrals have been submitted by the CAO.

When applying for benefits or when a recipient requires assistance due to a physical or mental disability, DHS permits recipients to designate an authorized representative to obtain EBT cards on behalf of that recipient. EBT cards are thus issued in the representative's name with the eligible recipient's benefits placed on those cards. We found that authorized representatives are not required to sign any agreement indicating that they understand or agree to be bound by the EBT card responsibilities, including the proper use of the cards, as well as the related prohibitions and penalties because it is not a federal requirement. However, DHS's decision to not require the authorized representatives to accept the same responsibilities for EBT card usage as eligible recipients also precludes the OIG from investigating and pursuing criminal charges stemming from abuse or misuse of SNAP benefits by authorized representatives. We also found that, unlike Pennsylvania, there are some states that hold authorized representatives more accountable, including Michigan and California. Additionally, we found that DHS does not require facilities, such as group living arrangements or treatment centers where recipients may reside, to have policies in place for the proper use of EBT cards. These facilities may be designated as authorized representatives for recipients residing there.

PA Department of Human Services***Finding 5: DHS has improved its handling and monitoring of blank EBT cards, but more needs to be done.***

Our review of DHS' monitoring of blank EBTcards stems back to our special performance audit of the Special Allowance Program that covered the audit period July 2006 through December 2007. From that audit to early 2016, we have periodically reviewed this process and have reported various deficiencies. While DHS management has improved its policies and procedures for monitoring blank EBT cards, since 2009, we noted the following significant matters in our 2014 Interim EBT report: (1) lack of independence by the on-site monitoring reviewers; (2) insufficient blank EBT inventory procedures; and (3) inadequate review of EBT logs. We followed up on these significant matters and found that the Bureau of Program Evaluation (BPE) has been allowed to operate without any influence from the Bureau of Operations. We also found that DHS has revised its EBT Procedure Manual that incorporates a weekly physical count of all blank EBT cards and reconciles the total to the perpetual inventory. Additionally, BPE revised its EBT Review Manual to include new on-site procedures for conducting a physical to perpetual inventory reconciliation. However, regarding our follow-up on the deficiency of DHS' inadequate review of EBT logs, based on our review of two of 30 EBT reviews, we found that while BPE reviewers were reviewing two weeks of logs, the logs for one of the reviews were not accurately completed and all deficiencies were not detected and reported.

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PA Department of Human Services**Introduction
and
Background**

The Department of the Auditor General has been conducting special performance audits of the Department of Human Services' (DHS'), formerly the Department of Public Welfare's (DPW's) administration and delivery of public assistance benefits using Electronic Benefits Transfer (EBT) cards, also known as ACCESS cards, since September 2009.

We conducted our audits under the authority of Sections 402 and 403 of the Fiscal Code¹ and in accordance with applicable *Government Auditing Standards* issued by the Comptroller General of the United States.

Our current audit had four audit objectives (See *Appendix A – Objectives, Scope, and Methodology* for more information). Our audit objectives were as follows:

- Determine whether DHS adequately safeguards EBT cards from unauthorized usage.
- Determine whether EBT card usage is proper and in accordance with regulations and laws.
- Determine whether DHS adequately monitors EBT cards for unauthorized usage.
- Determine whether DHS forwards inappropriate EBT card activity to the Office of Inspector General for investigation.

As part of this audit, the Department of the Auditor General issued an Interim Report of Significant Matters in June 2014 regarding the administration and delivery of benefits using EBT cards. (See Appendix B for a copy of the report, which explains the reasons as to why we issued an interim report.)

Prior to initiating this audit, the Department of the Auditor General issued a special performance audit report in August 2009 related to DHS' administration of the Special Allowance Program, which included weaknesses found in the accounting, processing, and controlling of EBT cards. 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.

¹ 72 P.S. §§ 402-403

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(See Appendix C for a copy of the special report.) These reports presented several recommendations to DHS to improve the oversight and monitoring of EBT cards. DHS indicated that improvements would be implemented. We initiated this audit after DHS agreed to provide the card usage data that had been previously requested several times in 2010 and 2011, but never provided. This audit, within the context of the audit objectives, has allowed us to follow up on some of DHS' improvements.

Background Information on the Department of Human Services

The first Department of Welfare was established by the Act of May 25, 1921 (P.L. 1144). All existing public welfare laws were consolidated and codified in the Public Welfare Code and Act of June 13, 1967 (P.L. 31),² which has largely become the legal base of the Department's operation.³ The Department of Public Welfare was redesignated as the Department of Human Services (DHS) by Act 132 of 2014.⁴

Annually, the budget for DHS programs totals more than \$36 billion⁵ – the largest among state agencies in Pennsylvania and one of the largest in the nation. Programs provide basic needs including cash, food, shelter, health care, heat, and job-funding assistance for individuals and families. DHS also provides treatment, care, and support services in state-operated facilities and in the community for people with mental illness and developmental disabilities as well as children and families.

According to DHS' website:

Our mission is to improve the quality of life for Pennsylvania's individuals and families. We promote opportunities for independence through services and supports while demonstrating accountability for taxpayer resources.⁶

² **62 P.S. §101 et. seq.**

³ The Pennsylvania Manual, Volume 121

⁴ **62 P.S. § 102.**

⁵ Pennsylvania Governor's Executive Budget 2016-2017

⁶ www.dhs.pa.gov/learnaboutdhs/index.htm, accessed on July 11, 2016.

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Organizationally, DHS administers its programs through seven program offices that provide care and support to Pennsylvania's most vulnerable citizens. EBT card activities are administered through DHS' Office of Income Maintenance. See organization chart at Appendix E.

Office of Income Maintenance

Through the Office of Income Maintenance, DHS serves low-income Pennsylvanians through cash assistance programs, such as Temporary Assistance to Needy Families (TANF); employment and training programs; the Supplemental Nutrition Assistance Program (SNAP), formerly known as food stamps; home heating assistance; and assistance programs for refugees and the homeless. Many of these services are delivered through more than 90 county assistance offices (CAOs) located across Pennsylvania.

Within the Office of Income Maintenance, the following bureaus play significant roles in the administration of benefits delivered through EBT cards: the Bureau of Operations, the Bureau of Program Support, and the Bureau of Program Evaluation.

Bureau of Operations

The Bureau of Operations is responsible for the overall planning, organization, direction, and control of all public assistance programs delivered through the CAOs. Income Maintenance Caseworkers (caseworkers) at the CAOs are the primary employees responsible for determining eligibility for public assistance benefits and issuing and safeguarding EBT cards.

Caseworkers are responsible for determining when a recipient has received an excessive amount of benefits. In such instances, the caseworkers calculate the overpayment and send an overpayment referral to the Pennsylvania Office of the Inspector General (OIG) for recoupment. The OIG is independent of DHS.

Caseworkers are also responsible for identifying potential fraudulent activity, such as an individual applying for benefits who is using another person's name and Social Security number to obtain benefits. If potential fraudulent activity is identified, the caseworker is to refer this situation to the OIG for investigation. The results of the investigation will be forwarded back to the caseworker for the

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caseworker to take the appropriate action regarding the recipient's benefits. If appropriate, the OIG can pursue filing criminal welfare fraud charges against the recipient.

Bureau of Program Support

The Bureau of Program Support has responsibility for overseeing the EBT project within DHS. This includes overseeing the outside EBT processing vendor,⁷ accounting for daily EBT activities, working with CAOs to resolve any system issues, and coordinating with the U.S. Department of Agriculture, Food and Nutrition Service (USDA-FNS), which provides funding for SNAP. The bureau also analyzes EBT card usage data to identify certain situations that need to be reviewed by the CAOs.

Bureau of Program Evaluation

The Bureau of Program Evaluation is responsible for ensuring that CAOs are properly determining eligibility for issuing public assistance cash benefits and SNAP. The bureau also conducts on-site monitoring at CAOs to ensure they are properly issuing EBTs cards to recipients and safeguarding blank EBT cards to prevent theft or misuse.

Electronic Benefits Transfer

Electronic Benefits Transfer (EBT) is a benefit delivery system that provides public assistance recipients with electronic access to their cash and SNAP benefits. Eligible recipients receive a Pennsylvania ACCESS Card (EBT card) and select a personal identification number (PIN) to access authorized benefits. Recipients can also designate an authorized representative to obtain EBT cards on behalf of the recipient if the recipient has a physical and/or mental disability.

Eligible recipients receiving SNAP benefits use their EBT cards to purchase groceries. Specifically, the recipient or authorized representative swipes his or her EBT card through a Point-of-Sale (POS) terminal and enters the PIN to access the SNAP account.

⁷ J.P. Morgan Electronic Financial Services, Inc. was DHS' EBT vendor through contract #4000007003 from January 1, 2005 through March 31, 2012 (date transition to the new vendor was complete). ACS State & Local Solutions, Inc. through contract #4000026375 began providing services on April 1, 2012 and will continue as the EBT vendor through March 31, 2017.

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Once the PIN and account balance are verified electronically, the retailer receives an authorization or denial. If the authorization is granted, the recipient's account balance is reduced by the amount of the purchase and the retailer's account is increased by the same amount.

Eligible recipients receiving cash benefits on their EBT cards from programs such as Temporary Assistance for Needy Families (TANF) may withdraw cash from ATMs located throughout the state. In addition, recipients are able to make cash purchases and receive cash back through POS terminals at participating retailers.

Public Assistance Benefits

To apply for public assistance benefits, Pennsylvanians must fill out a PA600 form (application). The applicant fills out the appropriate demographic, household composition, and financial information and submits the form to a CAO, where a caseworker processes the application and determines which public assistance benefits the applicant is eligible to receive and the amount of benefits to be provided. The two most common benefits issued are SNAP benefits and TANF (cash) benefits.

SNAP benefits

The Supplemental Nutrition Assistance Program (SNAP) benefits are used to buy food and help eligible low-income households in Pennsylvania to obtain more nutritious diets by increasing their food purchasing power at grocery stores and supermarkets. The U.S. Department of Agriculture reimburses SNAP expenditures directly to the EBT vendor. DHS' Bureau of Program Support reconciles the SNAP expenditure data daily. Total SNAP expenditures⁸ reported in the commonwealth's Single Audit report are as follows:

Fiscal Year Ended	SNAP Expenditures
June 30, 2012	\$ 2,775,255,000
June 30, 2013	\$ 2,739,764,000
June 30, 2014	\$ 2,618,057,000
June 30, 2015	\$ 2,663,606,000

⁸ Includes only amounts for CFDA 10.551.

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Under the Temporary Assistance for Needy Families (TANF) program, the United States Department of Health and Human Services provides funding to the commonwealth to assist needy families participating in activities designed to end dependence on government benefits and to provide services for dependent and abused children. In addition, funding may be used for services designed to prevent future dependency. Total TANF expenditures⁹ reported in the commonwealth's Single Audit report are as follows:

Fiscal Year Ended	TANF Expenditures
June 30, 2012	\$ 500,119,000
June 30, 2013	\$ 483,291,000
June 30, 2014	\$ 471,941,000
June 30, 2015	\$ 480,567,000

TANF expenditures reported above include administrative costs (e.g., DHS personnel costs and overhead charges), so not all TANF expenditures are paid via EBT cards.

Other cash benefits paid with EBT cards include, but are not limited to state-funded General Assistance and Special Allowances. Our analysis of vouchers posted to the commonwealth's accounting system and the data received from the EBT vendor indicated that total cash expenditures through EBT cards were approximately \$307,000,000 during the fiscal year ended June 30, 2014.

⁹ Includes only amounts for CFDA 93.558.

PA Department of Human Services**Finding 1**

DHS policy allows public assistance benefits to be paid to recipients' accounts up to 12 months after death.

This finding includes the results of data analysis in two sections. The first section will describe the follow-up to the data analysis performed during phase one and presented in the Interim EBT Report – Significant Matters (see copy at Appendix B). The second section will present the results of our most recent data analysis.

We utilized software to analyze EBT transaction data from two distinct periods: July 2010 through March 2012 and July 2013 through June 2014. This data included transactions related to benefits being placed or loaded onto EBT cards and transactions related to withdrawing benefits from EBT cards. DHS provided the data via its vendor¹⁰. We also requested demographic information from the DHS' Client Information System (CIS) for recipients who received benefits during those time periods.

Section 1: Follow-up to our Interim EBT Report – Significant Matters

The interim EBT report identified two types of significant matters that needed to be investigated further: 1) Recipients that received high dollar individual benefit amounts during the period July 2010 through March 2012; and 2) Recipients with Social Security numbers (SSN) that matched SSNs of deceased individuals, which related to vendor EBT data for the period July 2011 through March 2012.¹¹

With regard to the recipients receiving high dollar individual benefit amounts, as explained in the interim EBT report, we found 15 transaction amounts greater than \$3,000 that were questionable because nothing in CIS indicated that these recipients should have received these individual benefit amounts. Based on DHS' response to the interim EBT report and review of further information obtained from DHS, we found that the 15 questionable transactions were acceptable transactions and not fraudulent. These specific transactions

¹⁰ J.P. Morgan Electronic Financial Services, Inc. was DHS' EBT vendor through contract #4000007003 from January 1, 2005 through March 31, 2012 (date transition to the new vendor was complete). ACS State & Local Solutions, Inc. through contract #4000026375 began providing services on April 1, 2012 and will continue as the EBT vendor through March 31, 2017.

¹¹ We used Death Master File data from the Social Security Administration (SSA) of individuals who were deceased as of August 2010.

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were reimbursements for excess child support collected by DHS administered by the Bureau of Child Support Enforcement and not included in DHS' Office of Income Maintenance's CIS.

With regard to the recipients' SSNs matching the SSNs associated with deceased individuals, DHS indicated in its response to the interim EBT report that it was in the process of investigating the 138 recipients' cases. Upon completion of its investigation, DHS provided responses to us for each of the 138 recipients' cases we identified. The following is a summary of DHS' responses:¹²

14 recipients were referred to the Pennsylvania Office of Inspector General (OIG) for investigation.

Of the 138 recipients we identified as noted above, DHS reported that subsequent to the interim EBT report, it referred 14 recipients' cases to the OIG for investigation. The 14 cases included the two examples we described in the interim EBT report. As further discussed in the second section of this finding and in Finding 3, DHS must improve its processes for identifying potentially fraudulent situations and referring such matters to the OIG for investigation.

122 recipients were considered valid recipients.

Of the 138 recipients whose SSNs matched the SSNs associated with deceased individuals, DHS indicated that 122 were alive and were valid recipients. DHS acknowledged that 13 of the 122 recipients' cases contained an error in CIS, which was generated at the CAO. In other words, these SSNs had been incorrectly entered into the recipients' cases in CIS which resulted in their SSNs improperly matching the SSNs of deceased individuals. We agree that there were CAO-generated errors. In fact, we attempted to review the CIS information for the 138 recipients to ascertain why these recipients had SSNs matching the SSNs of deceased individuals. The most pervasive reasons found were as follows: 85 were due to either the caseworker

¹² We did not pursue additional specific follow-up questions regarding these responses to the 138 because the decision had been made to request more recent data (July 2013 through June 2014). As a result, we focused our efforts in analyzing the more current data as discussed later in this finding.

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not verifying a recipient's SSN or the caseworker making a typographical error; 18 were ineligible non-citizens who should not have had SSNs; and 14 were due to errors in the SSA's Death Master File. DHS needs to ensure that SSN information is properly verified and entered into CIS.

The bigger concern is why DHS was not aware that recipients' SSNs as entered into CIS were associated with deceased individuals. DHS has a system that matches SSNs entered into CIS to the death files from SSA or the Pennsylvania Department of Health (DOH) and that system should notify caseworkers via Exchange 8,¹³ if a match is found.

Based on our test work it appeared that the Exchange 8 notification or alert was not functioning as we had expected it would. In other words, the Exchange 8 was not sending alerts to caseworkers for all instances where the SSN of a deceased individual matched the SSN of a recipient in CIS. On further inquiry, we found that management had set this alert to trigger only when 3 of 4 factors matched, rather than only the SSN matching. The other factors measured are name, date of birth, and gender. Although this management decision reduces the number of alerts that would occur for the caseworkers to investigate, it also allows incorrect SSNs to remain in CIS undetected. We found in our most current review that this issue has been corrected.

2 recipients not on CIS

Of the 138 recipients' cases we identified, DHS indicated that two recipients were not in the CIS. Because benefits are typically provided through CIS, DHS should have looked further to identify why these recipients had EBT card activity. These two recipients may be additional examples of recipients who were receiving reimbursements of excess child support collected by DHS administered by the Bureau of Child Support Enforcement and not included in CIS as explained above.

¹³ DHS utilizes the Income Eligibility Verification System (IEVS) to exchange data from various sources. One of the exchanges is "Exchange 8" which provides deceased person information from the SSA and/or the DOH.

PA Department of Human Services**Section 2: Data analysis results for the period July 2013 - June 2014**

As previously noted, we obtained data from July 2013 through June 2014 from DHS' vendor of EBT card transactions, including benefits loaded onto EBT cards and benefits withdrawn from EBT cards. The total amount of EBT card transactions are broken down in the following table:

Total EBT Card activity for the July 2013 through June 2014 period

Type of Benefit	Benefits Received via EBT Cards			Benefits Withdrawn from EBT Cards		
	Number of Cardholders	Number of Transactions	Dollar Amount	Number of Cardholders	Number of Transactions	Dollar Amount
SNAP	1,123,176	10,433,760	\$2.6 billion	1,113,217	89,526,802	\$2.6 billion
Cash	792,656	2,873,733	\$0.3 billion	332,808	5,413,448	\$0.3 billion
Totals	1,915,832	13,307,493	\$2.9 billion	1,446,025	94,940,250	\$2.9 billion

Note: The variance in the number of recipient cardholders that received benefits versus the number of cardholders that withdrew benefits mainly for cash benefits was due to more than 400,000 cardholders receiving \$1 in cash that was not spent by the cardholder. DHS places \$1 as a cash benefit in recipients' accounts so that it qualifies them for the Heat and Eat Program. This allows the cardholders to qualify for the maximum SNAP benefits in their household category. Additionally, the number of transactions for benefits received via EBT cards is significantly lower than the number of transactions where benefits were withdrawn by cardholders because benefits are only placed on EBT cards once or twice a month whereas cardholders can withdraw the benefits in any denomination and as many times as they want until the benefits are exhausted.

We also requested death file data from the DOH for the period July 1, 2010 through June 30, 2014.¹⁴ We compared the SSNs of recipient cardholders who receive benefits via their EBT cards with SSNs of individuals on DOH's death file to identify recipients who had received benefits from DHS more than 60 days after date of death.¹⁵ We identified 2,492 recipient cardholders and from that population selected 60 cardholders as further explained in the next area. We reviewed the cardholders' case information in CIS, including documents scanned into CIS. Based on our test work, we identified the following areas of concern:

¹⁴ These data were supplied by the Bureau of Health Statistics & Research, Pennsylvania Department of Health, Harrisburg, Pennsylvania. The Pennsylvania Department of Health specifically disclaims responsibility for any analysis, interpretations or conclusions.

¹⁵ We used 60 days after death to allow sufficient time for DHS to receive notice of death and to stop payment of benefits. However, as noted later in this finding, we found that the notices are often not received within 60 days of death.

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1. DHS again failed to detect instances of inappropriate EBT card usage activity and is not referring such cases to the OIG for investigation and/or overpayment recovery (discussed in Finding 3).
2. DHS does not perform procedures to detect theft of EBT card benefits after cardholders are deceased (discussed in Finding 3).
3. DHS paid more than 2,300 deceased recipient cardholders' accounts nearly \$700,000 in benefits during the period July 2013 through June 2014 (discussed in this finding). Reasons for DHS issuing benefits beyond the cardholders' date of death include:
 - o Untimely notification of death via Exchange 8 by DOH and/or the Social Security Administration.
 - o DHS requires caseworkers to only review Exchange 8 notifications during recipients' reporting periods, as explained later. DHS does not require recipients' family members to immediately notify DHS of the death.
 - o DHS does not permit caseworkers to take action for Exchange 8 notifications when recipients are enrolled in the Pennsylvania Combined Application Project (PA CAP), as explained later.

DHS has a difference of opinion with respect to the auditors' methodology for testing and reporting its results of this area versus how DHS would have approached it.

The remainder of this finding discusses item number 3 above.

DHS paid more than 2,300 deceased recipient cardholders' accounts nearly \$700,000 in benefits during the period July 2013 through June 2014.

As previously noted, we compared the SSNs of the recipient cardholders who received DHS benefits via EBT card with SSNs of

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individuals on DOH's death file¹⁶ and identified 2,492 cardholders who had received benefits from DHS more than 60 days after date of death. We categorized our results into the following two groups:

Exact Matches - cardholders whose name, date of birth and SSN generally agreed with the DOH death data.

Non-Exact Matches – cardholders SSN matched, but name and/or date of birth did not agree with the DOH death data.

We stratified our results based on the amount of benefits the cardholders' accounts received via their EBT cards as follows:

Cardholders receiving benefits more than 60 days after date of death July 2013 through June 2014

Amount of Benefits Received	Exact Matches		Non-Exact Matches	
	Number of Cardholders	Benefits Received via EBT Cards ¹⁷	Number of Cardholders	Benefits Received via EBT Cards
\$1,000 or more	96	\$133,949	97	\$322,762
\$200 - \$999	965	\$445,836	53	\$ 30,985
Less than \$200	1,263	\$113,376	18	\$ 2,521
Totals	2,324	\$693,161	168	\$356,268

As shown in this table, we found that approximately \$693,000 in benefits were placed onto the EBT cards of deceased individuals whose SSNs, names, and dates of birth generally matched information from DOH. Benefits placed on recipients' EBT accounts could be for a single-person household or a multiple-person household.¹⁸

In a multi-person household the benefit is for all eligible household members. As a result, if one household member dies, the other members would potentially still be eligible to receive and access benefits. We do not however, have the data to determine how much

¹⁶ These data were supplied by the Bureau of Health Statistics & Research, Pennsylvania Department of Health, Harrisburg, Pennsylvania. The Pennsylvania Department of Health specifically disclaims responsibility for any analysis, interpretations or conclusions.

¹⁷ These benefit amounts are conservative. We are only including benefits loaded during the period July 2013 through June 2014. If the individual deceased prior to July 2013 and/or benefits continued after June 2014, these amounts are not included in these totals.

¹⁸ DHS has an expungement process, whereby if a recipient's EBT account has not been used by a recipient for six months, the outside EBT vendor will expunge the benefits that were issued six months prior and return the funds to DHS. This is described in an example within Finding 3.

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of the \$693,000 in benefits was for single-person household accounts versus multiple-person household accounts. DHS has indicated that approximately \$70,000 of the \$693,000 represents multi-person household accounts; however, we have not verified the accuracy of this figure.

With regard to the 168 Non-Exact Match recipient cardholders for whom SSNs only matched the SSNs of a deceased individual from DOH's death file, we found that the cardholders were not the individuals who are deceased and as such, no exceptions were noted. In other words, we did not find that DHS was issuing benefits to deceased individuals, but rather that the information contained in DOH's data file was inaccurate. Our methodology is explained in greater detail below.

We judgmentally selected 30 recipient cardholders from each of the "Exact Match" and "Non-Exact Match" groups noted in the above table. We did not select any cardholders who received less than \$150, but did select all cardholders (two) receiving more than \$10,000. We also selected more cardholders who had a date of death prior to or near July 2013. After making our selections, we reviewed CIS and the documentation scanned in CIS and evaluated the results.

Non-Exact Match test results

Based on our review of the CIS information for the 30 Non-Exact Match recipient cardholders, we found that the SSN entered into CIS for each of these 30 was validated by the SSA¹⁹. We considered this verification accurate and therefore the SSN provided in DOH's death file was considered not accurate. For example, we noted seven instances where it appeared that a baby/child had passed away and the DOH death file data contained the SSN of the mother rather than the SSN of the child. One reason behind this inaccuracy maybe the timing of the baby/child passing away and a SSN had yet to be issued by the SSA. According to DOH management, DOH does not verify the accuracy of any SSNs supplied to DOH by funeral homes, etc. As a result, we did not take exception to the benefits paid to these 30 cardholders; however, our test work did not include verifying the eligibility of these recipients or whether the benefits were properly calculated.

¹⁹ SSNs entered into CIS when a recipient applies for benefits can be validated by the SSA through a match with SSA's data files. This is not only validating that the SSN is valid, it is also validating that the SSN belongs to the particular recipient. SSNs can also be verified by a caseworker by reviewing a SSN card and photo identification.

PA Department of Human Services**Exact Match test results**

Based on our review of the CIS information for the 30 Exact Match recipient cardholders' cases as well additional information provided by DHS, we found the following concerns:

- For 17 cardholders' cases – DHS received an Exchange 8 notification more than 60 days after each cardholder's date of death per the DOH data file.
- For 11 cardholders' cases – Caseworkers did not react to the Exchange 8 notification within 60 days of receipt.
- For 3 cardholders' cases – Caseworkers were not responsible for reacting to Exchange 8 notifications because these cardholders were enrolled in the Pennsylvania Combined Application Project (PA CAP).

We found no exceptions for 2 of the 30 recipient cardholders' cases tested²⁰ and 3 of the 30 cardholders' cases tested contained two of the concerns noted above. We will further discuss each of the above concerns below.

Notification of death via Exchange 8 by DOH and/or the SSA is not always timely

Exchange 8 notifications can be received from either the SSA or the DOH. We found that these notifications are often not received within 60 days of date of death. Of our 30 Exact Match test items, we identified 17 recipient cardholders' cases (57 percent) that the Exchange 8 notification by either the SSA or DOH (whichever was first) took more than 60 days, as noted in the below table:

Timeframes from date of death to receipt of Exchange 8 notifications

61 days to 6 months	More than 6 months to 12 months	More than 12 months
5 cardholders	9 cardholders	3 cardholders

²⁰ For these two cases, the Exchange 8 alert was received within 60 days and the caseworkers' reacting to the Exchange 8 alert occurred within 60 days.

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The longest amount of time for the Exchange 8 notification to be received by DHS was nearly 18 months.

Although DHS cannot control when the Exchange 8 notification is received, DHS should be aware that it potentially takes several months for this alert to come through. This possible delay makes it more critical for a caseworker to react quickly to a notification once it is received. As explained in the next section, however, caseworkers are only to react to Exchange 8 notifications during recipients' bi-annual/annual reporting periods. DHS also does not require recipients' family members to immediately notify DHS of the death.

**DHS requires caseworkers to only review
Exchange 8 notifications during recipients' reporting periods.
DHS also does not require recipients' family members to
immediately notify DHS of the death.**

As part of our testing of the 30 Exact Match test items, we identified 11 recipient cardholders' cases where the caseworker did not react to the Exchange 8 notification within 60 days of receipt. The following table shows caseworker response time to react to Exchange 8 notifications:

Timeframes from receipt of Exchange 8 notifications to actions taken by the caseworkers

61 days to 4 months	More than 4 months to 6 months	More than 6 months
7 cardholders	-	4 cardholders

The longest amount of time a caseworker took to take action on the Exchange 8 was nine months.

When we brought these situations to DHS' attention, DHS indicated that caseworkers only need to take action on Exchange 8 notifications when the individual applies for benefits, when the semi-annual report (SAR) is due, or at the time of recertification (reporting periods). Generally, the SAR or recertification is due every six months, but in certain circumstances this can be extended to every 12 months.²¹

²¹ SNAP Handbook, 578.81 IEVS, accessed on March 29, 2016 at <http://services.dpw.state.pa.us/oimpolicymanuals/snap/index.htm>.

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We inquired as to why DHS limits when caseworkers can take action on Exchange 8 notifications. DHS explained that the Code of Federal Regulations (CFR) does not allow states to **reduce** benefits to recipients outside of the reporting period unless the information is considered “verified upon receipt.”²² Further, because the CFR indicates that Exchange 8 information must be independently verified to determine its accuracy,²³ DHS’ policies preclude caseworkers from taking action on Exchange 8 notifications until the next reporting period. We found that the caseworkers generally followed this procedure in 9 of 11 cases. In two cases however, caseworkers failed to take action during a reporting period and when we brought these instances to DHS’ attention, DHS issued overpayment referrals to OIG collectively totaling \$5,308.

In addition to caseworkers not being required to take immediate action on Exchange 8 notifications, DHS also indicated that in accordance with the CFR, recipients are only required to report changes in household composition (when a person is deceased) at the reporting period. DHS’ policy requires caseworkers to take immediate action if the household voluntarily reports changes.²⁴

We disagree with DHS’ position that if an Exchange 8 notification is received by DHS for a recipient and the demographic information contained in the Exchange 8 notification exactly matches the demographic information contained in CIS, the caseworker must wait to take action on that notification until a reporting period. Although we acknowledge that the CFR includes that language above, it also states that, “[e]ach State agency shall establish a system to verify and ensure that benefits are not issued to individuals who are deceased.”²⁵ At a minimum, the caseworker should send an inquiry to the recipient regarding the Exchange 8 information if it is an Exact Match. Additionally, DHS should be encouraging recipients to immediately contact DHS when a family member receiving benefits has become deceased. Failure to take action on the Exchange 8 information allows benefits to improperly continue to be issued to a deceased recipient. This in turn, allows additional benefits to be loaded onto a deceased recipient’s EBT card which may be used by another individual, as was found and discussed in Finding 3.

²² 7CFR § 273.12(a)(5)(vi) and 7CFR § 273.2(f)(9)(iii)

²³ 7CFR § 272.14(c)(3)

²⁴ SNAP Handbook, 570.11 *Timely Reporting*, accessed on July 8, 2016.

²⁵ 7CFR 272.14 (a).

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DHS does not permit caseworkers to take action for Exchange 8 notifications when recipients are enrolled in the Pennsylvania Combined Application Project (PA CAP)

We requested DHS policy and further explanation based on the three recipient cardholders' cases identified as being part of the PA CAP. In 2007, Pennsylvania was selected to participate in the Food Stamp Combined Application Project, which DHS has named PA CAP. This program allows the SSA to process food stamp (now SNAP) applications as part of the Social Security Income eligibility process.²⁶ As a result, according to DHS the SSA makes the determination of SNAP eligibility and all household changes must be reported to the SSA, including when a recipient's PA CAP case should be closed. The only exception would be if the recipient requests to be removed from PA CAP or if the recipient is moving to a different county.

According to DHS management, a caseworker does not have the responsibility to review Exchange 8 notifications in CIS. DHS further indicated that because the SSA is running the program, it should be aware if someone has died. For one of the three recipient cardholders' cases we tested that were participating in the PA CAP, however, we found that it took the SSA 30 months from the date of death to close the SNAP benefits.

Again, if DHS receives an Exchange 8 notification which is an Exact Match for a PA CAP participant, DHS should immediately notify the SSA so that the SSA can take timely, appropriate action, rather than assuming the SSA will automatically send notice to DHS to stop issuing Pennsylvania SNAP benefits to someone who is deceased.

Recommendations

We recommend that DHS:

1. Ensure that SSNs are validated and properly entered into CIS for recipients applying for benefits.

²⁶ Operations Memorandum – Food Stamp OPS070104, Individuals eligible for PA CAP include single-person households with SSI income only, or a combination of SSI and other unearned and/or earned income who are not receiving SNAP, own household, and declare that they purchase and prepare meals for themselves only.

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2. Work with the SSA and DOH to determine whether the Exchange 8 notifications could be sent sooner after the recipient had become deceased.
3. Obtain clarification from the appropriate federal agency on taking action on Exchange 8 notifications immediately, especially for Exact Matches, rather than waiting for up to 12 months until the next reporting period.
4. Develop policy to require caseworkers to, at a minimum, make inquiry to a recipient's residence who has been identified by the Exchange 8 notification as being deceased, including recipients participating in the PA CAP.
5. Encourage recipients and their family members to immediately report a recipient's date of death.
6. Contact the SSA to inform them when DHS becomes aware that a PA CAP recipient has died and consider suspending the issuance of these benefits until the SSA informs DHS to close these cases.

PA Department of Human Services**Finding 2**

Although DHS has monitored out-of-state EBT card activity since 2012, out-of-state activity continues to exceed \$70 million annually.

In September 2011, we reported on out-of-state usage of EBT cards in “A Special Report of the Department of Public Welfare Electronic Benefits Transfer Cards and the Delivery of Public Assistance Benefits”. Specifically, we identified approximately \$5.2 million (94,947 transactions) associated with benefits accessed and received outside of Pennsylvania during the month of May 2010. We noted that recipients may have legitimate reasons for using EBT cards out-of-state, including employment and family obligations, but questioned the sheer volume of transactions discovered by our auditors.²⁷ We indicated that the Department of Public Welfare (now DHS), needed to scrutinize the frequency and appropriateness of out-of-state EBT card usage and to develop an internal process to monitor card usage. See Appendix C for the complete special report.

In the same month that the 2011 special report was released, DHS proactively appointed staff to monitor inappropriate EBT card usage. As noted in the 2014 interim report (see Appendix B), we obtained an understanding of the monitoring procedures DHS had subsequently implemented. These procedures included: 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. We continued to evaluate DHS’ monitoring of out-of-state EBT card activity during the final phase of this audit.

Overview of out-of-state EBT card activity for the three year period July 2012 through June 2015

Using data provided by DHS, the following table shows the total dollar amount of out-of-state EBT card activity for the three-year period July 2012 through June 2015²⁸:

²⁷ EBT card benefits issued from one state are not precluded from being used within any other state. In other words, EBT cards are allowed to be used in all states and US Territories, per federal rules.

²⁸ Using the fiscal year ended June 30, 2014 data received from DHS, we identified nearly \$72 million out-of-state activity and therefore considered this fiscal year’s data sufficiently reliable. However, given DHS has cleansed its data through various procedures, we used the summary data provided by DHS for the three fiscal years and consider fiscal years ended June 30, 2013 and June 30, 2015 data of undetermined reliability. While we determined some of

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Fiscal Year Ended		
June 30, 2013	June 30, 2014	June 30, 2015
\$75,163,119	\$71,188,836	\$72,741,325

For each of the years above, out-of-state activity occurred in every state (as well as the District of Columbia) and at least two territories. See Appendix D for a listing of total dollar amount spent in each state/territory for each of the three fiscal years.

We analyzed these amounts over the three-year period and found that 75 percent of the out-of-state dollars were spent in one of Pennsylvania's six adjacent states. Of the remaining non-adjacent states/territories, we found that most dollars were spent in Florida (more than \$14 million) and North Carolina (nearly \$6 million). Further, we noted that Pennsylvania recipients spent benefits as far away as Alaska (\$45,262), Hawaii (\$97,575), Guam, Puerto Rico, or the Virgin Islands (collectively totaling \$193,895).

The frequency of-out-of-state transactions during this three-year period remains a significant concern. Unlike May 2010 however, when DHS was not monitoring out-of-state EBT card activity, DHS has monitored out-of-state activity since February 2012. The remainder of this finding describes DHS' monitoring efforts and our audit procedures to evaluate the process.

In order to preclude recipients or potential recipients from having detailed information which would allow them to possibly circumvent DHS' criteria for evaluating out-of-state EBT card activity, we are considering this information "sensitive", and therefore will limit our discussion in this report to an overview of the process without disclosing details.

DHS' monitoring of out-of-state EBT card activity

DHS began monitoring out of state EBT card usage in February 2012. In its initial efforts, DHS evaluated EBT out of state activity only in states/territories not adjacent to Pennsylvania. As of July 2012, DHS

the data to be of undetermined reliability, this data collectively appears to be the best data available. Although this determination may affect the precision of the numbers we present, there is sufficient evidence in total to support our findings, conclusions, and recommendations.

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began including adjacent Pennsylvania states in its analysis. DHS provided summaries (unaudited) of the number of accounts (recipient families) closed and the dollar amount of calculated cost avoidance²⁹ as a result of the monitoring performed, as shown in the table³⁰ below:

Fiscal Year Ended	Cases Closed	Cost avoidance
June 30, 2012	1,506	\$ 2,342,429
June 30, 2013	4,888	\$ 7,261,692
June 30, 2014	4,308	\$ 6,091,614
June 30, 2015	4,404	\$ 6,415,236
Totals	15,106	\$22,110,971

We applaud DHS' efforts to close the accounts and stop issuing benefits to more than 15,000 recipient families who were identified as accessing an excessive amount of benefits out of state, thereby reducing future costs to taxpayers. DHS refers to closing the accounts (and stopping the issuance of benefits) as "closing cases." We will be using the "closing cases" or "closing the case" terminology in this finding.

DHS periodically uses out-of-state data provided by its vendor and other available information for its out-of-state EBT card analysis. The process involves manipulating the data to identify or "flag" recipient cases for further review. See below for more details. The "flagged" cases are then forwarded to the respective county assistance offices (CAOs). Since the CAOs conduct the day-to-day operations of processing EBT card benefits, the CAO caseworkers are best informed to review the "flagged" recipients' information and send correspondence to those recipients. Depending on the response or lack of response by the recipient, the caseworkers decide whether or not to close the case. Results of the review are sent back to DHS headquarters.

²⁹ DHS calculates cost avoidance by multiplying the monthly benefit at time of closing times six months (excluding Medical Assistance costs).

³⁰ The information presented in this table is considered background information and to provide context regarding DHS efforts in monitoring out-of-state activity.

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DHS' out-of-state monitoring efforts are hampered by limitations of the software it utilizes.

As part of our audit procedures, we assessed whether DHS' out-of-state monitoring results were accurate. To achieve this, we obtained an understanding of the process through discussions with DHS management as well as observing how the EBT Project Officer performed this process during May 2016.

We found that DHS does not receive the entire population of out-of-state data from its vendor. Instead, DHS receives a subset of out-of-state data based on certain parameters. DHS subsequently uses Excel software and a database to combine and manipulate data from various sources to arrive at the number of recipients to be flagged for additional review. This process is tedious and cumbersome and does not allow DHS to easily change its method for evaluating out-of-state data. Additionally, the software used has limited capability for this type of analysis.

For our audit procedures, we used the complete out-of-state data received from the vendor and some additional information provided by DHS. We re-performed DHS' analysis for the period January through March 2014. We used a comprehensive software package with robust features designed specifically for data analytics. We found that our results were generally the same, except for a few deviations that appear to be timing differences. DHS appears to be identifying recipients with questionable out-of-state activity based on its methodology.

In addition to validating DHS' methodology, we also used our software with various less restrictive criteria, such as reducing the percentage of out-of-state activity considered questionable, to determine the effect of the changes in methodology and the extent of identifying additional potential inappropriate out-of-state card usage. To explain, the following is a hypothetical example:

If DHS' criteria is to question recipients who purchase 75 percent or more of their total purchases for a certain period out-of-state, DHS might identify 1,000 recipients to "flag" for further review. On the other hand, if DHS' criteria was reduced to 70 percent, DHS might identify 1,500 recipients to "flag" as questionable.

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Our data analytic procedures indicate that minimal changes in the methodology identified up to a 40 percent increase in the number of “flagged” cardholders.

We asked DHS why its criteria for the out-of-state analysis has not been revised since 2012. DHS responded that it continues to have plenty of “flagged” recipients to follow up on even after monitoring in the same manner for more than three years. However, it appears that limited data analysis capability is also contributing to this decision. At this point, DHS would need to work with its vendor to change criteria for receiving out-of-state data and/or obtain all the data. DHS would also need to consider purchasing more powerful software to manipulate the data. These changes would allow DHS to evaluate more out-of-state activity and potentially identify additional cost-avoidance dollars.

Recommendations

We recommend that DHS:

1. Revise its methodology for determining recipient cases to review based on questionable out-of-state activity, such as:
 - a. Reducing the percentage of out-of-state activity that is considered questionable.
 - b. Reducing the length of the out-of-state activity period to evaluate.
2. Work with its vendor to change the criteria to allow more out-of-state activity to be “flagged” for further review.
3. Consider the economic benefit of purchasing additional software to allow DHS more capability for analyzing out-of-state EBT card activity (and other projects).

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Finding 3

DHS fails to detect instances of inappropriate EBT card usage, especially after a recipient is deceased, and is not referring such cases to the Pennsylvania Office of Inspector General (OIG) for investigation and/or overpayment recovery. Investigation referrals submitted to the OIG are also not tracked and monitored by DHS.

In May 2014 as part of this special performance audit, we added an audit objective to determine whether DHS forwards inappropriate EBT card activity to the Pennsylvania Office of Inspector General (OIG) for investigation³¹. We added this objective because of the potential fraudulent activity we identified in our data analysis of the 138 cases for the period July 1, 2011 through March 31, 2012, which we discussed in our 2014 Interim EBT Report – Significant Matters (see Appendix B) and conclude upon in Finding 1 of this final report.

As part of our test procedures for this audit objective, we met with OIG management in June 2015 to discuss procedures for tracking referrals and concerns regarding potential inappropriate EBT card activity. According to OIG management, the Bureau of Fraud Prevention and Prosecution takes a three-pronged approach in its fight against public benefits fraud. This approach includes the following:

1. Fraud prevention: concentrating on ensuring those who are ineligible for public assistance benefits are prevented from collecting benefits at the application stage, which saves taxpayer monies.
2. Fraud prosecution: focusing on individuals who wrongfully obtain benefits by ensuring they are held accountable for their unlawful acts through criminal and civil actions.
3. Collection activities: ensuring that overpaid public assistance benefits are recovered in a timely and cost-effective manner.

³¹ The OIG was created by Executive Order 1987-7 on April 6, 1987. According to its FY 2014-2105 annual report, its mission is to “ensure integrity, accountability and public confidence in Pennsylvania government by preventing, investigating, and eliminating fraud, waste, abuse, and misconduct within all agencies under the jurisdiction of the governor.” Since “1994 , the OIG has been responsible for investigating and prosecuting welfare fraud and conducting collection activities for the public benefits programs administered by the Department of Human Services.”

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According to its annual reports, the following is a summary (unaudited) of what the OIG has annually saved and collected related to welfare fraud and collections³²:

OIG Accomplishments	For the Fiscal Year Ended		
	June 30, 2013	June 30, 2014	June 30, 2015
Welfare fraud prevention activities	\$ 93.2 million	\$ 90.4 million	\$ 87.6 million
Reimbursement and collection	\$ 33.0 million	\$ 22.4 million	\$ 22.0 million
Disqualification of future benefits for recipients criminally prosecuted for welfare fraud and through administrative hearings	\$ 6.0 million	\$ 5.0 million	\$ 2.5 million
Restitution for filing criminal complaints charging defendants with welfare fraud by unlawfully obtaining benefits	\$ 4.0 million	\$ 5.0 million	\$ 3.7 million
Totals	\$136.2 million	\$122.8 million	\$115.8 million
OIG Activities			
Number of:			
Applications investigated	27,916	27,283	25,756
Criminal complaints filed	1,106	1,055	833

As shown in the above table, over this three-year period the total amount of savings and collections has been decreasing as well as the number of applications investigated and the number of criminal complaints filed.

Instances where DHS did not refer situations to the OIG for investigation or overpayment.

DHS and the OIG have distinct responsibilities related to public assistance benefits (benefits). The DHS is responsible for determining who is eligible to receive benefits, processing and paying benefits to the recipients, and, if necessary, determining the amount of benefits that were overpaid. The OIG, in turn, is responsible for investigating and, if necessary, prosecuting welfare fraud as well as recovering the overpayments of benefits from the recipients.

For this to be successful, DHS and OIG need to work hand-in-hand; however OIG depends upon DHS to make investigation and

³² This is considered background information which provides a comprehensive overview of DHS' referral activity to the OIG.

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overpayment referrals to the OIG via OIG referral forms. If DHS fails to make these referrals, OIG cannot perform its functions. As a result, it is incumbent upon DHS' CAOs to ensure that Income Maintenance Caseworkers (caseworkers) identify situations needing to be investigated or recognize that overpayments of benefits have occurred and to timely make the respective referrals to the OIG.

As discussed in detail in Finding 1, we focused much of our analysis on the July 1, 2013 through June 30, 2014 data for evaluating recipients whose Social Security numbers (SSN) matched SSNs associated with individuals who were listed as deceased in accordance with data provided by the Pennsylvania Department of Health (DOH). We selected 60 recipient cardholders' accounts (cases) from this population of approximately 2,500 who continued to receive benefits more than 60 days from the date of death and identified four cases where DHS has acknowledged that caseworkers should have referred these cases to the OIG for overpayment or investigation, but did not. See three examples below:

Example 1

An application for SNAP benefits was received and processed for an elderly recipient (single person household) in April 2013. The individual began receiving \$189 per month in SNAP benefits. According to information in DHS' Client Information System (CIS), it was discovered in March 2014 that the caseworker did not properly include the recipient's Social Security income in the original calculation. As a result, instead of receiving \$189 per month, she should have received only \$16 per month. Although the change was made in CIS effective April 1, 2014, no overpayment referral was issued to OIG. After bringing this to DHS' attention in June 2016, an overpayment referral totaling \$2,022 was created and sent to OIG for recoupment.³³

³³ This example does not appear to be related to a deceased recipient cardholder, but it is one of our 60 test items. It comes from a recipient's case whose SSN matched the SSN of a deceased individual from the Department of Health (DOH) death file. Although we found that this was a non-exact match, as explained in Finding 1, we identified this overpayment as a result of our review of this cardholders' case in CIS.

PA Department of Human Services**Example 2**

According to DOH data, a recipient (single person household) died on July 14, 2013. Despite this, in October of that year, a renewal application was filed in the deceased recipient's name and processed by a caseworker. Comments in CIS indicate that the caseworker attempted to call the recipient, but the phone number provided was incorrect. When the caseworker was notified of the recipient's death through Exchange 8, the caseworker closed the case but failed to refer this potentially fraudulent situation to the OIG for investigation. After we brought this matter to DHS' attention in June 2016, DHS sent a referral to the OIG for investigation.

Example 3

According to DOH data, a recipient cardholder (husband) of a two-person household died on April 4, 2013. In May 2013, the caseworker was notified of the death by an Exchange 8 alert. In July 2013, the wife (also a recipient) sent DHS her semi-annual report (SAR),³⁴ indicating that her husband was still part of the household. The caseworker either did not review the Exchange 8 notification or ignored the Exchange 8 notification and processed the SAR as presented. The case was closed in January 2014. After we brought this matter to DHS' attention in June 2016, DHS sent an overpayment referral totaling \$808 to the OIG for recoupment.

DHS needs to ensure that caseworkers have adequate training and continued mentorship to detect potential situations that need to be referred to the OIG for investigation or situations that result in overpayment. Additionally, caseworkers must have the time to complete the required referral forms. DHS acknowledged in July 2016 that for the past 18 to 24 months, overpayment units have been created in certain CAOs to more timely complete overpayment referrals.

³⁴ Described in Finding 1.

PA Department of Human Services**DHS does not perform procedures to detect theft of EBT card benefits after recipients are deceased.**

In addition to the day-to-day operations at the CAOs where caseworkers should be identifying questionable situations that require referral to the OIG for investigation as well as identifying overpayments that should be referred to the OIG for recoupment, DHS also has a responsibility to ensure that inappropriate use of EBT card benefits are detected so appropriate action can be taken. Because caseworkers do not have information in CIS that identifies when EBT card benefits have been spent, DHS should be performing procedures to detect inappropriate EBT card usage through an overall process.

As noted in the Interim EBT Report – Significant Matters (see Appendix B), DHS proactively appointed staff to monitor inappropriate EBT card usage. These procedures included: identifying recipients who may be receiving benefits from Pennsylvania but reside in another state (out-of-state activity), identifying recipients who are receiving an excessive number of replacement cards, and identifying retailers who may be involved in card trafficking. The results of DHS' efforts to monitor EBT card out-of-state activity can be found at Finding 2.

As part of our data analysis of the July 2013 through June 2014 data (see Finding 1 for more details) and subsequent follow-up with DHS, management admitted that DHS does not monitor to determine whether benefits continue to be spent/withdrawn from EBT cards of deceased recipients, noting that the personal identification number associated with the EBT card would be a deterrent for this “theft-by-card” activity. If DHS receives information that such activity is taking place, DHS will refer the inappropriate activity to the OIG for investigation. As found as part of our testing described below, this inappropriate activity may be happening more frequently than DHS realizes.

As noted in Finding 1, we tested 30 of 2,324 deceased recipient cardholder’ accounts (cases) who received benefits on their EBT cards more than 60 days after their death.³⁵ Of these 30 cases, 20 were single person households and 10 cases were multi-persons households.

³⁵ The 2,324 deceased recipients generally had the same demographic information in CIS (name, SSN, and date of birth) as information contained in DOH’s death data, defined as an Exact Match in Finding 1.

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For simplicity, we focused on just single person households for this test work. Of the 20 single person households, we found the following:

- 11 (55 percent) had no benefits spent/withdrawn after date of death, (i.e., any benefits placed on these EBT cards after the recipients died were subsequently returned to DHS).
- 9 (45 percent) had benefits spent/withdrawn after date of death ranging from \$601 to \$1,945 during the July 2013 through June 2014 period and collectively totaling \$9,303.³⁶ See an example below:

Example

A recipient (single person household) died on May 1, 2013, yet DHS continued to place benefits on their EBT card through September 2013 (\$200 per month for 5 months).³⁷ Using EBT data, we found that in November and December 2013, \$244 was returned to DHS for inactivity by the EBT vendor; however, we also found that SNAP purchases were made with this EBT card on December 27, 2013, and purchases continued to be made with the card until January 17, 2014. Overall, \$799 in SNAP purchases were made over that 22-day period. In July 2016, DHS referred this inappropriate activity to the OIG for investigation.

Although, we cannot project the 45 percent “theft-by card” error rate that we found over the deceased recipient’s population because our selection process was not a statistical sample, this high percentage is an indication that such inappropriate activity may be widespread and DHS should have procedures in place to detect the same.

Inappropriate “theft by card” activity is compounded by DHS continuing to issue benefits to deceased individuals, as discussed in Finding 1. DHS may continue to issue benefits to a deceased recipient for several months. This provides additional benefits that other individuals have access to when illegally using deceased recipients’ EBT cards.

³⁶ These dollar amounts are potentially conservative. We only looked at the spending activity for a 12-month period. If the spending from a deceased individual’s EBT card extended prior to July 2013 or subsequent to June 2014, those additional dollars were not captured in our totals.

³⁷ Refer to Finding 1 for DHS’ rationale for believing that continuing to pay benefits in such situations is appropriate.

PA Department of Human Services**DHS does not track or monitor activity that is referred to the OIG for investigation.**

Based on discussions with DHS management, we obtained an understanding of how DHS refers a questionable issue to the OIG for investigation. To initiate an investigation, a CAO caseworker completes an OIG-12 form (investigation referral form) with the information of the issue(s) to be investigated, which is forwarded to the OIG either through email or hand carried if an OIG investigator is physically located at the CAO.³⁸ The caseworker is not required to have a supervisor review and approve the referral form prior to it being submitted to the OIG. After the investigation is completed by the OIG, results of the investigation are written/typed on the investigation referral form and sent back to the caseworker, who determines whether benefits were inappropriately paid.

Our discussions revealed that DHS does not have a formal system (manual or computerized) for tracking these investigation referral forms. There are no logs maintained at the CAOs which record the number of referral forms sent to the OIG, when those forms were sent, which caseworkers sent them, or the reasons for the investigations. Additionally, there is no system which tracks when the OIG returns investigation referral forms or the outcomes of the investigations. At present, the accountability of preparing and sending the investigation referral forms and ensuring the forms are returned by the OIG rests solely with the caseworker.

Because no such system is in place, CAO management does not monitor this activity. Specifically, by reviewing the volume of investigation referral forms submitted by each caseworker, CAO management would be able to determine whether there are caseworkers that may need additional training or guidance. Another problem with the lack of such a system is that CAO management cannot assess whether it needs to follow up with OIG on any outstanding investigation referral forms that have not been returned.

Because each CAO does not compile this information and submit it to DHS senior management, senior management has no ability to evaluate this information on a state-wide basis. As a result, DHS

³⁸ According to OIG management, there are approximately 75 Welfare Fraud Investigators throughout the state that are assigned regionally to CAOs. The investigators are not physically located in all CAOs.

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cannot determine at any given time the number of investigation referral forms pending with the OIG, nor how many investigation referrals have been submitted by each CAO. These deficiencies prevent adequate monitoring, including the ability for DHS to perform the following: identify any systemic issues; know the type and nature of the investigation referrals submitted; know whether the OIG is returning the referral forms timely; conduct trend analysis; and/or know if and where training may be needed.

DHS senior management acknowledged that they rely on the OIG to track the investigation referrals. There are monthly meetings held between OIG and DHS where pertinent information which could include investigation referrals is discussed. DHS noted that there is summary information available in the Automated Restitution Referral and Computations system³⁹ that can be reviewed by DHS management. DHS provided us a sample of this information, but it only contained the number of overpayment referrals sent to the OIG for processing and the related referral amount. The information, however, did not include details, such as the number of investigation referral forms submitted to and processed by the OIG, which does not make this information useful to senior management.

According to OIG management and confirmed by DHS management, OIG is working on modernizing the manual investigation referral form process. Specifically, caseworkers will be able to access, complete, and submit an electronic investigation referral form directly into OIG's system, and then will be able to obtain the results directly from OIG's system. OIG management indicated that this change should be available in late summer of 2016. This modernization may help ensure that all referral forms are accounted for, but DHS will continue to need additional information to adequately monitor the status of the referrals on a routine basis at both the CAO and the senior management level.

Recommendations

We recommend that DHS:

1. Continually train and mentor caseworkers so that they identify all situations that need to be referred to the OIG for investigation.

³⁹ System that calculates overpayment amounts.

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2. Emphasize to its caseworkers that, in situations where a recipient's case has been closed and benefits ceased, that the caseworker also evaluates whether an overpayment has occurred.
3. Ensure that overpayment referrals are identified and timely submitted to the OIG for recoupment.
4. Evaluate the effectiveness of the Overpayment Units that have been created in certain CAOs and determine whether Overpayment Units should be created in other CAOs.
5. Develop a plan and timeline to implement the monitoring of EBT card activity after recipients (at least single person households) are deceased. Considerations should include the following:
 - a. Available staff with appropriate data analysis and IT skills.
 - b. Adequate software to perform this analysis.
 - c. What data would be needed and from what sources.
 - d. The period of time the analysis would cover (e.g., 12 months).
 - e. How often the analysis would be performed.
6. Continue to work with OIG to implement the electronic investigation referral form process.
7. Work with OIG to generate routine or ad hoc reports to assess the number of investigation referrals submitted and outstanding by CAO and/or by caseworker, and the timeliness of the completion of the investigations by OIG.
8. Determine other information which should be tracked and monitored, such as type or nature of the investigation, and work with OIG to see if those can be incorporated into its system.

PA Department of Human Services**Finding 4****Authorized representatives are not held to the same accountability as EBT card recipients.**

To apply for cash and SNAP benefits, the Department of Human Services (DHS) requires individuals to fill out the PA600 form (application). The applicant fills out the appropriate demographic, household composition, and financial information necessary in order for DHS to determine eligibility for various programs. The application also contains a rights and responsibilities section, which explains that it is the applicant's responsibility to obtain and use the PA ACCESS card (EBT card) lawfully as well as a prohibitions and penalties section, which indicates that misuse of the EBT card could result in penalties including fines, prison or both. Further, the applicant must sign the application acknowledging that he/she understands his/her rights and responsibilities.

When applying for benefits or when a recipient requires assistance due to a physical or mental disability, DHS permits recipients to designate an authorized representative to obtain EBT cards on behalf of that recipient. EBT cards are thus issued in the representative's name with the eligible recipient's benefits placed on those cards. According to DHS policy, an authorized representative must be an adult who is not a member of the household and who is aware of the household's circumstances. Additionally, if recipients reside in a group living arrangement (GLA) or a drug or alcohol treatment center (center), the GLA or center may designate an employee(s) to be the authorized representative for residents of that GLA or center. For purposes of simplicity, we will refer to these as "facilities." In some cases, the EBT card may also be issued in the name of a group home. Review of fiscal year ending (FYE) June 30, 2014 data revealed that there were approximately 5,600 recipients (and their families, if applicable) using authorized representatives, who withdrew approximately \$8.9 million in recipient benefits during that 12 month period.

We found that authorized representatives are not required to sign any agreement indicating that they understand or agree to be bound by the EBT card responsibilities, terms and conditions, including the proper use of the EBT card, as well as the related prohibitions and penalties.

For a recipient to designate an authorized representative, the authorized representative completes an "Authorized Representative Request Form" (signed by the eligible recipient) with their name, SSN,

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DOB, address and signature to request an EBT card. The form does not include any agreement related to appropriate card usage.

According to DHS, authorized representatives are not held to the same accountability of EBT card usage as eligible recipients because it is not a federal requirement. We disagree with this logic. There is no reason why DHS could not go above and beyond what is required by the federal governmental agency if it is in the best interest of the recipients, who are relying on the authorized representatives to use the benefits only for the eligible recipient and to not abuse or fraudulently use the benefits for the authorized representative's own purposes.

DHS' decision to not require the authorized representatives to accept the same responsibilities for EBT card usage as eligible recipients also precludes the Office of Inspector General (OIG) from investigating and pursuing criminal charges stemming from abuse or misuse of SNAP benefits by authorized representatives. According to OIG management, because there is nothing to certify that the authorized representatives are informed of the SNAP program rules (responsibilities), the authorized representatives cannot be held accountable for committing welfare fraud; therefore, it becomes a law enforcement issue if the benefits are used illegally or inappropriately per DHS regulations. In other words, a recipient who potentially is needy and vulnerable would have to file charges with the police to address an inappropriate use of the EBT card, such as theft.

Other states hold authorized representatives more accountable than Pennsylvania.

We judgmentally selected eight states to determine to what extent these states hold authorized representatives accountable. Of those eight, we received documentation and responses from six. Of those six, we found the following:

- 4 states (New York, Maryland, Kansas, and Ohio) generally do not hold authorized representatives accountable, which is what Pennsylvania does. Additionally, some of these states indicated that they do not hold authorized representatives accountable because it is not a federal requirement.

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- 2 states (Michigan and California) generally do hold authorized representatives more accountable than Pennsylvania. Specifically, Michigan places the same requirement on the authorized representative as the recipient. In California, all authorized representatives must certify that they agree to the terms of the EBT card program.

Failing to hold authorized representatives accountable for their EBT card usage places recipients who need authorized representatives at greater risk of misuse or theft. These vulnerable recipients need as much protection as possible by DHS to ensure that recipients' benefits are used only for the recipient and are used appropriately. DHS must ensure that all authorized representatives are aware of the proper use of the cards as well as the prohibitions and penalties associated by inappropriate EBT card activity. DHS needs to educate all authorized representatives in the proper use of the EBT card and make them sign an agreement that they will comply with those responsibilities. DHS can then refer potential inappropriate authorized representative EBT card activity to the OIG for investigation and possible welfare fraud prosecution.

DHS does not require facilities to have policies in place for the proper use of EBT cards.

As previously indicated, for recipients who reside in GLAs or centers (facility), the facility may designate an employee(s) to be the authorized representative for residents of that facility. As a result, resident recipients are at the mercy of the facilities' authorized representatives to use the benefits placed on the EBT cards only for the recipients. Typically, residents in these facilities only receive SNAP benefits. As such, the facility will either pool the SNAP benefits to purchase food to prepare meals for all residents, or in certain circumstances, the authorized representative will purchase prepared meals or food for the recipient to prepare themselves.

Although DHS has policies in place for authorized representatives for residents in facilities, DHS does not require facilities to have policies in place to ensure that the SNAP benefits placed on the EBT cards are properly used. Again, DHS needs to ensure that facilities who have authorized representatives are appropriately using the EBT cards on behalf of the residents and are being accountable for what was spent.

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Using the fiscal year ended June 30, 2014 data, we extracted a listing of authorized representatives with names of facilities and judgmentally selected three facilities to contact. We contacted two GLAs and one center and asked them questions regarding the following: whether the organization has written policies for accessing and using EBT cards; whether the organization keeps receipts for documenting purchases used with the EBT cards; whether the organization reconciles EBT card purchases to available recipient funding placed on EBT cards; and whether DHS has placed restrictions or requirements on how authorized representatives are to utilize the EBT cards. A summary of their responses is below:

- 2 of the 3 facilities had written policies in place for EBT card usage.
- All 3 kept receipts for what was purchased and 2 reconciled the purchases on a routine basis.
- All 3 indicated that DHS did not have any restrictions or requirements regarding EBT card usage.

As represented above, one of the three facilities did not have policies in place for EBT card usage, although the facility indicated that they reconcile EBT purchases. Another facility had EBT card usage policy but did not reconcile EBT card purchases. Both facilities have potential control deficiencies that could lead to misuse of EBT card benefits received for vulnerable recipients (i.e., recipients who may not have the wherewithal or understanding of what benefits they are entitled to and should be receiving, such as using the items purchased with the benefits for himself/herself rather than for the recipient or selling the SNAP benefits on the card (card trafficking)). DHS needs to protect the benefits of recipients who rely on authorized representatives at facilities.

Recommendations

We recommend that DHS:

1. Educate authorized representatives in the proper use of the EBT cards, including related prohibitions and penalties, and require them to sign or certify that they are responsible for properly using EBT card benefits in the same manner as the recipients.

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2. Work with the legislature to require anyone using an EBT card to be held criminally responsible and be subject to investigation by the OIG for criminal prosecution if improper use is found.
3. When determined necessary, refer all suspicious or inappropriate authorized representative EBT card activity to the OIG for investigation.
4. Require GLAs and centers to have policies in place to ensure that EBT cards of recipients who are residents are properly used and not misused. Policies should include, but not be limited to, the following:
 - a. Maintaining EBT cards in a secure location with controlled access.
 - b. Tracking EBT card activity, maintaining receipts and reconciling the two on a routine basis.
 - c. Ensuring that the food purchased is actually received at the facility.
 - d. Defining the appropriate and inappropriate uses of the EBT cards.

PA Department of Human Services**Finding 5****DHS has improved its handling and monitoring of blank EBT cards, but more needs to be done.**

Our review of DHS' monitoring of EBT cards stems back to our special performance audit of the Special Allowance Program that covered the audit period July 2006 through December 2007. From that audit to the spring of 2016, we have periodically reviewed this process and have reported various deficiencies. Key deficiencies related to EBT card monitoring that were reported in two previous Department of the Auditor General reports are identified below.

2009 Special Allowance Report – Key EBT deficiencies

- Inadequate physical security of blank EBT cards at county assistance offices (CAOs).
- Lack of blank EBT card accountability at CAOs.
- Reconciliation of daily EBT card usage not documented by CAOs.
- Inadequate monitoring of recipients issued an excessive number of EBT cards.

2011 Special Report of EBT Cards – Key EBT deficiencies (see copy of report at Appendix C)

- Failed leadership in DHS' position that it is not responsible to control/monitor how public funds are spent by recipients.
- Failing to monitor out-of-state EBT card usage.

To DHS' credit, since 2009 management has improved its policies and procedures for monitoring blank EBT cards. Specifically, DHS has created several standard logs that CAOs use to account for and control blank EBT cards. DHS management has further created an oversight tool as well as assigned dedicated reviewers from the Bureau of Program Evaluation (BPE) to conduct on-site monitoring to ensure compliance by the CAOs. Further, since 2011 DHS has been monitoring EBT card usage to identify the following: recipients that may reside in another state (see Finding 2 for more details), recipients who are receiving an excessive number of replacement cards; and retailers who may be involved in card trafficking. Within the Interim EBT Report, we summarize the EBT card monitoring improvements made as of 2014. A copy of this interim report is included in Appendix B.

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As noted below however, our 2014 Interim EBT report also identified the following three significant matters related to controlling and monitoring blank EBT cards at CAOs:

- Lack of independence by the on-site monitoring reviewers.
- Insufficient blank EBT inventory procedures.
- Inadequate review of EBT logs.

This finding provides the status of these significant matters as well as the results of our most recent review of DHS' EBT Procedure Manual, effective October 2015, and DHS' monitoring of these procedures as of April 2016.

Status of the EBT card deficiencies identified in the 2014 Interim EBT Report – Significant Matters.

As noted above, there were three significant matters identified in the 2014 Interim EBT Report. The current status of these deficiencies are described below.

Lack of independence by the on-site monitoring reviewers

This deficiency was initially reported in the 2014 Interim EBT report based on interviews with BPE personnel who indicated that Bureau of Operations management (which administers the CAOs) had instructed BPE not to report certain issues noted during its on-site monitoring visits, such as a missing signature or date, because these are minor. Additionally, the Bureau of Operations had refused to allow BPE reviewers to conduct on-site monitoring visits for seven CAOs in 2013.

Current Status: Based on recent interviews, BPE indicated that there has been no influence from the Bureau of Operations regarding conducting on-site monitoring reviews or reporting deficiencies, and thus BPE has been allowed to operate independently.

Insufficient blank EBT inventory procedures

The 2014 Interim EBT Report indicated that DHS acknowledged during interviews that procedures for periodically performing a physical inventory of all blank EBT cards and the maintenance of a

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perpetual inventory at the CAOs had not been implemented. This report also noted that the BPE reviewers, when conducting on-site monitoring to ensure compliance with blank EBT card tracking procedures, did not perform a physical inventory of blank EBT cards nor reconciled the total number of cards that should be on hand to ensure that no unissued/blank EBT cards are missing.

Current status: In October 2015, DHS revised its EBT Procedure Manual. The revisions included incorporating a weekly physical count of all blank EBT cards and reconciling it to the blank EBT card activity for the week (perpetual inventory) to ensure all blank EBT cards are accounted for. We reviewed examples of completed control logs documenting the weekly process and determined that this process is adequate. Additionally, BPE revised its EBT Review Manual to include new on-site procedures for conducting a physical to perpetual inventory reconciliation. We observed this process during an on-site EBT review in April 2016 and determined that this was adequately conducted. Therefore, we consider this significant matter resolved.

Inadequate review of EBT logs

This deficiency was initially reported in the 2014 Interim EBT report and relates to BPE's on-site EBT card review. Specifically, we previously found that the procedures required reviewers to obtain a sample of each of the six logs to ensure that the CAO were reviewing the logs; however, the procedures did not require the BPE reviewers to obtain and review all the logs for a particular period, such as a week, in order to verify that the logs reconcile to one another, which could lead to detecting missing cards.

Current Status: Based on reviewing BPE's February 2016 EBT Review Manual, we found that procedures have been revised to include that reviewers obtain all logs for a full two week period and review them for accuracy and compliance with the EBT Procedure Manual. To determine whether the process was adequate, we judgmentally selected and reviewed 2 of the 30 BPE EBT reviews performed as of April 6, 2016. Our test work found that BPE reviewers were reviewing two weeks of logs, but the logs for one of the two EBT reviews were not accurately completed and all deficiencies were not detected and reported. DHS acknowledged that the Daily EBT Card Logs were inaccurate and this deficiency should have been detected and reported as a finding in its review report.

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This inconsistency should also have been detected by the CAO supervisor when reviewing and approving the logs for that day (and corrected the errors at that time). Our review of the EBT Procedure Manual regarding the supervisor's review of the logs revealed that the supervisor is not instructed to review the Daily EBT Card Log in conjunction with reviewing the Weekly EBT Inventory Log unless an error is found on the Weekly EBT Inventory Log for the day. Since the Daily EBT Card Log documents the details of the blank EBT cards used each day and the Weekly EBT Inventory Log lists the number of EBT cards used each day, it is vital for the supervisor to ensure that both logs reflect the same number of blank EBT cards used. Failure to reconcile these numbers, may allow missing cards to not be detected. As a result, we believe that the EBT Procedure Manual needs to be revised to clarify this written procedure.

Recommendations

We recommend that DHS:

1. Revise its EBT Procedure Manual requiring the CAO supervisors to review the Daily EBT Card Log in conjunction with the Weekly EBT Inventory Log to ensure consistency.
2. Communicate revisions to the EBT Procedure Manual to appropriate staff.
3. Provide training to the BPE reviewers on properly reviewing the EBT logs.
4. Ensure that supervisory review exists and is sufficient to detect errors that have not been identified by BPE reviewers.

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Agency's Response and Auditors' Conclusion

Prior to the release of this audit report, we provided a draft copy of our audit findings and recommendations to DHS for its review. On the following pages, we present DHS' response to our findings and recommendations in its entirety. Our conclusion follows DHS' response.

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Audit Response from Department of Human Services



COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF HUMAN SERVICES

SEP 27 2016

The Honorable Eugene A. DePasquale
Auditor General
Department of the Auditor General
Harrisburg, Pennsylvania 17120-0018

Dear Auditor General DePasquale:

The Department of Human Services (DHS) is writing in response to the Auditor General's draft special performance audit of its policies regarding electronic benefit transfer (EBT) cards. We appreciate the opportunity to respond to the findings in the draft audit report.

As discussed in the introduction to the audit, the original audit started seven years ago in September 2009. The Auditor General (AG) issued a special report in September 2011 regarding the need for DHS to provide better oversight and monitoring to prevent the misuse of EBT cards. The interim audit report issued in 2011 covered the period from July 1, 2011 through March 31, 2012. The current audit analyzed data from July 1, 2013 through June 30, 2014. Since the time period covers dates prior to the current administration, several of the steps mentioned in response to the findings were taken by the prior administration and have, for several years, addressed the issues raised in this audit.

It is also important to note that the audit represents less than one percent of the benefits issued by DHS. DHS takes the integrity of its benefit system very seriously and we believe that the fact that the audit did not take issue with over 99 percent of the benefits issued by DHS speaks to the overall accuracy of the system.

Due to the length of time audited and the scope of the recommendations in the audit, DHS' response is divided into two parts. The first is a summary of its response to the five audit findings and the second is an appendix that provides a detailed response to the recommendations associated with each of the five findings.

Summary of Response to Audit Findings

Finding 1: DHS policy allows public assistance benefits to be paid to recipients up to 12 months after death.

While DHS believes that the wording of this finding can be misleading, we do agree partially with the audit finding and implemented a policy change to address this issue on August 24, 2016.

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Audit Response from Department of Human Services

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The DHS policy is to address this information and request verification at the time of regular review of benefits. In some cases, this is every six months and in some cases it is every 12 months depending on the circumstances of the individual receiving benefits. The length of the time period before DHS reviews the notification depends on when the notification is received. This policy has been approved by the federal government and is practiced in many other states. It allows DHS to manage its workload while at the same time preventing the denial of benefits when it receives an erroneous notification, which does occur.

Under my leadership, a change was made in DHS' policy for households in which all members are deceased. On August 24, 2016, DHS issued policy to its caseworkers to immediately verify death notifications upon receipt of the notification for a household in which all members are deceased and, if that notification is confirmed to be accurate, to immediately deactivate the EBT card in conjunction with its current practice of closing the case and terminating benefits.

In many cases when an individual dies, several members of the household with the EBT card are eligible for benefits and are allowed to use the card. In these cases, DHS will make any adjustments in eligibility at the time of renewal as approved by federal regulation.

DHS has been unable to duplicate the process by which the AG used for the determination of the amount of benefits issued to deceased households. Some of the data in relation to this finding are inaccurate or can be misleading. As a result, we believe this part of the audit report should be deleted or revised by correcting the errors in its calculation as noted below.

As an example, the audit report states that it found approximately \$693,000 of benefits were paid to deceased individuals. DHS believes that the \$693,000 figure is incorrect. This belief is bolstered by the fact the AG's office was unable to show DHS the exact methodology it used to arrive at that figure. As a result, we continue to believe this part of the audit report should be deleted.

In making this finding, the audit report notes that it only included cases where benefits were paid more than 60 days after the date of death to allow DHS time to process these changes. That standard fails to understand that, in many cases, DHS does not receive notification until after 60 days of the date of death. In fact, DHS did not receive notification in approximately 57 percent of the cases cited in the finding until after 60 days from the date of death. DHS can only act on information that it has received and verified.

Further, the DHS believes that multi-person households should be excluded from this calculation, as well as PA CAP cases which are closed automatically by the Social Security Administration.

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Audit Response from Department of Human Services

The Honorable Eugene A. DePasquale

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Applying this methodology yields a total maximum amount of \$331,432 which represents approximately 0.01 percent of all benefits issued – or that 99.99 percent of benefits were issued accurately. DHS believes that even this number is overstated because it does not include the \$681,660.73 in benefits that were placed on the card but not used (expunged) from these same accounts during this time period per the existing policy.

DHS' response to the individual recommendations in this section of the audit report is included in the appendix to this response.

Finding 2: Although DHS has monitored out-of-state EBT card activity since 2012, out-of-state activity continues to exceed \$70 million annually.

The finding in the audit report notes concern with the total dollar value and frequency of out-of-state transactions. While the audit does not state what auditors believe to be an appropriate level of out-of-state transactions, DHS believes it is important to note the following:

- Under federal rules, EBT cards must be operable in all 50 states and the federal government does not permit states to prevent recipients from using cards out-of-state.
- Out-of-state transactions account for 2.6 percent of all transactions. When neighboring states are excluded, the percentage of out-of-state transactions falls to 0.6 percent of all transactions – less than 1 percent of all transactions.
- The average out-of-state transaction is approximately \$36 and the top three locations where out-of-state transactions occur are Wal-Mart, Shop Rite, and Save-A-Lot.

DHS appreciates the AG's recognition of the steps it has taken since 2012 to improve monitoring of out-of-state benefits. As noted in the audit report, these steps have helped DHS avoid approximately \$22 million in potentially inappropriate payments. Please note that, as a result of the steps taken by DHS, we have been recognized by the federal government as a leader in monitoring out-of-state payments. In fact, the federal government has requested that DHS present our fraud identification techniques at several Mid-Atlantic Area Regional Office (MARO) conferences, including providing webinars and conference calls with individual states to assist them in developing programs Pennsylvania is already using.

While we are confident that the steps we are taking are reasonable to monitor these types of transactions, we are always looking for ways to improve. This includes working with our federal partners to explore new techniques as they become known and reviewing our current policies and procedures.

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Audit Response from Department of Human Services

The Honorable Eugene A. DePasquale

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The DHS response to the individual recommendations in this section of the audit report is included in the appendix to this response.

Finding 3: DHS fails to detect instances of inappropriate EBT card usage, especially after a recipient is deceased, and is not referring such cases to the Pennsylvania Office of Inspector General (OIG) for investigation and/or overpayment recovery. Investigation referrals submitted to the OIG are also not tracked and monitored by DHS.

DHS respectfully disagrees with this finding. Please note that DHS made 27,473 investigation referrals to OIG in the period July 2013 through June 2014 as noted in the audit. As a result of those referrals, DHS was able to close or reduce benefits on 13,473 cases. During that same time, 31,410 overpayment referrals were made, with 11,057 investigations made and 20,353 cases sent directly to collections. While DHS disagrees with this finding, it agrees with several of the recommendations associated with the finding. DHS' response to the individual recommendations in this section of the audit report is included in the appendix to this response.

Finding 4: Authorized representatives are not held to the same accountability as EBT card recipients.

DHS respectfully disagrees with this finding. While we are always reviewing ways that we can improve our process, our current process follows federal guidelines and matches the approach of many other states. The audit report itself notes that four of the six states that it reviewed follow Pennsylvania's approach.

DHS' current policy requires that facilities requesting authorized representative designation must have a written confidentiality policy that employees and volunteers agree to follow, a bond to cover the persons who provide the service, and in the case of group living arrangements (GLA), that they must be certified by DHS and must report a list of participating residents. An official from the GLA must sign a statement that the list is accurate.

While DHS disagrees with this finding, it agrees with several of the recommendations associated with the finding. The DHS response to the individual recommendations in this section of the audit report is included in the appendix to this response.

Finding 5: DHS has improved its handling and monitoring of blank EBT cards, but more needs to be done.

We thank the AG's Office for recognizing the progress that DHS has made in the handling of blank EBT cards. For example, in October 2015 DHS implemented a

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Audit Response from Department of Human Services

The Honorable Eugene A. DePasquale -5-

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perpetual inventory system for blank cards based on a recommendation from the AG's Office.

While DHS agrees with the recommendations related to this finding, we would like to note the following:

- Blank cards do not and cannot carry benefits and are unusable until authorized, a PIN number is created, and the card is associated with a case record to which benefits have been authorized and deposited onto the card.
- A blank EBT card cannot be read at point-of-service for any use and no benefits have been loaded to the cards to be available for purchases.
- Of the thousands of EBT cards issued each month at 94 county and district offices, DHS does not have one instance of fraud related to the misuse or abuse of blank EBT cards.

The DHS response to the individual recommendations in this section of the audit report is included in the appendix to this response.

Thank you again for the opportunity to respond to the draft audit report. Please do not hesitate to contact us should you have any further questions.

Sincerely,



Theodore Dallas
Secretary

Enclosure

Audit Response from Department of Human Services

Appendix: Detailed Response to Findings and Recommendations

Recommendations for Finding 1:

Section 1: Follow-up to our Interim EBT Report – Significant Matters

DHS was able to verify 122 valid recipients on the original file of 138. Any that could not be verified or were suspicious were referred to the OIG. DHS notes that the AG methodology of matching SSNs from a vendor file to Social Security Administration (SSA) files does not adequately describe the county assistance office (CAO) efforts in verifying valid and live recipients. While DHS believes our review was adequate, we have sent a sample of the 122 to OIG to validate. DHS will consider process changes if the OIG review identifies issues.

Section 2: Data analysis results for the period July 2013-June 2014

The number of recipients on the table "Total EBT Card activity for the July 2013 through June 2014 period" differs from DHS records. Our records for the same time period indicate the actual number of recipients in June 2014 was 1,816,172 for SNAP and 191,110 for Cash Assistance. The number of individuals who withdrew benefits differs greatly from the number of recipients. DHS also notes that this table does not indicate the benefits expunged and returned to DHS.

Upon discussion with the AG, it was agreed to change the term from "recipients" to "cardholders" to more accurately reflect the individuals referred to in the chart. However, upon review, it appears that the AG is double counting cardholders. Recipients receive one EBT card which includes all benefits issued to the individual. So cash assistance and SNAP are on one card. The note under the chart specifies that more than 400,000 individuals received Heat and Eat and are included in the cardholder count separately. However, in order to qualify for Heat and Eat, an individual must be a recipient of the Supplemental Nutrition Assistance Program (SNAP) and is not issued a separate card. DHS is concerned about the inaccuracy of this number as well as others throughout the report.

1. Ensure that SSNs are validated and properly entered into CIS for recipients applying for benefits.

DHS verifies SSNs through an electronic data match with the SSA. DHS continues to improve systems in order to eliminate as much error as possible.

2. Work with the SSA and DOH to determine whether the Exchange 8 notifications could be sent sooner after the recipient had become deceased.

While DHS does not control the timeframes of other agencies, it will review these processes and make changes if appropriate.

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3. Obtain clarification from the appropriate federal agency on taking action on Exchange 8 notifications immediately, especially for Exchange Matches, rather than waiting for up to 12 months until the next reporting period.

DHS has requested and has been provided clarification by the USDA approving its approach. DHS notes that FNS has completed several reviews since 2013 and has never had a finding related to its simplified reporting rules.

4. Develop policy to require caseworkers to, at a minimum, make inquiry to a recipient's residence who has been identified by the Exchange 8 notification as being deceased, including recipients participating in the PA CAP.

When an Exchange 8 hit is received on combined (more than one program) cases, caseworkers take action to verify that information. If a SNAP-only Exchange 8 hit is received, simplified reporting rules are followed and the hit is reviewed at the next certification or reporting period.

5. Encourage recipients and their family members to immediately report a recipient's date of death.

Per federal rule, DHS is not required to ask family members to report a death if it is not at semi-annual review (SAR) or renewal. DHS understands that during this difficult time there are other important matters to attend to other than reporting a death to DHS. In some of the cases reviewed for this audit the only remaining family members were children; or, in the case of single individual households, there may not have been anyone to report a death to DHS.

6. Contact the SSA to inform them when DHS becomes aware that a PA CAP recipient has died and consider suspending the issuance of these benefits until the SSA informs DHS to close these cases.

Pennsylvania Combined Application Project (PA CAP) cases are opened and closed by SSA and SSA reports deaths to DHS. DHS will discuss the proposed change with SSA as all PA CAP cases would remain open until such a change was made by SSA.

Recommendations for Finding 2:

1. Revise methodology for determining recipient cases to review based on questionable out-of-state activity, such as:

- a. Reducing the percentage of out-of-state activity that is considered questionable.
- b. Reducing the length of the out-of-state activity period to evaluate.

2. Work with its vendor to change the criteria to allow more out-of-state EBT card activity to be "flagged" for further review.

While DHS believes that its current methodology is appropriate and adequate, it regularly works with its federal partners and other stakeholders to better define and enhance evaluation criteria for its out-of-state residency review program. DHS will evaluate these recommendations consistent with that approach and determine if any

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improvements can be made. As noted earlier in this response, current methods have provided \$26.9 million in cost avoidance and 18,503 cases closed since February 2012.

3. Consider the economic benefit of purchasing additional software to allow DHS more capability for analyzing out-of-state EBT activity (and other projects).

While DHS is always evaluating the potential benefit of enhanced software, it respectfully disagrees with the statement in the audit report that the software is not adequate. DHS continues to work with other states, federal partners, and our EBT vendor in evaluating and testing new and unique methodologies in EBT fraud detection. We continue to test new software and technology to evaluate the performance and results and are currently reviewing new risk factors associated with fraudulent activities.

Recommendations for Finding 3:**1. Continually train and mentor caseworkers so that they identify all situations that need to be referred to the OIG for investigation.**

While DHS continually provides updated training to caseworkers, DHS agrees with this finding and it is currently implemented. DHS will continue to train and mentor caseworkers so they can identify situations that need to be referred to the OIG for investigation.

2. Emphasize to its caseworkers that, in situations where a recipient's case has been closed and benefits ceased, that the caseworker also evaluates whether an overpayment has occurred.

DHS has always reminded its caseworkers of this obligation and will continue to do so. Caseworkers will continue to determine, at the time they are taking an action to close a case, whether an overpayment referral is appropriate, as required by 55 Pa. Code §255.4. As noted earlier in this response, DHS also implemented, on August 24, 2016, a procedure to deactivate EBT cards when all individuals in a household are deceased.

3. Ensure that overpayment referrals are identified and timely submitted to the OIG for recoupment.

CAOs are required to submit TANF and Medical Assistance overpayment referrals within 30 days of verifying that the overpayment occurred. SNAP overpayment referrals must be submitted within 60 days of verifying that the overpayment occurred.

4. Evaluate the effectiveness of the Overpayment Units that have been created in certain CAOs and determine whether Overpayment Units should be created in other CAOs.

Overpayment units already exist across the state and cover overpayment referrals for all CAOs throughout the state.

5. Develop a plan and timeline to implement the monitoring of EBT card activity after recipients (at least single person households) are deceased. Considerations should include the following:

- a. Available staff with appropriate data analysis and IT skills.

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- b. Adequate software to perform this analysis.
- c. What data would be needed and from what sources.
- d. The period of time the analysis would cover (e.g., 12 months).
- e. How often the analysis would be performed.

As noted earlier in this response, DHS issued a policy to prevent the use of benefits after all household members have been verified as deceased. This policy was issued on August 24, 2016.

6. Continue to work with OIG to implement the electronic investigation referral form process.

DHS continues to work with the OIG to implement a pilot of an electronic investigation referral process and will evaluate the process as well as any needed reports after a review of the pilot results.

7. Work with OIG to generate routine or ad hoc reports to assess the number of investigation referrals submitted and outstanding by CAO and/or by caseworker, and the timeliness of the completion of the investigations by OIG.

8. Determine other information which should be tracked and monitored, such as type or nature of the investigation, and work with OIG to see if those can be incorporated into its system.

Please note that state law prohibits restriction of referrals to the OIG. That notwithstanding, much of the suggested information in this recommendation will be collected once the electronic referral process is implemented. An implementation date for the electronic referral process has not yet been established.

Recommendations for Finding 4:

1. Educate authorized representatives in the proper use of the EBT cards, including relations prohibitions and penalties, and require them to sign or certify that they are responsible for properly using EBT card benefits in the same manner as the recipients.

DHS agrees with this recommendation and has procedures in place to educate authorized representatives on the proper use of EBT cards. For example, DHS educates clients that, if an individual authorized representative for a client commits theft by card, clients should contact law enforcement for potential prosecution. In addition, group living arrangements (GLAs) must be certified by DHS and must report a list of participating residents. An official from the GLA must sign a statement that the list is accurate.

2. Work with the legislature to require anyone using an EBT card to be held criminally responsible and be subject to investigation by the OIG for criminal prosecution if improper use is found.

DHS believes that current federal and state rules allow for sufficient penalties for program violations.

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3. When determined necessary, refer all suspicious or inappropriate authorized representative EBT card activity to the OIG for investigation.
DHS agrees with and currently practices this recommendation.

4. Require GLAs and centers to have policies in place to ensure that EBT cards of recipients who are residents are properly used and not misused. Policies should include, but not be limited to, the following:

- a. Maintaining EBT cards in a secure location with controlled access.
- b. Tracking EBT card activity, maintaining receipts and reconciling the two on a routine basis.
- c. Ensuring that the food purchases are actually received at the facility.
- d. Defining the appropriate and inappropriate uses of the EBT cards.

DHS will review these recommendations to determine if they are feasible. Please note that GLA rules are mandated by FNS and DHS would need to review with FNS to ensure these changes are permissible.

Recommendations for Finding 5:

1. Revise EBT Procedures Manual requiring the CAO supervisors to review the Daily EBT Card Log in conjunction with the Weekly EBT Inventory Log to ensure consistency.

DHS is in development of an electronic EBT card management system that will track blank EBT card inventory at all locations that create EBT cards for clients. The new system will provide additional control and security of our EBT blank cardstock and is expected to be implemented in January 2017.

This system will provide secure electronic signature and date time stamps of CAO staff to include EBT staff, supervisors, and leadership thus eliminating the need for tracking blank EBT card inventory on paper logs. It will also provide immediate alerts to leadership when a discrepancy in card stock inventory is entered into the system so that, on a daily basis, blank EBT card inventory integrity is maintained.

2. Communicate revisions to the EBT Procedure Manual to appropriate staff.

DHS agrees with and already has implemented this recommendation. Any updates to the EBT procedures manuals are posted to the OIM MyDHS page and a Daily Status can be posted to "What's New?" to inform staff of the availability of updated materials.

3. Provide training to the BPE reviewers on properly reviewing the EBT logs.

DHS agrees with and already has implemented this recommendation. The BPE EBT Review Manual will also be updated to reflect changes to the EBT reviews based on the new system. BPE reviewers will receive training on how to complete the EBT reviews to ensure the reviews are conducted using the updated information.

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4. Ensure the supervisory review exists and is sufficient to detect errors that have not been identified by BPE reviewers.

DHS agrees with this recommendation. The new EBT card management system that will be implemented in January 2017 will provide automated alerts when reviews are incomplete or are required and will be escalated when required.

PA Department of Human Services**Auditors' Conclusion to DHS' Response**

DHS indicates that the audit takes issue with less than one percent of the benefits issued by DHS. Although we do not know how DHS is calculating this percentage, it is important to keep in mind that this audit did not evaluate whether recipients were eligible to receive these benefits or whether these benefits were properly calculated, and, as such, this audit does not confirm that these recipients were eligible or the benefits were properly calculated. Instead, this audit predominantly focused on the usage of the benefits withdrawn from the EBT cards and DHS' monitoring of the appropriateness of the usage.

Finding 1

DHS partially agrees with the finding and has indicated that it has issued a new policy change in August 2016 to address the finding's main concern. We commend DHS for making that change.

DHS however, does not agree with the \$693,000 number which represents the amount of benefits that DHS continued to pay to more than 2,300 deceased recipients' accounts more than 60 days after death during the period July 2013 through June 2014. DHS states that it could not duplicate the process and believes the dollar amount is incorrect. We utilized the data provided by DHS' vendor and reconciled the data to various sources, including reports published by DHS, PA Treasury Department reconciliations, the FNS website and the PA SEFA. Our information was considered sufficiently reliable as noted in Appendix A of this report. At the exit conference, DHS management provided an example of one cardholder from our 2,324 recipients that they could not duplicate our results. DHS indicated that it came up with \$908 and our data came up with \$920. This \$12 difference could be the result of a number of items such as timing or the codes that were used. Because the difference was small, we did not believe that it was necessary to investigate this discrepancy. DHS' statement that we were "unable to show DHS the exact methodology it used to arrive at that figure" is inaccurate. At the exit conference, we explained in general terms what procedures were performed, but we indicated that it was too detailed to fully discuss at the exit conference.

DHS also believes that the \$693,000 is overstated because we included multi-person households and PA CAP cases in our figure. As explained in the finding, we do not have the data to determine how much of the \$693,000 in benefits was for single-person household accounts versus multiple-person household accounts. Additionally, we added to the finding that DHS indicated that the dollar amount attributed to multiple-person household accounts was approximately \$70,000. We also do not have data to determine the dollar amount associated with the PA CAP cases, nor do we believe that these should be removed from our figure. DHS indicates that the correct figure should be \$331,432. However, we have no evidence to support that figure, and therefore, we stand behind our figure of \$693,000 as it is written in the finding.

PA Department of Human Services**Auditors' Conclusion to DHS' Response**

DHS also notes that our figure does not take into account benefits that were placed onto the card but were not used and were returned to DHS (expungements). DHS is correct on that fact. For this finding, we focused on why DHS was placing benefits on deceased recipients' EBT accounts, which does not include the expungement process. We do, however, in Finding 3 briefly mention the expungement process and take expungements into account to determine the amount of theft of EBT card benefits.

Further, DHS disagrees with how we approached testing this area. Specifically, DHS points out that using more than 60 days after the date of death as our starting point for determining our population fails to take into account that 57 percent of the cases cited the death notification was received by DHS more than 60 days after the date of death; therefore, DHS can only act on information that it has received and verified. However, there were still 43 percent of the cases that DHS was notified prior to 60 days after the date of death, and yet DHS still issued benefits to them. This finding indicates a total amount of monies being paid 60 days after death; however, the finding also points out that this total benefit amount is not a totally accurate figure. Regardless of the amount, DHS was issuing benefits to deceased cardholders' accounts, and as a result, stronger processes should be considered and put into place to reduce payments to deceased individuals sooner. Therefore, we believe that our finding and conclusions are appropriate.

Finally, DHS indicates that we are double counting cardholders in the table on page 10. The table accurately reflects the number of cardholders that received or withdrew benefits for SNAP and for cash. However, we acknowledge that the same cardholder may be listed once for SNAP benefits and once again for cash benefits, thus possibly duplicating the count.

Regarding the recommendations, DHS is in general agreement.

Finding 2

DHS notes how it has been recognized by the Federal government as a leader in monitoring out-of-state payments. We again applaud DHS for these efforts and note that DHS began monitoring out-of-state activity shortly after we issued our Special Report in September 2011 stating "Better oversight and monitoring are necessary to prevent the misuse of EBT cards," which specifically focused on DHS' lax monitoring of out-of-state transactions.

Also, we would like to respond to DHS' comments related to Recommendation 3, whereby DHS disagrees with the statement in the report that the software is not adequate. We do not however, use the term "not adequate" or "inadequate" within Finding 2; rather, we state "The software used has limited capability for this type of analysis." We further acknowledge that DHS appears to be properly identifying questionable out-of-state activity based on its methodology. To

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reiterate, the main point of the finding was that utilizing a comprehensive software package would provide DHS additional robust features better designed for the type of data analysis that DHS is currently performing using Excel and a database. This, in turn, would allow DHS to potentially identify additional questionable out-of-state card activity. As such, we stand by our finding and recommendations as written.

Auditors' Conclusion to DHS' Response**Finding 3**

DHS indicates that it disagrees with the finding, but does agree with several of our recommendations. As noted in the finding and acknowledged by DHS in its response, we found instances from our selection of 60 test items where DHS did not properly refer these cases to the OIG for investigation or overpayment recovery. We are not stating that DHS is not referring **any** cases to the OIG for investigation or overpayment recovery; only that not all the cases that should be turned over, are being turned over. Of our selection of 60 recipient cardholders' accounts, we identified four cases (7 percent) where caseworkers should have referred these cases to the OIG for overpayment or investigation, but did not.

Further, regarding DHS not performing procedures to detect theft of EBT card benefits after recipients are deceased, DHS has already acknowledged that these procedures were not being performed.

We commend DHS for agreeing with several of the recommendations. We do, however, want to emphasize that it is important for DHS to monitor caseworker activities. No matter how often training and mentorship occurs, there will be situations, whether intentional or unintentional, where caseworkers will not appropriately refer all cases to the OIG. Without ongoing monitoring, DHS will not detect these instances.

Finding 4

DHS indicates that it disagrees with the finding, stating that its current process follows Federal guidelines. While we agree that DHS is following Federal guidelines, we believe that DHS can go above Federal requirements to protect some of the Commonwealth's most vulnerable recipients, as is done by two of the six states noted in the finding.

DHS also states that it agrees with several of the recommendations. In particular, we are encouraged by DHS' willingness to review the feasibility of implementing Recommendation 4 regarding requiring group living arrangements and centers to have policies in place to ensure that EBT cards of recipients who are residents are not misused.

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Finding 5

DHS appears to be in agreement with the finding and its recommendations.

Appendix A**Objectives, Scope, and Methodology**

The Department of the Auditor General conducted this performance audit in order to provide an independent assessment of the Department of Human Services (DHS) and the way that it administers the delivery of public assistance benefits using Electronic Benefits Transfer (EBT) cards.

We conducted this audit in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. 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.

Objectives

Our audit objectives were as follows:

1. Determine whether DHS adequately safeguarded EBT cards from unauthorized usage. (See Finding 5)
2. Determine whether EBT card usage is proper and in accordance with regulations and laws. (See Findings 1, 2, 3, and 4)
3. Determine whether DHS adequately monitors EBT cards for unauthorized usage. (See Findings 1, 2, 3, and 4)
4. Determine whether DHS forwards inappropriate EBT card activity to the Office of Inspector General for investigation. (See Findings 1 and 3)

Scope

Unless otherwise noted, our audit covered the period July 1, 2010 through April 2016, with updates through the report's release.

DHS management is responsible for establishing and maintaining effective internal controls to provide reasonable assurance that DHS is

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in compliance with applicable laws, regulations, contracts, grant agreements, and administrative policies and procedures.

In conducting our audit, we obtained an understanding of internal controls, including any information systems controls, that we considered significant within the context of our audit objectives.

For those internal controls considered to be significant within the context of the audit objectives, we also assessed the effectiveness of the design and implementation of those controls, as described in the methodology section that follows. Any deficiencies in internal controls that were identified during the conduct of our audit, and determined to be significant within the context of our audit objectives, are included in this report.

Government Auditing Standards (Sections 6.23-6.27) require that we consider information systems controls “... to obtain sufficient, appropriate evidence to support the audit findings and conclusions.” This process also involves determining whether the data that supports the audit objectives is reliable. In addition, Publication GAO-09-680G, *Assessing the Reliability of Computer-Processed Data*⁴⁰, provides guidance for evaluating data using various tests of sufficiency and appropriateness when the data are integral to the audit objective(s).

Methodology

To address our audit objectives, we performed the following audit procedures:

- Conducted interviews of DHS management and staff responsible for administering areas related to our audit, including both at certain CAOs and in central office.
- Obtained Organizational and Functional/Operational information for the DHS Office of Income Maintenance (OIM).
- Obtained and reviewed the Public Welfare Code and Act of June 13, 1967 (P.L. 31).

⁴⁰ Government Accountability Office, July 2009, External Version I.

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- Obtained and reviewed applicable federal regulations to determine DHS's responsibilities as related to our audit objectives, including specific provisions from the following:
 - Title 7 Code of Federal Regulations
 - Interviewed management officials from the Pennsylvania Office of Inspector General (OIG) to gain their insight and concerns regarding whether DHS forwards all inappropriate EBT card activity to them for investigation and/or overpayments.
 - Obtained from OIG's website its annual reports for the fiscal years ended June 30, 2013, 2014, and 2015 and summarized its accomplishments and activities.
 - Obtained and reviewed DHS' policies and procedures related to our audit objectives as follows:
 - Pennsylvania Cash Assistance Handbook.
 - Pennsylvania SNAP (food stamp) Handbook.
 - Operations Memorandums; OPS100501-EBT Security Guidelines, OPS100702-EBT Card and Supply Ordering, OPS110501-EBT Account Security Code Procedures; OPS070104-Pennsylvania Combined Application Project; and OPS080802-Renewal Period for Elderly/Disabled.
 - OIM EBT Security Procedure Manuals-Guide for CAO Executive Directors, EBT Coordinators, and Alternates to adhere to OIM's EBT security procedures.
 - OIM Monitoring of Excessive EBT Replacement Card Activity.
 - Bureau of Program Evaluation's (BPE) EBT Review Manual, including revisions.
 - BPE Quality Control EBT Security Review.
 - EBT Security Questions.
 - Interviewed DHS management to gain an understanding on how they monitor inappropriate EBT card usage regarding out-of-state transactions, excessive card replacements, and identifying retailers who may be involved in card trafficking.
 - Obtained and evaluated summarized out-of-state transaction data from DHS for each of the fiscal years ending June 30,

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2013, 2014, and 2015. These procedures were performed to present a comprehensive analysis of out-of-state activity. We compared the summarized fiscal year June 30, 2014 data provided by DHS to the detailed data files received from DHS for the same fiscal year.

- We conducted observations of BPE's EBT review on April 6, 2016 and October 16, 2012.
- We judgmentally selected 2 of the 30 BPE EBT reviews performed between February 2016 and April 6, 2016. Our first selection was the observation we conducted that was nearby and being performed in early April 2016. The second selection was based on picking one of the first reviews that was completed under the revised procedures. We reviewed the EBT logs selected and related review documentation to verify that the BPE review was performed in accordance with the revised policy.
- Conducted interviews of DHS management to gain an understanding about how or if ARs are held accountable for proper EBT card usage.
- Haphazardly selected 3 facilities using the July 2013 through June 2014 non-load data provided by DHS' vendor that utilize ARs: two facilities that are Group Living Arrangements (GLA) and one Drug and Alcohol Treatment Center. We contacted them and asked them the following: whether their organization had written policies for accessing and using EBT cards; whether the organization keeps receipts for documenting purchases used with the EBT cards; whether the organization reconciles EBT card purchases to available recipient funding placed on EBT cards; and whether DHS has placed restrictions or requirements on how ARs are to utilize the EBT cards.
- We judgmentally selected eight states to determine what extent these states hold ARs accountable for EBT card usage. Our selection was based on states adjacent to Pennsylvania, states that have been historically cooperative to inquiries, and internet searches on EBT issues. We received documentation and responses from six. States selected were as follows:

- ✓ New York
- ✓ Maryland

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- ✓ Kansas
 - ✓ Ohio
 - ✓ Michigan
 - ✓ California
 - ✓ Massachusetts
 - ✓ Indiana

- Obtained data files of EBT transactions from DHS via its vendors. The data was representative of two distinct periods: July 2010 through March 2012 and July 2013 through June 2014. This data included transactions for benefits loaded onto EBT cards (load data) and transactions for benefits withdrawn from EBT cards (non-load data).
- Obtained the Social Security Administration's Death Master File of deaths as of August 2010.
- Obtained death data from the Pennsylvania Department of Health (DOH) to compare to the EBT transaction data for the fiscal years ended June 30, 2011, through June 30, 2014.
- Obtained unaudited summary-level data of out-of-state card activity from DHS for the fiscal years ended June 30, 2013, 2014, and 2015.
- Using data analysis, we compared recipients' Social Security Numbers (SSNs) from vendor data for the nine-month period July 1, 2011 through March 31, 2012 with SSN data from the SSA Death Master File and identified 138 matches. We utilized read-only access in the Client Information System (CIS) to evaluate reasons for why this occurred.
- Using data analysis, we sorted the EBT load transaction data for the period July 1, 2010 through March 31, 2012, and selected individual transactions in excess of \$3,000, and utilized read-only access in CIS to attempt to determine whether these transactions were appropriate. We also received follow-up documentation from DHS to verify the transactions validity.
- Using data analysis, we compared recipients' SSNs from vendor data for the 12-month period July 2013 through June 2014 with the DOH death data and identified 2,492 recipient cardholders that received benefits more than 60 days after date

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of death. We divided this population into two groups: “exact matches and “non-exact” matches and judgmentally selected 30 from each. Our judgment included selecting all cardholders which received more than \$10,000 in benefits; we did not select any cardholders who received less than \$150 in benefits; we selected more cardholders who had a date of death prior to or near July 2013; and we selected cardholders from patterns based on name, date of birth, and/or SSN.

- Using the 60 selected recipient cardholders, we reviewed the cardholders’ scanned documentation, including recipients’ signatures on applications or reapplications or semi-annual reports, and corresponding CIS information, including Exchange 8 notifications.
- For the 20 selected exact matches that were single-person households, we determined the amount of benefits spent from the deceased cardholders’ account after the recipient’s date of death through June 30, 2014.
- Obtained an understanding of DHS’ process for caseworkers to react to Exchange 8 notifications.
- Conducted interviews with DHS management regarding monitoring of EBT cards for unauthorized usage. (i.e., theft of benefits from deceased recipient accounts after date of death)
- Obtained an understanding and evaluated DHS’ process for referring identified inappropriate EBT card activity to the OIG for investigation.
- Included technical experts from the Department of the Auditor General’s Bureau of Information Technology Audits as part of the audit team for data analysis and information systems assessment pertinent to our audit objectives.
- To assess data integrity and reliability of EBT card transactions data from ACS State and Local Solutions, Inc. (the vendor) and PA Department of Health death data:
 - Reviewed the data for accuracy and completeness by reviewing database schemata, verifying record counts, and performing a high-level review of data fields and contents for appropriateness.

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- Interviewed DHS (and vendor personnel) officials with knowledge about the databases and data.
 - Removed duplicates (this was necessary because of the 24 files provided and timing issues [load and non-load data for each month]).
 - Reviewed SOC reports of DHS BIS function and the vendor.
 - Tied food stamps to the FNS website and the PA SEFA.
 - Reconciled cash assistance card usage to independent reconciliations performed at the time of payment by the PA Treasury Department.
 - Matched the EBT data files against the Department of Health death file.
 - Selected a sample of 60 EBT card users and agreed the data elements in the EBT data file to the records in CIS.
 - Verified the methodology used by DHS to analyze out-of-state EBT card usage using fiscal year ended June 30, 2014.
 - Tied cash assistance benefits authorized to CIS reports and to reports published by DHS on its ListServe.
 - Interviewed DOH officials with knowledge of how SSNs of deceased person are reported to DOH and whether this information is verified.
- To assess data integrity and reliability of EBT card transactions data from J.P. Morgan Electronic Financial Services (J.P. Morgan):
- Reviewed record layouts and data dictionary
 - Tied to control totals
 - Reconciled one day's EBT transaction activity to the Treasury Department Voucher Transmittal
 - Traced a sample of items to CIS
 - Matched the EBT data files against the Social Security death file.
 - Reviewed SOC report for JP Morgan.

Data Reliability

In performing this audit, as noted above, we obtained data files of EBT transactions from DHS via its vendors. The data was representative of two distinct periods: July 2010 through March 2012 and July 2013 through June 2014. This data included transactions for benefits loaded

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onto EBT cards (load data) and transactions for benefits withdrawn from EBT cards (non-load data).

Finally, we used the SSA's Death Master File and also death data from DOH to compare to the EBT transaction and CIS data.

Government Auditing Standards require us to assess the sufficiency and appropriateness of computer-processed information that we use to support our findings, conclusions, or recommendations. The assessment of the sufficiency and appropriateness of computer-processed information includes considerations regarding the completeness and accuracy of the data for the intended purposes.

Based on the above, we found no limitations with using the EBT transaction data for our intended purposes. In accordance with *Government Auditing Standards*, we concluded that DHS' vendors' computer-processed data was sufficiently reliable for the purposes of this engagement.

Based on the above, we found no limitations with using the SSA and DOH death data for our intended purposes. In accordance with *Government Auditing Standards*, we concluded that SSA and DOH computer-processed data was sufficiently reliable for the purposes of this engagement.

With regard to the summarized out-of-state data for fiscal years ended June 30, 2013 and 2015, we did perform procedures to evaluate the data, and as such we determined this data to be of undetermined reliability. However, the data is reasonable in relation to the fiscal year ended June 30, 2014 data. Although this determination may affect the precision of the numbers we present, there is sufficient evidence in total to support our finding, conclusions and recommendations.

Appendix B

Interim EBT Report of Significant Matters

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

PA Department of Human Services**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.

PA Department of Human Services**Interim EBT Report – Significant Matters**

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.

PA Department of Human Services**Interim EBT Report – Significant Matters*****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

PA Department of Human Services**Interim EBT Report – Significant Matters**

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

PA Department of Human Services**Interim EBT Report – Significant Matters**

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.

PA Department of Human Services**Interim EBT Report – Significant Matters**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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Interim EBT Report – Significant Matters

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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.

PA Department of Human Services**Interim EBT Report – Significant Matters**

The Honorable Eugene A. DePasquale 5

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).

PA Department of Human Services**Interim EBT Report – Significant Matters**

The Honorable Eugene A. DePasquale 7

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. Ciccioppo.
 Mr. John Kaschak
 Mr. David R. Bryan, Manager, Audit Resolution Section

PA Department of Human Services**Interim EBT Report – Significant Matters****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.

PA Department of Human Services

Appendix C

September 2011 EBT Special Report

September 2011



Pennsylvania Department of the Auditor General
Jack Wagner, Auditor General
Bureau of State and Federal Audits

"The proper assignment and use of EBT cards is essential in order to be certain that the financial resources are available to meet the needs of the citizens of Pennsylvania who qualify for these vital government programs."

Jack Wagner,
Auditor General

"While management may wish to shy away from transparency, it has an obligation to reassure the taxpayers of Pennsylvania that it administers approved benefits responsibly."

Jack Wagner,
Auditor General

A SPECIAL REPORT
OF THE
DEPARTMENT OF PUBLIC WELFARE

ELECTRONIC BENEFITS TRANSFER CARDS AND THE
DELIVERY OF PUBLIC ASSISTANCE BENEFITS

September 2011

BETTER OVERSIGHT AND
MONITORING ARE NECESSARY
TO PREVENT THE
MISUSE OF EBT CARDS



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PA Department of Human Services**Failed Leadership, Lax Monitoring, and a Lack of Accountability Involving the Use of Electronic Benefits Transfer (EBT) Cards to Withdraw \$5 Billion in Welfare Benefits**

This special report outlines our findings relevant to the Pennsylvania Department of Public Welfare (DPW) and its oversight of Electronic Benefits Transfer (EBT) cards. DPW administers EBT cards to deliver public assistance benefits to eligible residents of the Commonwealth of Pennsylvania. DPW management has been less than responsive to our inquiries, even though our auditors have exhausted every attempt to obtain audit evidence from DPW with regard to the way in which it administers EBT cards to deliver public assistance benefits.

We were forced to disengage from our special performance audit temporarily during the tenure of the previous administration because DPW impeded the audit process by not responding to our repeated verbal and written requests for specific documentation (see Appendix B). The current administration demonstrates the same guarded attitude as the previous administration when dealing with our auditors, ignoring our requests for documentation that would ensure the achievement of our audit objectives and the timely completion of our special performance audit (see Appendix C). On May 24, 2011, the Auditor General met with DPW's Secretary, who indicated that DPW's legal counsel was looking into our April 21, 2011 request for information that had been previously denied by the prior administration. To date, we are still waiting on a response. Nonetheless, our auditors were able to compile enough audit evidence that details significant deficiencies related to DPW's oversight of EBT cards.

The potential misuse of EBT cards has prompted several state governments to examine or curtail individuals' ability to withdraw approved public assistance benefits at certain locations. California has acknowledged that welfare recipients were using EBT cards to access cash benefits at casinos, adult entertainment businesses, and on cruise ships. Consequently, California now prohibits the withdrawal of benefits at the aforementioned venues as well as massage parlors, bail bond establishments, medical marijuana shops, psychics, bingo halls, gun shops, bars, race tracks, smoking shops, and tattoo parlors. Additionally, Missouri recently disclosed that welfare recipients accessed cash benefits using EBT cards outside of the state, including usage in distant locations such as Hawaii, Alaska, California, and Florida.

Electronic Benefits Transfer (EBT)

The Pennsylvania Department of Public Welfare provides an EBT card, known as an ACCESS card, to individuals approved to receive public assistance benefits. Program monies placed on EBT cards include:

- ✓ Supplemental Nutrition Assistance Program (SNAP), which is the new name for the Food Stamp program
- ✓ Special allowance payments (SPALS)
- ✓ Temporary Assistance for Needy Families (TANF)
- ✓ General Assistance

Each EBT card contains a personal identification number (PIN) that allows recipients to access public assistance benefits at automated teller machines (ATM), in which the recipients withdraw cash, or point-of-sale machines, in which recipients purchase items at a store by swiping the EBT card at a machine.

PA Department of Human Services

Because of DPW's lack of cooperation, we could not determine whether non-residents of Pennsylvania are receiving public assistance benefits from Pennsylvania, a situation that could be confirmed and addressed with improved monitoring practices. Therefore, it is imperative that Pennsylvania, like other states, evaluate the way that it administers EBT cards to deliver public assistance benefits. The Commonwealth should begin such an evaluation immediately given the recent reported fraud on May 17, 2011, when DPW discovered that someone stole cash using a Pennsylvania EBT card to withdraw \$147,525 from a state welfare account in installments of \$1,500.

Pennsylvania disbursed approximately \$5 billion in public assistance benefits from various programs using EBT cards during the fiscal years 2008-2009 and 2009-2010. During one of our most recent special performance audits of the Pennsylvania DPW,¹ our auditors found an agency whose accountability to taxpayers was lacking because of failed leadership from a senior management team that exhibited an indifference to certain responsibilities, provided lax oversight, and was less than transparent.

While senior management at DPW did not address these deficiencies, we are also disappointed that the Pennsylvania General Assembly has been less than diligent in its oversight role. Specifically, we found that the Pennsylvania General Assembly has only addressed EBT restrictions regarding the purchase of liquor or alcohol. Specifically, Act 54 of 2009, approved by the Governor on December 17, 2009, prohibits individuals from purchasing liquor or alcohol with an EBT card. It is paramount that lawmakers ensure that state government is accountable to the public.

With more and more families requiring public assistance, the proper assignment and use of EBT cards is essential in order to be certain that the financial resources are available to meet the needs of the citizens of Pennsylvania who qualify for these vital government programs.

¹ See A Special Performance Audit of the Department of Public Welfare's, Special Allowance Program, August 2009.

PA Department of Human Services**Failed Leadership**

Our auditors found that senior DPW management exhibited an attitude of indifference and demonstrated lax oversight in its role as an administrator of substantial taxpayer monies. This failed leadership fostered an environment that encourages potential fraud and abuse relevant to the use of EBT cards for the delivery of public assistance benefits to approved Pennsylvania residents (recipients). Moreover, such passive behavior also created a culture of avoidance rather than one that is pro-active, as demonstrated at the highest levels of leadership. More importantly, this environment creates a widespread perception that discredits the legitimate recipients who are on public assistance and follow the rules; these recipients are trying to make ends meet in today's precarious economy.

Surprisingly, despite the significant sum of monies disseminated through EBT cards, the former DPW Secretary, in written correspondence dated August 19, 2010, informed our auditors, "It is not DPW's responsibility to control how the funds [placed on EBT cards] are spent by the client." In fact, DPW management stated in a September 13, 2010 e-mail, "Our position is the [DPW] has no authority to place restrictions on the use of EBT cards." We disagree. We believe DPW must change its passive management style and recognize that it has an obligation to be pro-active in a manner that inspires confidence in subordinates and reassures the taxpayers of Pennsylvania that DPW administers approved benefits responsibly by being diligent about potential fraud and abuse.

As an agency entrusted with the oversight and allocation of taxpayer monies, it is imperative that senior management and employees at DPW, in the normal course of performing their assigned functions, prevent, detect, and correct deficiencies related to recipients' use of EBT cards. In our previous special performance audit of DPW and special allowance payments, the potential for fraud and abuse with EBT cards were evident and warranted an immediate change in policy by DPW.

Special allowances are one type of benefit placed on EBT cards. In August of 2009, the Department of the Auditor General released its special performance audit of the Special Allowance Program, which revealed significant weaknesses relevant to EBT cards. Specifically, our auditors found inadequate monitoring and resolution of excessive EBT card usage by recipients; some recipients received almost 100 EBT cards each. This discovery necessitated a subsequent audit of DPW and the way that it administers EBT cards to deliver public assistance benefits. However, during the course of this audit, management at DPW abruptly ceased cooperation with our auditors and denied further access to documentation. What follows is based on information we gathered prior to DPW ceasing cooperation.

PA Department of Human Services

Lax Monitoring

Our auditors found that in May 2010, recipients accessed more than \$5 million or 94,947 transactions (see Appendix A) in benefits outside the Commonwealth of Pennsylvania.

These out-of-state transactions necessitate scrutiny from senior management because of the frequency of out-of-state usage; there is the expectation that recipients are residents of the Commonwealth and will continue to reside in Pennsylvania while receiving public assistance benefits. We remain mindful that many eligible recipients have legitimate reasons for using EBT cards out-of-state, including employment and family obligations. Nevertheless, the sheer volume of the out-of-state transactions discovered by our auditors demonstrates the possibility that recipients could potentially be involved with inappropriate activity or may be residing in other states, circumstances that require scrutiny and monitoring by DPW. Therefore, in order to dispel taxpayers' potential misconceptions that the majority of recipients misuse or illegally obtain public assistance benefits, the General Assembly must ensure that DPW heightens its monitoring efforts.

Improved oversight will also allow DPW to detect and curtail any potential misuse – such as selling the cards and PINs – and ensure benefit programs remain viable for individuals truly in need. Transaction records reviewed by our auditors indicated that recipients used Pennsylvania EBT cards in almost every state and several territories (see Appendix A for a complete list), including as far away as Hawaii, Alaska, California, and Florida (see Table 1.1 below for several examples).

TABLE 1.1: Distant States/Territories, May 2010

PA Recipients' Out-of-State Use of PA EBT Cards to Withdraw Benefits in Certain Distant States/Territories

State	Transactions	\$ Transaction Amount
Florida	4,797	\$ 266,672
North Carolina	2,506	\$ 139,988
Virginia	2,259	\$ 119,534
South Carolina	1,497	\$ 81,124
California	797	\$ 33,972
Puerto Rico	59	\$ 7,737
Alaska	27	\$ 1,361
Hawaii	21	\$ 1,078
Total	11,963	\$ 651,466

Source: Pennsylvania Department of Public Welfare²

² Figures apply to May 2010 only; management at DPW refused to provide documentation for any other month.

PA Department of Human Services

Additionally, because of the large number of out-of-state transactions made in the six states adjacent to the Commonwealth, we believe that non-residents are potentially receiving public assistance benefits. We found that the occurrence of out-of-state transactions made in the six states adjacent to the Commonwealth totaled \$4,031,882 (see Table 1.2) for just one month.

Senior management acknowledged to our auditors that it possesses significant documentation from its system that identifies each recipient's respective SSN, type of benefits, the date on which the recipient accessed benefits, the location where each recipient's use of an EBT card took place, whether the transaction was valid, the amount accessed, the number of cards issued to the recipient, and whether the recipient withdrew cash at an ATM or made a point-of-sale purchase. If used in a forensic manner, the information would allow senior management to determine if recipients are using EBT cards in a manner that is consistent with the intent of specific benefit programs. However, when the auditors requested this information for a 24-month period as part of the audit, senior management refused to provide it.

TABLE 1.2: Adjacent States, May 2010

PA Recipients' Out-of-State Use of PA EBT Cards to Withdraw Benefits in Adjacent States

State	Transactions	\$ Transaction Amount
New Jersey	22,345	\$ 1,289,405
New York	18,570	\$ 982,409
Maryland	9,187	\$ 544,744
Delaware	8,155	\$ 484,348
Ohio	8,811	\$ 455,238
West Virginia	5,111	\$ 275,738
Total	72,179	\$ 4,031,882

Source: Pennsylvania Department of Public Welfare³

In the absence of applicable internal policies and procedures related to the monitoring of EBT cards, senior management admitted that it chose to do nothing with the documentation generated from the system. In addition, as previously noted, senior management made no effort to determine how recipients used monies accessed with EBT cards because senior management did not believe that it is the responsibility of DPW to control how recipients spend funds. Furthermore, DPW indicated that it does not have the authority to impose EBT restrictions on vendors and/or agencies or the authority to monitor those vendors/agencies. For example, DPW stated that it has cooperated with requests by the Pennsylvania Liquor Control Board (PLCB) and the Pennsylvania Gaming Control Board for restrictions on EBT cards, but it would not provide the auditors with specific details. We asked the PLCB, which indicated that EBT cards are not accepted in point-of-sale devices located in state stores. We also asked the Pennsylvania Gaming Control Board, which indicated that EBT cards cannot be used to withdraw cash at ATMs located in casinos. However, DPW indicated that it does not monitor these restrictions. We find the mindset demonstrated by senior management to be disconcerting given our auditors' previous findings involving the use of EBT cards, including the inadequate monitoring and resolution of excessive EBT card usage by recipients. Moreover, the recent disclosures about the potential misuse of EBT cards in other states should also heighten the concerns of senior management.

³ Figures apply to May 2010 only; management at DPW refused to provide documentation for any other month.

PA Department of Human Services

To ensure the financial integrity of worthwhile social service programs, senior management should have viewed with scrutiny unusual out-of-state EBT card transactions to ensure that recipients designated as eligible to receive public assistance benefits executed the transactions.

Senior management must be pro-active and implement adequate policies and procedures relevant to the use of EBT cards for the delivery of public assistance benefits. Policies and procedures would provide a reasonable assurance that various social service programs meet their objectives, while considering cost-effectiveness and efficiency. Again, we remain confident that heightened monitoring practices will allow DPW to detect and curtail any potential misuse and ensure benefit programs remain viable for individuals truly in need. DPW should consider the use of new technology to improve the delivery of public assistance benefits, such as credit card-sized biometric smart cards that contain a microchip that stores the fingerprints, photograph and other personal details of the recipient. Finally, as stated previously, improved monitoring would dispel taxpayers' potential misconceptions that the majority of recipients misuse or illegally obtain public assistance benefits.

PA Department of Human Services

Lack of Accountability to Taxpayers

Taxpayers will never truly know the cost-effectiveness of various social service programs without adequate transparency. On July 12, 2010, the Department of the Auditor General informed DPW that it intended to begin a special performance audit of the agency and the way in which it administers the delivery of public assistance benefits using EBT cards. The Commonwealth disbursed approximately \$5 billion in public assistance benefits from various programs using EBT cards during the fiscal years 2008-2009 and 2009-2010.

Our auditors encountered significant restrictions and impairments by senior management at DPW, including senior management's refusal to provide documentation to our auditors after it agreed to our request for said documentation. These impairments hindered our audit and prevented our auditors from achieving certain intended audit objectives, which we communicated to the previous and current administrations (see Appendices B and C).

However, due to the weaknesses identified by our auditors with the information that we were able to gather before DPW ceased cooperation, we issue this special report.

PA Department of Human Services

Recommendations

Senior management should implement certain corrective actions to alleviate the aforementioned deficiencies and ensure that recipients use EBT cards in a manner that is consistent with the intent of the various social service programs that provide public assistance benefits. We recommend that the Department of Public Welfare:

1. Develop an internal review process to monitor EBT card usage in order to ensure that taxpayer dollars are spent in accordance with the intended purpose of the various assistance programs and to ensure that eligible individuals receive benefits;
2. Provide proactive leadership and appropriate policies and procedures to senior management overseeing EBT usage in order to ensure that they are effectively operating various programs, including employees not misusing cards, and are held accountable for taxpayer dollars;
3. Request that the General Assembly develop policies and procedures to specifically identify what are inappropriate establishments and unusual activities and to provide specific direction in monitoring, identifying, and controlling the use of EBT cards to minimize the use of cards in a way that is not consistent with program guidelines;
4. Adequately monitor and resolve inappropriate EBT activity, determining periodically if recipients still reside in Pennsylvania;
5. Remove EBT card access to ATMs and point-of-sale card readers that are located in establishments deemed inconsistent with the intent of the various social service programs;
6. Explore using new technology to improve the monitoring and delivery of public assistance benefits, such as credit card-sized biometric smart cards that contain a microchip that stores the fingerprints, photograph and other personal details of the recipient;
7. Develop reciprocal agreements with surrounding states to better monitor programs and make certain "double dipping" of benefits does not exist; and
8. Cooperate fully with the Department of the Auditor General and provide the auditors with all requested information to ensure that adequate monitoring and oversight are occurring.

PA Department of Human Services**Appendix A**

Out-of-State EBT Transactions for the Month of May 2010		
State/Territory	Number of Transactions	Transaction Amount
Alabama	331	\$21,223
Alaska	27	\$1,361
Arizona	69	\$3,533
Arkansas	543	\$25,360
California	797	\$33,972
Colorado	285	\$15,682
Connecticut	541	\$28,667
Delaware	8,155	\$484,348
District of Columbia	237	\$8,961
Florida	4,797	\$266,672
Georgia	2,146	\$115,020
Hawaii	21	\$1,078
Idaho	52	\$3,032
Illinois	422	\$21,311
Indiana	460	\$22,128
Iowa	94	\$4,579
Kansas	111	\$5,057
Kentucky	524	\$23,657
Louisiana	244	\$12,056
Maine	631	\$33,377
Maryland	9,187	\$544,744
Massachusetts	68	\$4,810
Michigan	588	\$29,577
Minnesota	94	\$4,762
Mississippi	204	\$9,988
Missouri	174	\$10,225
Montana	22	\$499
Nebraska	78	\$4,448
Nevada	191	\$8,567
New Hampshire	89	\$3,819
New Jersey	22,345	\$1,289,405
New Mexico	136	\$5,534
New York	18,570	\$982,409
North Carolina	2,506	\$139,988

PA Department of Human Services

Appendix A

Out-of-State EBT Transactions for the Month of May 2010 (continued)		
North Dakota	27	\$1,544
Ohio	8,811	\$455,238
Oklahoma	193	\$9,836
Oregon	136	\$4,922
Puerto Rico	59	\$7,737
Rhode Island	168	\$7,595
South Carolina	1,497	\$81,124
South Dakota	22	\$1,154
Tennessee	542	\$23,304
Texas	869	\$48,639
Utah	94	\$4,749
Vermont	56	\$2,197
Virgin Islands	4	\$416
Virginia	2,259	\$119,534
Washington	197	\$8,124
West Virginia	5,111	\$275,738
Wisconsin	130	\$6,944
Wyoming	33	\$2,273
Totals:	94,947	\$5,230,917

Source: Pennsylvania Department of Public Welfare

PA Department of Human Services

Appendix B



COMMONWEALTH OF PENNSYLVANIA
OFFICE OF THE AUDITOR GENERAL
229 FINANCE BUILDING
HARRISBURG, PA 17120-0018

JACK WAGNER
AUDITOR GENERAL

TELEPHONE: (717) 787-2543
FAX: (717) 783-4407
WEBSITE: WWW.AUDITORGEN.STATE.PA.US

January 6, 2011

The Honorable Edward G. Rendell
Governor
Commonwealth of Pennsylvania
225 Main Capitol Building
Harrisburg, PA 17120

Dear Governor Rendell:

The purpose of this letter is to update you on the status of our current special performance audit of the Pennsylvania Department of Public Welfare (DPW) and the way in which it administers the delivery of benefits using Electronic Benefits Transfer (EBT) cards. Regrettably, our auditors have encountered significant external impairments to independence put in place by management at DPW. Specifically, the aforementioned impairments include the imposed restrictions on access to systems data, records, and personnel within DPW. Such restrictions resulted in a scope limitation that has deterred our auditors from acting objectively, exercising professional skepticism, and prevented them from achieving the intended audit objectives.

Our auditors have extended every professional courtesy to DPW and made every effort to obtain applicable audit information and documentation so that they may form independent and objective opinions, findings, and conclusions relevant to the more than \$5 billion in benefits disbursed through EBT cards by the Commonwealth during fiscal years 2008-2009 and 2009-2010. Moreover, we routinely emphasized our continued commitment to securing all sensitive or confidential recipient data that DPW provides. Conversely, DPW has repeatedly hindered our ability to obtain the requisite systems data and records related to all EBT transactions processed during the audit period. However, after a thorough vetting, DPW approved our request for audit evidence on November 17, 2010 and indicated that it would be forthcoming. Nevertheless, the agency's pattern of unpredictability continued when two days later DPW again contacted our auditors to inform them that it was now rescinding its previous approval to turn over the requisite systems data and records to our auditors.

PA Department of Human Services

Appendix B

Additionally, we find the current mind-set demonstrated by management at DPW to be disconcerting, especially in the wake of the recent revelations about the severe misuse of EBT cards in other states. Management has explicitly stated to our auditors that it is not the responsibility of DPW to control how benefit recipients spend taxpayer funds. Ironically, management also mentioned that it actually monitors for potential fraud. While management may wish to shy away from transparency, it has an obligation to reassure the taxpayers of Pennsylvania that it administers approved benefits responsibly.

Misuse of EBT cards has prompted other state governments to curtail recipients' ability to access approved cash benefits at certain locations deemed inconsistent with the intent of the goals of specific benefit programs. California has announced that it will remove certain ATM and point-of-sale card readers from the network that accepts the state's EBT cards. Consequently, benefit recipients in California will no longer be able to use EBT cards to access cash benefits from places such as casinos, medical marijuana shops, psychics, massage parlors, bail bond establishments, adult entertainment businesses, bingo halls, gun shops, bars, race tracks, smoking shops, tattoo parlors, and on cruise ships. Recipients also accessed significant sums of cash benefits outside of the state, including at casinos and on cruise ships.

We remain confident that an audit of DPW and the way in which it administers certain public assistance benefits is in the best interest of the taxpayers. While we regret that DPW has impeded the efforts of our auditors, we will document the results of our work to date and document the impairments that have hindered the timely completion of our audit. Subsequently, with the advice of counsel, we will examine the appropriate legal recourse and take applicable legal measures to conclude this important special performance audit.

Sincerely,



JACK WAGNER
Auditor General

RM/tmm

PA Department of Human Services

Appendix C



Commonwealth of Pennsylvania
Department of the Auditor General
Harrisburg, Pennsylvania 17120-0018

JACK WAGNER
AUDITOR GENERAL

April 21, 2011

The Honorable Gary D. Alexander
Acting Secretary
Department of Public Welfare
333 Health and Welfare Building
Harrisburg, PA 17120

Dear Acting Secretary Alexander:

The purpose of this letter is to inform you that it is our intent to continue our special performance audit of the Pennsylvania Department of Public Welfare (DPW) and the way that it administers the delivery of public assistance benefits using Electronic Benefits Transfer (EBT) cards. Our auditors encountered significant restrictions and impairments put in place by prior management at DPW, which we communicated to then-Governor Ed Rendell (see attached letter). Such restrictions resulted in a scope limitation that deterred our auditors from acting objectively, exercising professional skepticism, and prevented them from achieving the intended audit objectives.

With the onset of a new administration, we look forward to the return of a mutually collaborative relationship with DPW; one that yields appropriate resolutions to the satisfaction of all parties involved. Accordingly, we ask that DPW reconsider its earlier resistance to our special performance audit and permit our auditors to proceed with the original defined audit objectives.

We request that you provide our auditors with the documentation and data files contained on the attached list. This material will be integral to the timely completion of our audit. Moreover, we believe that two weeks is sufficient time to assemble such documentation and forward it to our auditors; therefore, please provide all requested documentation by Thursday, May 5, 2011.

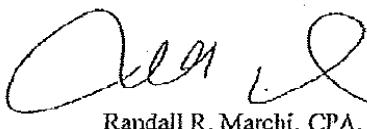
PA Department of Human Services

Appendix C

The Honorable Gary D. Alexander
April 21, 2011
Page -2-

If you or a member of your staff has any questions, please feel free to contact Janet B. Cicciocioppo, CPA, Assistant Director, at (717) 787-3214.

Sincerely,



Randall R. Marchi, CPA, CFE, CGFM
Director
Bureau of Departmental Audits
225-D Finance Building
Harrisburg, PA

Enclosure

cc: Mr. Edward Zogby, Acting Deputy Secretary, Office of Income Maintenance,
Department of Public Welfare
Mr. Alexander Matolyak, Acting Director, Division of Financial Policy and Operations
John J. Kaschak, CPA, Director, Bureau of Audits

PA Department of Human Services**Appendix C****Documentation and Data Files Request of the Department of the Auditor General**

Our request for the information listed below is not all-inclusive because our auditors had to disengage from our special performance audit of the Pennsylvania Department of Public Welfare and the way that it administers the delivery of public assistance benefits using Electronic Benefits Transfer (EBT) cards. Therefore, we reserve the right to request additional information and documentation based on our auditors' meetings with personnel from DPW.

- A. Request for e-copy of the following reports that DPW receives from JP Morgan for the periods July 1, 2009 to June 30, 2010 and July 1, 2010 to current date.

1) ATM Out-of-State Usage Report	CSSROATM
2) EBT Card Pinners Report	(report number unknown)
3) EBT Card Issue Totals (OTC)	CBT01MR02
4) EBT Card Issue Totals (Central)	CBT01MR04
5) Lost, Damaged, Stolen Card Report	pamtlds
6) Manual Transactions Usage	pamrman
7) Transactions Attempted on Invalid Cards Summary	pamrp07
8) Exceeded PIN Attempts	pare6pa
9) Even Dollar Transactions Report	pareven
10) ATM Usage Transaction Report	parmatm
11) Excessive Card Issue Report	paexpl

- B. J. P. Morgan system data related to all EBT transactions processed for the periods July 1, 2007 through present to include the following information:

- 1) Last Name of Recipient
- 2) First Name of Recipient
- 3) Middle Initial of Recipient
- 4) DOB
- 5) Address
- 6) Case Number
- 7) Card Number
- 8) Card Status
- 9) SSN of Recipient
- 10) Pri/Alt Ind
- 11) Account #
- 12) Account Type (Cash, FS)
- 13) Date/Time of Transaction
- 14) Requested Tran Amt.
- 15) Completed Tran Amt.
- 16) Requested Fee
- 17) Completed Fee
- 18) Requested Surcharge
- 19) Completed Surcharge
- 20) Type

PA Department of Human Services

Appendix C

Documentation and Data Files Request of the Department of the Auditor General (Cont.)

- 21) Svc Site
- 22) Loc/Reason
- 23) Appr
- 24) Merchant Name
- 25) Merchant Address
- 26) FNS #
- 27) Network
- 28) Creator

Please provide all data files as comma delimited text files. Please include a record count and a record layout with each file.

- C. In addition to the data file requested above, we anticipate submitting a separate request for a data file from the Client Information System (CIS) related to EBT transactions. During our previously discontinued audit, we attempted to schedule a meeting with the applicable DPW point of contacts but were denied by management at DPW.

PA Department of Human Services

Appendix D**Out-of-State EBT Transactions**

Out-of-State EBT Transactions for the Fiscal Years Ended June 30, 2013, 2014, 2015				
State/Territory	2013 Transaction Amounts	2014 Transaction Amounts	2015 Transaction Amounts	Totals
Alabama	\$263,383	\$228,509	\$266,470	\$758,362
Alaska	\$13,456	\$16,147	\$15,659	\$45,262
Arizona	\$320,675	\$323,949	\$316,071	\$960,695
Arkansas	\$97,178	\$74,312	\$85,029	\$256,519
California	\$562,663	\$563,285	\$627,427	\$1,753,375
Colorado	\$350,929	\$225,171	\$213,869	\$789,969
Connecticut	\$435,840	\$452,019	\$379,163	\$1,267,022
Delaware	\$7,418,538	\$6,874,761	\$7,312,453	\$21,605,752
Dist. of Columbia	\$117,913	\$114,039	\$126,011	\$357,963
Florida	\$4,387,594	\$4,619,598	\$5,002,980	\$14,010,172
Georgia	\$1,676,057	\$1,553,204	\$1,695,035	\$4,924,296
Guam	-	\$970	-	\$970
Hawaii	\$24,709	\$30,891	\$41,975	\$97,575
Idaho	\$22,030	\$33,456	\$35,081	\$90,567
Illinois	\$311,164	\$275,862	\$280,064	\$867,090
Indiana	\$301,433	\$281,377	\$285,416	\$868,226
Iowa	\$55,758	\$72,968	\$90,945	\$219,671
Kansas	\$91,068	\$62,498	\$61,279	\$214,845
Kentucky	\$183,597	\$216,354	\$250,697	\$650,648
Louisiana	\$155,515	\$165,859	\$163,162	\$484,536
Maine	\$72,758	\$80,942	\$164,888	\$318,588
Maryland	\$7,668,755	\$8,072,425	\$7,291,408	\$23,032,588
Massachusetts	\$456,743	\$426,425	\$416,028	\$1,299,196
Michigan	\$531,943	\$487,719	\$529,576	\$1,549,238
Minnesota	\$90,195	\$116,650	\$112,839	\$319,684
Mississippi	\$131,785	\$139,858	\$233,878	\$505,521
Missouri	\$172,661	\$145,647	\$162,437	\$480,745
Montana	\$31,752	\$23,443	\$22,224	\$77,419
Nebraska	\$46,178	\$41,646	\$53,865	\$141,689
Nevada	\$216,847	\$208,409	\$197,122	\$622,378
New Hampshire	\$66,636	\$78,215	\$67,264	\$212,115

PA Department of Human Services

Out-of-State EBT Transactions for the Fiscal Years Ended June 30, 2013, 2014, 2015				
State/Territory	2013 Transaction Amounts	2014 Transaction Amounts	2015 Transaction Amounts	Totals
New Jersey	\$19,163,279	\$15,745,931	\$16,909,660	\$51,818,870
New Mexico	\$54,075	\$52,626	\$55,232	\$161,933
New York	\$13,193,678	\$12,417,543	\$12,409,676	\$38,020,897
North Carolina	\$2,042,009	\$1,917,841	\$1,983,889	\$5,943,739
North Dakota	\$24,390	\$32,016	\$65,834	\$122,240
Ohio	\$6,155,406	\$6,502,973	\$6,454,038	\$19,112,417
Oklahoma	\$115,193	\$92,527	\$124,609	\$332,329
Oregon	\$72,285	\$67,059	\$63,708	\$203,052
Puerto Rico	\$62,244	\$41,093	\$46,220	\$149,557
Rhode Island	\$116,677	\$112,528	\$91,075	\$320,280
South Carolina	\$1,190,010	\$1,214,395	\$1,278,771	\$3,683,176
South Dakota	\$31,832	\$25,373	\$19,722	\$76,927
Tennessee	\$385,034	\$457,306	\$408,798	\$1,251,138
Texas	\$757,868	\$758,975	\$839,175	\$2,356,018
Utah	\$102,862	\$85,164	\$87,559	\$275,585
Vermont	\$43,227	\$28,643	\$36,903	\$108,773
Virgin Islands	\$15,245	\$13,238	\$14,885	\$43,368
Virginia	\$1,806,115	\$2,159,742	\$1,789,401	\$5,755,258
Washington	\$125,979	\$137,418	\$128,183	\$391,580
West Virginia	\$3,279,808	\$3,181,713	\$3,301,499	\$9,763,020
Wisconsin	\$108,646	\$91,970	\$103,627	\$304,243
Wyoming	\$22,517	\$20,807	\$27,627	\$70,951
US/Unknown	\$18,987	\$25,347	\$919	\$45,253
Totals:	\$75,163,119	\$71,188,836	\$72,741,325	\$219,093,280

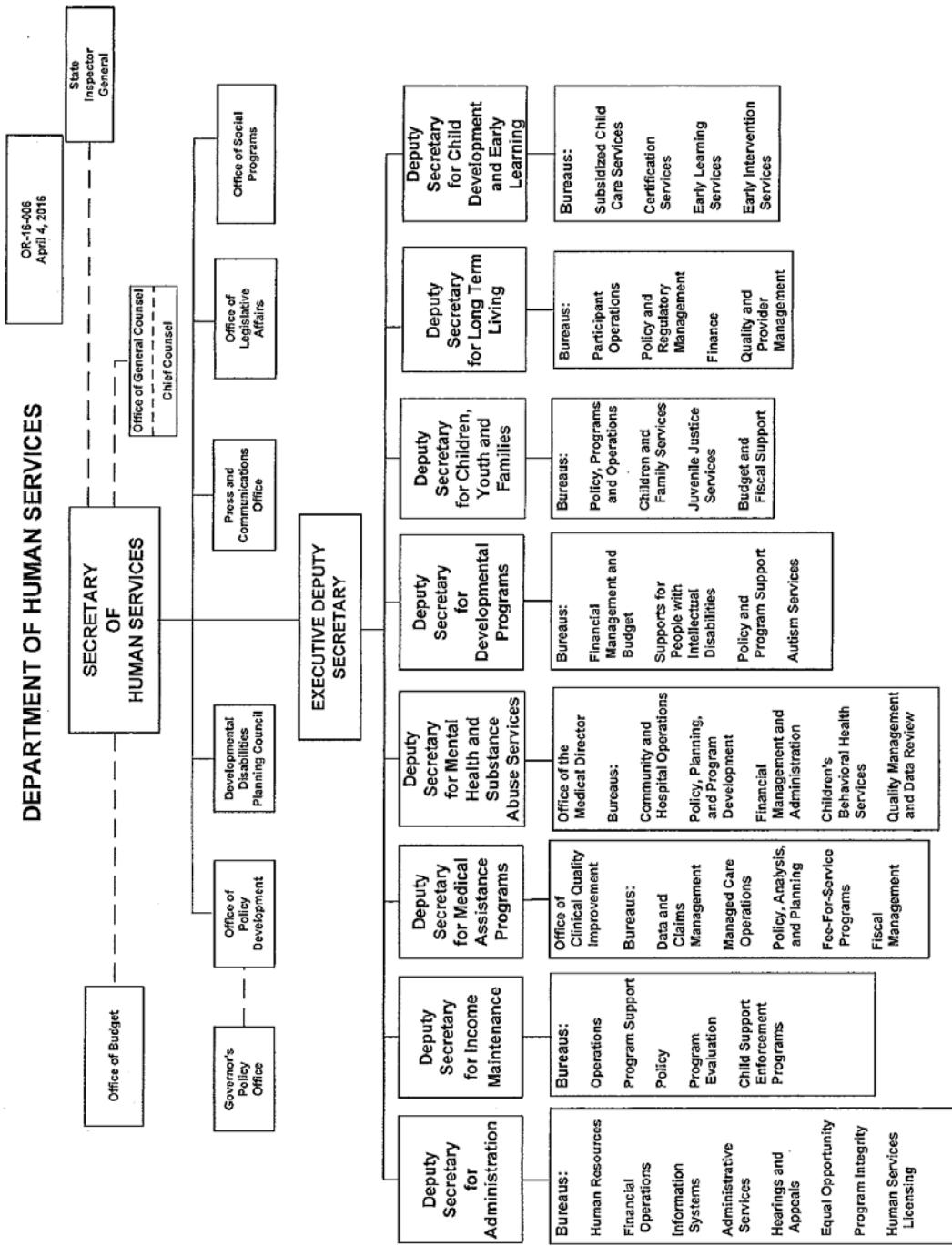
Source: Pennsylvania Department of Human Services

Note: See footnote 28 within Finding 2 regarding data reliability.

PA Department of Human Services

Appendix E

DHS Organizational Chart



PA Department of Human Services

Appendix F

Distribution List

Upon its release, this report was distributed to the following Commonwealth officials:

The Honorable Tom Wolf
Governor

The Honorable Pat Vance
Majority Chair
Senate Public Health and
Welfare Committee

The Honorable Shirley Kitchen
Democratic Chair
Senate Public Health and
Welfare Committee

The Honorable Gene DiGirolamo
Majority Chair
House Human Services Committee

The Honorable Angel Cruz
Democratic Chair
House Human Services Committee

The Honorable Ted Dallas
Secretary
Department of Human Services

The Honorable Randy Albright
Secretary of the Budget
Office of the Budget

The Honorable Bruce R. Beemer
Attorney General
Office of Attorney General

The Honorable Timothy Reese
State Treasurer
Treasury Department

The Honorable Sharon P. Minnich
Secretary of Administration
Office of Administration

The Honorable Brendan Harris
Executive Deputy Secretary
Department of Human Services

The Honorable Lourdes Padilla
Deputy Secretary for Office of
Income Maintenance
Department of Human Services

The Honorable Tyrone A. Powell
Acting Inspector General
Office of the Inspector General

Mr. Brian Lyman, CPA
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