



Commonwealth of Massachusetts
Office of the State Auditor
Suzanne M. Bump

Making government work better

Official Audit Report – May 28, 2013

Department of Transitional Assistance

For the period July 1, 2010 through December 31, 2012



TABLE OF CONTENTS

INTRODUCTION AND SUMMARY OF FINDINGS AND RECOMMENDATIONS	1
OVERVIEW OF AUDITED AGENCY	7
AUDIT SCOPE, OBJECTIVES, AND METHODOLOGY	12
AUDIT FINDINGS	16
1. DEFICIENCIES IN DTA’S VERIFICATION PROCESSES RESULTED IN MILLIONS OF DOLLARS IN QUESTIONABLE BENEFITS	16
a. DTA Provided at Least \$2.39 Million in Benefits to Individuals Who Appear to Have Been Deceased .	16
b. Unauthorized Persons Allowed to Use Benefits after Recipient Death	17
c. DTA Paid at Least \$532,000 in Questionable Dependent Claims.....	18
d. DTA Paid over \$662,000 to Individuals Who Were Receiving Benefits under Two Separate Accounts and over \$359,000 to Individuals with the Same Social Security Number	18
e. Inadequate Controls over Invalid Social Security Numbers	19
2. INADEQUATE INVENTORY AND PHYSICAL SECURITY CONTROLS OVER BLANK EBT CARDS	24
a. Inadequate Inventory Controls	25
b. Inadequate Physical Security Controls	29
3. EBT SYSTEM MANAGEMENT REPORTS NOT BEING USED TO IDENTIFY POTENTIALLY FRAUDULENT ACTIVITIES BY RECIPIENTS AND VENDORS	32
a. Excessive Even-Dollar Transactions	32
b. Excessive Reissuances of EBT Cards.....	34
c. Out-of-State Transactions	37
d. Manual Card Entries.....	40
e. Full SNAP Balance Withdrawals	42
f. Multiple Transactions within One Hour	45
4. DTA’S CONTROLS OVER ENSURING THAT CASE FILE DOCUMENTATION IS CURRENT AND COMPLETE NEED IMPROVEMENT	51
OTHER MATTERS	59
VOTER REGISTRATION MAILING RETURNED AS UNDELIVERABLE	59
APPENDIX	62
DEPARTMENT OF TRANSITIONAL ASSISTANCE BRIDGE TO STABILITY ACTION PLAN: FIRST 100 DAYS	62

INTRODUCTION AND SUMMARY OF FINDINGS AND RECOMMENDATIONS

This audit concerns cash and food assistance programs administered by the Department of Transitional Assistance (DTA), an agency within the state's Executive Office of Health and Human Services (EOHHS). DTA is organized under the authority of Chapter 18, Sections 1 through 30, of the Massachusetts General Laws, as amended. DTA's mission is to assist low-income individuals and families to meet their basic needs, increase their incomes, and improve their quality of life by providing cash and food nutrition benefits, interim services, and emergency assistance. To achieve its mission, DTA operates a variety of financial assistance programs for families, elders, and disabled people.

At the time of our audit, DTA was operating several financial assistance programs for eligible consumers. Our audit testing covered three such programs: the federally funded Supplemental Nutrition Assistance Program (SNAP) (formerly the Food Stamps Program), which as of 2012 was providing \$1.29 billion in nutritional benefits to approximately 874,000 individuals in the Commonwealth; the state and federally funded Transitional Aid to Families with Dependent Children (TAFDC) program, which provides monthly financial assistance to approximately 53,000 households representing approximately 108,000 individuals; and the Emergency Aid to Elderly, Disabled and Children (EAEDC) program, which provides income assistance to approximately 24,000 individuals who do not qualify for TAFDC or Social Security's Supplemental Security Income (SSI). DTA distributes recipient benefits, including SNAP and cash assistance, through an Electronic Benefits Transfer (EBT) system, through which the recipient authorizes the transfer of benefits from a federal and/or state account to a retailer account to pay for products purchased.

Cash and food assistance programs have been the subject of significant public debate over policy issues, including who should receive benefits and for how long, how to control increasing costs, and how to prevent abuses of taxpayer dollars. The effectiveness of the policy decisions and the internal controls that DTA establishes over its eligibility determination process and recipient usage of program benefits is essential in addressing these concerns and maintaining the public's confidence in the integrity of the administration of DTA's cash and food assistance programs.

In accordance with Chapter 11, Section 12, of the General Laws, the Office of the State Auditor conducted an audit of DTA's eligibility determination processes and its controls over EBT card usage for the 30-month period July 1, 2010 through December 31, 2012. Our objectives were to (1)

assess the adequacy of the policies and procedures DTA has established in determining applicant eligibility and review and examine the underlying documentation used by DTA to verify eligibility; (2) determine whether DTA is using all available tools and resources to verify eligibility status; (3) assess the control mechanisms DTA has implemented to prevent the misuse and abuse of EBT cards and review the systems it has implemented for identifying, tracking, and resolving EBT card and program abuses by recipients and retailers; and (4) to the extent possible, identify opportunities for developing more effective policies and internal controls aimed at ensuring that only eligible applicants receive benefits, which could result in savings to the Commonwealth's taxpayers.

Highlight of Audit Findings

Millions of Dollars in Questionable Benefits:

- We found that, from July 1, 2010 through April 24, 2012, 1,164 recipients receiving SNAP, TAFDC, or EAEDC benefits were deceased or were using a deceased individual's Social Security Number (SSN). We estimate that these 1,164 recipients received approximately \$2.39 million in questionable public assistance benefits during this period. We brought this matter to the attention of DTA officials, who indicated that DTA either has taken or is in the process of taking a number of steps to improve its controls in this area, including a July 2012 integration of the Death Match Master File. In order to assess the effectiveness of these controls, OSA staff randomly selected 283 of the 1,164 deceased recipients' EBT accounts identified during our match and found that 190 recipients (67%) were still shown as having active accounts as of August 31, 2012.
- In addition, we tested the account records of the above-mentioned 190 recipients identified as deceased by the Social Security Administration (SSA) but shown as being still active in DTA's system to determine whether there was any activity in these accounts and found that 146 (77%) reflected purchases or ATM transactions made after the recipients' date of death. These transactions totaled over \$486,000 and took place between 11 to 396 days after the recipients' date of death. Further, we found that over \$120,000 was spent by 42 (22%) recipients of the 190 tested whose benefits actually began after the recipients' date of death.
- We identified 178 dependents who had a deceased individual's SSN being claimed by guardian recipients as their dependents during the period July 1, 2010 through September 30, 2012. We estimate that by claiming these deceased individuals as dependents, these guardian recipients improperly received approximately \$368,136 in benefits during this period.
- We found that, from July 1, 2010 through September 30, 2012, 40 distinct individuals appeared to have more than one guardian claiming them as dependents. We estimate that these guardians received \$164,040 in questionable SNAP, TAFDC, and EAEDC benefits during this period.

- For the period July 1, 2010 through September 30, 2012, we identified 26 individuals who were using two SSNs. These individuals all had two SSNs and separate active payment streams associated with them, yet had the same name, lived at the same address, and were approximately the same age. We determined that over \$662,000 in questionable payments had been received by these recipients during this period.
- We determined that, from July 1, 2010 through September 30, 2012, 21 SSNs were being used by more than one individual. These individuals had the same SSN, yet had different names and different dates of birth. We determined that over \$359,000 in questionable payments had been received by these recipients during this period.
- Under DTA regulations, applicants without an SSN are allowed up to six months to provide one to DTA but in the interim must provide DTA with written verification from the SSA that they have applied for an SSN. Failure to provide DTA with a valid SSN within the six-month period automatically excludes an applicant from continuing to receive benefits until this information is provided. Despite this, as of September 30, 2012, we identified 13 individuals out of our statistical sample of 97 who had been using an invalid temporary SSN for periods ranging from one month to almost three years beyond the six-month period, none of whom had a SSN application on file.

Inadequate Security over EBT Cards:

- We determined that DTA did not have adequate inventory and physical security controls over blank EBT cards. Our testing of blank EBT card deliveries during the period August 1, 2011 through August 31, 2012 revealed that over 30,500 cards noted on DTA's Central Office inventory listing as being shipped to the five Transitional Assistance Offices (TAOs) selected for our review could not be reconciled to inventory shipping forms. Also, during our site visit we observed inadequate physical security controls at the Worcester TAO. These internal control shortcomings heighten the risk of abuse of blank EBT cards; an area of concern noted by previous DTA internal investigations.

Weaknesses in Fraud Detection:

- Through our analysis of monthly Even-Dollar Transaction Reports from September 2011 through August 2012, we determined that 145,276 recipients engaged in 333,379 transactions totaling \$56.7 million in even-dollar SNAP purchases at 2,863 retailers throughout the Commonwealth. Because food purchases seldom end in even-dollar amounts, such transactions may indicate instances in which recipients and retailers are engaging in the trafficking of EBT card benefits by exchanging a participant's SNAP benefits for cash. Although this monthly management report is available to DTA, it was not being used to monitor this activity during our audit period.

- Through our analysis of DTA's monthly Card Issuance Tracking Report, we found that, for the period March 31, 2006¹ through July 31, 2012, DTA issued 147,542 excessive (recipient requests of 10 or more) EBT replacement cards to 9,846 individuals. Moreover, 358 individuals had been issued 30 or more cards during this period. A recipient's request for numerous EBT replacement cards may be an indication of EBT benefit trafficking. Although this monthly management report is available to DTA, it was not being used to monitor this activity during our audit period.
- Through our analysis of monthly Out-of-State Activity Reports, we determined that for the six-month period November 2011 through April 2012, recipients accessed more than \$27 million via 666,767 transactions in cash and SNAP benefits outside of the Commonwealth. Although such transactions are not necessarily a violation of the law, they could potentially indicate instances in which recipients might be violating program regulations by receiving duplicate benefits in another state during the same period and/or by no longer being a Massachusetts resident. Although this monthly management report is available to DTA, it was not being used to monitor this activity during our audit period.
- Through our analysis of monthly Manual Card Entry Reports during the nine-month period January 1, 2012 through September 30, 2012, we determined that there were 76,727 recipients who processed 320,101 manual card transactions totaling \$9.6 million at 10,122 retailers. Manual card entries occur when an EBT card number is not swiped but instead manually entered into a point-of-sale terminal for a SNAP purchase. Such transactions could indicate instances of potential fraud whereby an individual has obtained the EBT card number and personal identification number of a recipient and is using this information to inappropriately obtain benefits. Although this monthly management report is available to DTA, it was not being used to monitor this activity during our audit period.
- Through our analysis of monthly Full SNAP Balance Withdrawal Reports from October 2011 through September 2012, we determined that 50,320 recipients conducted 102,704 transactions totaling \$24 million at 1,956 retailers in full SNAP withdrawals. As outlined in a 2007 report issued by the United States Government Accountability Office, such withdrawals could indicate instances in which SNAP recipients exchanged their food benefits for cash. Although this management report is available to DTA, it was not being used to monitor this activity during our audit period.
- Our analysis of monthly Multiple Transactions Within One Hour Reports for the six-month period May 1, 2012 through October 31, 2012 revealed that on average over 200,000 nonduplicative recipients processed 5,064,371 transactions totaling \$135.8 million at an average of 11,800 retailers. These reports, which list multiple approved food stamp withdrawals made by the same card number within a one-hour timeframe, are designed to assist management in identifying possible card theft or misuse, such as

¹ This is a monthly summary management statistical report that shows EBT card holders who have received more than 10 replacement cards since March 2006. This report is subtotaled by office and totaled for the Commonwealth and can be used to evaluate system performance. Since this is a summary report, it could not be modified to disclose only the information for the audit period.

EBT trafficking. Although this management report is available to DTA, it was not being used to monitor this activity during our audit period.

Documentation Deficiencies Relative to Eligibility:

- The updating and maintaining of information contained in DTA's Benefit Eligibility and Control On-line Network (BEACON3) system² for TAFDC needs to be strengthened to ensure an adequate level of program integrity. Our tests determined that supporting documentation for TAFDC case records was either missing or incomplete for information on dates of birth, immunizations, work requirements, school verification records, and absent parent declarations.

Recommendations of the State Auditor

- DTA should ensure that effective data analytical performance measures are in place to help detect and reduce potential recipient and retailer fraud, waste, or abuse. Toward that end, DTA should leverage the use of management reports produced by ACS and data analytics to help identify suspicious or unusual trends and patterns, including potential misuses of EBT card benefits, and take immediate action based on this information.
- DTA should establish procedures to monitor each blank EBT card shipment sent to the TAOs to ensure that confirmation is received from the TAO and that the quantity of blank EBT cards shipped from DTA's Central Office agrees with the amount of blank EBT cards received by the TAOs. In addition, DTA management should re-examine the physical security controls in its Worcester TAO and implement the necessary controls to ensure that blank EBT cards are properly safeguarded.
- DTA should ensure that it is using a comprehensive national SSA database to perform its Death Match Master File and SSN verifications as well as regularly performing checks to ensure information in participant databases is accurate and complete.
- DTA should review all temporary SSNs and require participants to acquire a valid SSN or terminate their benefits. DTA should also ensure that it performs required automated data checks to validate SSNs. If DTA chooses to override such automated data checks, it needs to provide documentation to substantiate the override and ensure that it takes follow-up action to resolve any inconsistencies.
- DTA should implement adequate controls to ensure that its case files contain all supporting documentation for program eligibility. For example, new policies and procedures need to be established and implemented to assign responsibility to case supervisors to review and ensure that case files contain all required supporting documentation.

² BEACON3 is an integrated, online, real-time information data base system that provides eligibility and case management services for DTA's benefits programs.

Agency Progress

- DTA indicated that it agrees with the OSA's recommendations and that it has developed a 100-day action plan (see Appendix) to address the problems identified in our report. According to DTA, this plan will "enhance program integrity, restore public and legislative confidence in the Department's ability to carry out its mission, and utilize taxpayer dollars most efficiently while serving the Commonwealth's most vulnerable citizens" by streamlining eligibility determinations, automating the verification process, and strengthening DTA policies, procedures, and internal controls.
- DTA also indicated that it is further committed to strengthening its relationship with the OSA's Bureau of Special Investigations (BSI), which is responsible for investigating fraud within the Commonwealth's public assistance programs, to investigate potential cases of fraud. In fiscal year 2012, DTA made over 3,500 fraud referrals to BSI.

OVERVIEW OF AUDITED AGENCY

The Department of Transitional Assistance (DTA) is organized under the authority of Chapter 18, Sections 1 through 30, of the Massachusetts General Laws, as amended, and is under the purview of the Executive Office of Health and Human Services (EOHHS). DTA operates from a central office in Boston at 600 Washington Street and is organized into four regional areas administered by regional directors who oversee 22 Transitional Assistance Offices (TAOs) throughout the Commonwealth. DTA, which is staffed by approximately 1,600 employees, is administered by a commissioner, two deputy commissioners, five assistant commissioners, and a general counsel who have overall responsibility for DTA operations. DTA's mission is to assist low-income individuals and families to meet their basic needs, increase their incomes, and improve their quality of life. To achieve its goal, DTA operates a variety of financial assistance programs for families, elders, and disabled people. The three programs that were subject to our audit testing are discussed below.

SNAP

The Supplemental Nutrition Assistance Program (SNAP) is a federally funded program regulated by the U.S. Department of Agriculture (USDA) and administered by the Food and Nutrition Service (FNS). The nation's largest food assistance program, SNAP expenditures grew to \$80 billion in 2012, up from \$40 billion four years earlier³. Massachusetts ranks in the nation's top 10 for SNAP participation and is 8th in the nation for participant access according to the USDA⁴.

According to the USDA, from 2007 through 2012, the Commonwealth's SNAP participation expanded from 456,192 to 813,631 individuals, an increase of over 78%. Concurrently, SNAP expenditures expanded from \$472 million to \$1.29 billion, an increase of over \$819 million, or 173%. As of June 2012, SNAP served more than 488,000⁵ households and provided benefits to nearly 874,000 individuals in Massachusetts, most of whom received income assistance through other DTA programs. The USDA determines eligibility standards and approves retailers and allowable purchases for the SNAP program. SNAP benefits can only be used to purchase non-prepared food items. Hot prepared foods, alcohol, tobacco, and all non-food items may not be purchased with SNAP benefits.

³ Committee Reports, 112th Congress (2011-2012), House Report 112-421

⁴ DTA Facts and Figures, issue date January 2011

⁵ DTA Facts and Figures, issue date September 2012

TAFDC

Transitional Aid to Families with Dependent Children (TAFDC) is a state- and federally funded program that provides monthly cash assistance to low-income families. TAFDC serves approximately 53,000 households representing approximately 108,000 recipients with an average household monthly benefit of \$456. TAFDC expenditures for fiscal year 2012 totaled \$315,981,000. Unless otherwise exempted, TAFDC benefits are limited to 24 months in any 60-month period. TAFDC benefits are intended to help people meet their basic immediate needs, which vary from family to family. TAFDC benefits can be used to purchase anything that can be purchased with cash, with the exception of the following:

- Alcoholic beverages
- Tobacco products
- Lottery tickets
- Sexually explicit material
- Firearms or ammunition
- Admission to performances
- Cosmetics
- Professional services
- Travel services
- Health club memberships or services
- Tattoos, body art, or piercings
- Jewelry
- Rental goods or property
- Payment of any tax, fee, or penalty, including bail or bail bonds
- Gambling

TAFDC benefits can be withdrawn from automated teller machines (ATMs) or used at point-of-sale devices. Any merchant that accepts debit cards can accept an EBT card and the cash benefits that are held on the card. Clients can also receive TAFDC benefits via a direct deposit or check instead of an EBT.

EAEDC

Emergency Aid to Elderly, Disabled and Children (EAEDC) is a state-funded program that provides income assistance to extremely low-income elderly and disabled persons, as well as children who are not covered by other benefit programs. EAEDC Program expenditures for fiscal year 2012 totaled approximately \$88,959,000. EAEDC currently serves approximately 24,000 recipients with an average monthly benefit of \$306 for those who do not qualify for TAFDC or SSI.

DTA Caseloads, Recipients, and Staffing

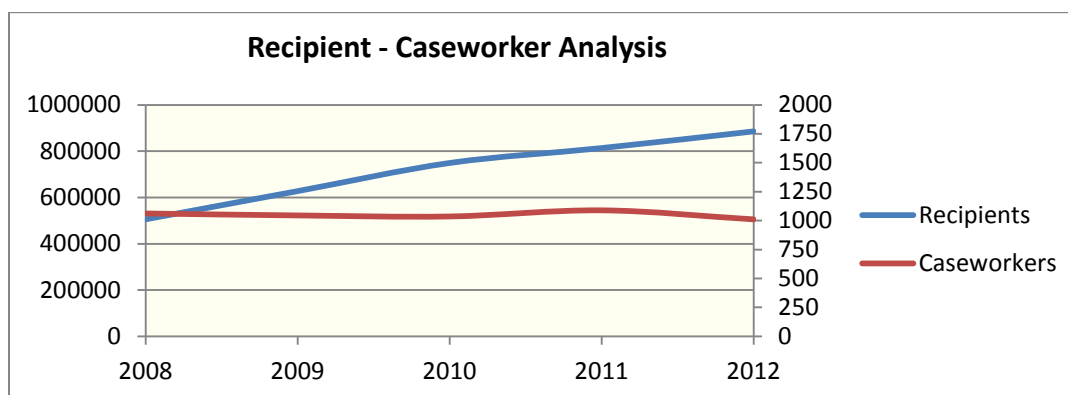
Although during recent years DTA staffing levels have remained static, caseloads and recipients for two of the three major programs that we reviewed have increased significantly. For example, caseloads for SNAP have increased more than 69% since December 2008, while recipients over the same period have increased by 60%. However, DTA staffing levels remained unchanged during the same period. The chart below shows the increase in caseloads and recipients for the three major programs administered by DTA from December 2008 through October 2012.

Caseload and Recipient Analysis December 2008 through October 2012

Program	<u>Caseload</u>		Number		<u>Recipients</u>		Number	
	12/1/2008	10/1/2012	Change	Percent Change	12/1/2008	10/1/2012	Change	Percent Change
SNAP	290,442	490,836	200,394	69%	548,920	877,542	328,622	60%
TAFDC	47,226	53,063	5,837	12%	110,368	108,278	-2,090	-2%
EAEDC	19,023	23,674	4,651	24%	20,234	23,827	3,593	18%

Source: Department of Transitional Assistance

Recipient and Caseworker Analysis December 2008 through October 2012



Electronic Benefits Transfer (EBT) Cards

DTA has two primary information systems to administer the benefits for the SNAP, TAFDC, and EAEDC programs. These systems are the Benefit Eligibility and Control On-line Network (BEACON3) system and the ACS Electronic Benefits Transfer (EBT) card system. DTA workers enter information about each client into BEACON3, which is programmed to determine each

applicant's eligibility and benefit amounts, keep track of when recipients have to meet with caseworkers, and create notices to send recipients concerning their benefits.

An EBT system is an electronic means for a government agency to distribute benefits. The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 required all states to implement statewide EBT systems to distribute food stamp benefits by October 1, 2002. Although the Act requires states to implement EBT systems for the distribution of food stamp benefits, states may also use EBT systems to distribute payments for other forms of public assistance.

DTA provides an EBT card to individuals approved to receive public assistance benefits. Each month, benefits are deposited into recipients' accounts. Most benefits are deposited into accounts with a contracted bank. Program benefits placed on EBT cards include:

- SNAP, for the purchase of allowable food items (no cash assistance)
- TAFDC, in the form of cash assistance
- EAEDC, also in the form of cash assistance

EBT cards are similar to debit cards issued by banks and require a personal identification number that allows recipients to access public assistance benefits at ATMs (from which the recipients withdraw cash), or point-of-sale terminals (through which recipients purchase items at a store by swiping their EBT card, similar to debit card purchases).

Since 2005, DTA has entered into contracts with a private company, Affiliated Computer Services, Inc. (ACS) for the implementation of its EBT card system. Under the terms and conditions of this contract, ACS is responsible for the issuance, redemption, and settlement (payment) of benefits under SNAP and cash assistance regarding the TAFDC and EAEDC programs. ACS's most recent contract runs from September 1, 2010, through August 31, 2014. During fiscal year 2012, DTA paid over \$2.7 million to ACS for its EBT related services.

Individuals must first apply at one of DTA's Transitional Assistance Offices (TAO) to participate in DTA's public assistance programs. However, SNAP-only applicants may decide to apply online or over the telephone. Caseworkers interview and verify information provided by applicants, update DTA's computer systems, authorize benefits, issue EBT cards, and instruct the recipients on how to

assign a PIN to the card. As cardholders use benefits, the contractor's EBT system authorizes, monitors, and tracks each transaction and transfers the necessary funds.

Recipients have the option to assign various levels of authority over personal information or benefits to another person, referred to as an authorized representative. Depending on the level of authority selected, a separate EBT card could be issued to an authorized representative for the recipient's account. Information about the authorized representative is found in both the BEACON3 and EBT systems.

An EBT account remains active until there is no recipient-initiated activity for a given number of days, depending on the program. For SNAP, benefits not used after 12 months inactivity are purged and are reverted to the federal government. For TAFDC and EAEDC, after 90 days of no recipient-initiated activity, the unused benefits are removed from the account and the funds are reverted to the Commonwealth. In addition, EBT accounts can be closed when recipients:

- Do not provide eligibility verification information within the required 30-day time extension,
- No longer are eligible for public assistance, and
- Do not report household and income changes within the required 10-day period.

Program Integrity Oversight

In 2008 DTA created a Program Integrity Division, which is overseen by an assistant commissioner and is responsible for coordinating activities to maintain the integrity of all DTA's units and programs. During our audit period, the division consisted of three units: Program Assessment; Fraud Investigations and Data Matching; and Recoveries, Reimbursements and Reporting. DTA's Program Assessment Unit is overseen by a director and consists of 43 staff members tasked with conducting federally mandated and regional TAO reviews to ensure compliance with all recipient eligibility benefit rules, regulations, and policies currently in effect. The Fraud Investigations and Data Mining Unit is overseen by a director who supervises 23 employees in the following three units: the Fraud and Overpayment Referral Screening Unit, the Administration Disqualification Unit, and the Data Matching Unit. The Recoveries, Reimbursement and Reporting Unit is overseen by a director and consists of eight staff members who are responsible for the collection activity of all overpayments of public assistance benefits.

AUDIT SCOPE, OBJECTIVES, AND METHODOLOGY

In accordance with Chapter 11, Section 12, of the General Laws, the Office of the State Auditor (OSA) conducted an audit of the Department of Transitional Assistance's (DTA) eligibility determination processes and its controls over Electronic Benefit Transfer (EBT) card usage for the 30-month period July 1, 2010 through December 31, 2012. We conducted our performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence that provides 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.

Our audit scope included an assessment of DTA controls over its eligibility determination process and its administration of EBT cards during the period July 1, 2010 through December 31, 2012. The objectives of our audit were to: (1) assess the adequacy of the policies and procedures DTA has established in determining applicant eligibility and review and examine the underlying documentation used by DTA to verify eligibility; (2) determine whether DTA is using all available tools and resources to verify eligibility status; (3) assess the control mechanisms DTA has implemented to prevent the misuse and abuse of EBT cards and review the systems it has implemented for identifying, tracking, and resolving EBT card and program abuses by recipients and retailers; and (4) to the extent possible, identify opportunities for developing more effective policies and internal controls aimed at ensuring that only eligible applicants receive benefits, which could result in savings to the Commonwealth's taxpayers.

To achieve our audit objectives, we first reviewed DTA's internal controls relative to the following:

- Transitional Aid to Families with Dependent Children (TAFDC) case documentation
- Verification of Social Security Numbers (SSNs)
- Safeguarding of blank EBT cards
- Utilization of EBT management reports to proactively identify potentially fraudulent activity

We then reviewed all applicable laws, regulations, policies and procedures. We interviewed DTA officials and also obtained a copy of DTA's eligibility database contained within its Benefit Eligibility and Control On-line Network (BEACON3) system.

To determine whether required source documents for Supplemental Nutrition Assistance Program (SNAP), TAFDC, and Emergency Aid to Elderly, Disabled and Children (EAEDC) benefits

recipients were being maintained in case files, we selected and reviewed a judgmental sample of 150 active TAFDC, EAEDC, and SNAP cases.

To review DTA's verification of SSNs, we conducted an assessment of the adequacy and effectiveness of the controls in place to protect the integrity of BEACON3 data. We also assessed whether DTA's controls over benefits issued through EBT cards were sufficient to reduce risks of benefits being paid to deceased clients and of unauthorized persons using those benefits. Specifically, we obtained the Social Security Administration's (SSA's) Death Master File and extracts of key SNAP, TAFDC, and EAEDC participant data from DTA senior management. We analyzed this data using Audit Command Language software. Our tests were developed to identify anomalies that may result in ineligible participants receiving SNAP benefits. Our tests determined whether:

- Active SNAP participants were using deceased individuals' SSNs,
- Invalid SSNs were used, and
- Duplicate payments were received.

To test the integrity of the SSN data match, we obtained recipient data from DTA for 100% of the active population and ran a match against the SSA's Death Master File, which contains the SSNs of deceased individuals.

Regarding the safeguarding of blank EBT cards, we conducted on-site interviews and observations at five selected DTA Transitional Assistance Offices (TAOs) with the highest EBT card activity: Newmarket Square (Boston), Dudley Square (Boston), Chelsea, Brockton, and Worcester. Specifically, we gained an understanding of how the five TAOs accounted for and secured their EBT cards, from receiving the blank cards at the TAOs to distributing activated cards to recipients, including the printing of recipient names and the assigning of a personal identification number to the EBT cards. In addition, we obtained data from DTA detailing every shipment of EBT blank cards sent from DTA's Central Office to the TAOs in our sample since 2005. We selected the 13-month period August 1, 2011 through August 31, 2012 to determine whether DTA was following prescribed policies and procedures in the safeguarding of blank EBT cards in the shipment of the cards. We selected the same five TAOs used in the program eligibility sample, and reviewed the Card Issuance System (CIS) Inventory Shipment Forms for all the shipments of EBT cards made to the TAOs for the 13-month period ended August 31, 2012 against the data provided from the Central Office. In the 130 shipments made to the five TAOs, 116,495 blank EBT cards were

shipped, which represents approximately 37% of all EBT card shipments made to all TAOs during this period.

Regarding the usage of EBT cards, we reviewed and evaluated supporting documentation for EBT program activities and DTA's oversight of fraud detection activities. Affiliated Computer Services, Inc. (ACS), DTA's contracted vendor that administers the EBT card system, provides DTA with Electronic Payment Processing Information Control (EPPIC) reports that provide detailed analyses of recipient activities based on EBT system information collected and maintained by ACS. These EPPIC reports are intended to assist DTA with program management, operations, and performance, as well as to provide information to federal agencies. DTA requested and received from ACS a series of self-identified management and "fraud reports," which can be used to identify trends and patterns in recipient transactions that may suggest fraudulent behavior.

To gain an understanding of ACS's internal controls and to obtain evidence of the operating effectiveness of those controls, we obtained and reviewed an examination conducted by an independent auditor of ACS that was performed in accordance with the American Institute of Certified Public Accountants' Statement on Standards for Attestation Engagements No. 16, Reporting on Controls at a Service Organization. To verify the accuracy of fraud report data contained in the reports ACS was generating for DTA, we performed basic reasonableness checks of the data against other sources of information. We determined that the data were sufficiently reliable for the purpose of monitoring and identifying suspicious transactions.

To assess the effectiveness of DTA's efforts in using available information to detect suspected fraudulent recipient activities, we reviewed and analyzed a total of six EBT management reports provided to it by ACS that included, among others, Out-of-State Activity Reports that identify recipients who redeem a majority of their benefits at retailers located out of their state and Even-Dollar Transaction Reports that identify individuals who process an unusual number of even-dollar transactions. We also assessed the extent to which DTA was using the information in these reports to monitor suspicious benefits usage behavior.

To assess the reliability of DTA's BEACON3 system, we (1) reviewed existing documentation related to the data sources of this system, (2) electronically tested the data to identify eligibility and verification problems with completeness or accuracy of data, and (3) interviewed knowledgeable

agency officials about the data. We determined that the data were sufficiently reliable for the purposes of this report.

Finally, Section 6 of Chapter 161 of the Acts of 2012, An Act Relative to the Electronic Benefit Transfer Program, directed the Office of the Inspector General (OIG) to conduct a data-match survey to evaluate the accuracy of eligibility information provided to DTA by TAFDC cash assistance recipients. OSA staff coordinated their audit work with the OIG's staff and concurrently conducted testing of SNAP and EAEDC records.

Based on our audit we have determined that, except as reported in the Audit Findings section of this report, for the period July 1, 2010 through December 31, 2012, DTA had adequate internal controls in place and was in compliance with applicable laws, rules, and regulations for the areas tested.

AUDIT FINDINGS

1. DEFICIENCIES IN DTA'S VERIFICATION PROCESSES RESULTED IN MILLIONS OF DOLLARS IN QUESTIONABLE BENEFITS

Our audit identified that the Department of Transitional Assistance (DTA) needs to improve its procedures for verifying recipient data to detect potential fraud and ensure that the correct amount of benefits are provided to eligible individuals. Specifically, according to federal regulations, state agencies are required to establish a system to check recipient data against a national Social Security Administration (SSA) database. However, we found that although DTA utilized national and Massachusetts database systems to verify income and employment information provided by applicants, it did not verify recipient-reported Social Security Numbers (SSNs). As a result, during our audit period DTA (a) provided at least \$2.39 million in benefits to individuals who appear to have been deceased, (b) allowed unauthorized individuals to use over \$606,000 in benefits after DTA indicated that it had taken or were in the process of improving controls in this area, (c) paid at least \$532,000 to recipients who claimed the same dependents claimed by other recipients, (d) paid over \$662,000 to individuals who were receiving benefits under two separate accounts and over \$359,000 to individuals with the same SSN, and (e) allowed recipients to receiving benefits for an extended period of time without a valid SSN, as discussed below:

a. DTA Provided at Least \$2.39 Million in Benefits to Individuals Who Appear to Have Been Deceased

During our audit, OSA staff matched recipient information of all 519,587 head-of-household clients for the Supplemental Nutrition Assistance Program (SNAP), Transitional Aid to Families with Dependent Children (TAFDC), and Emergency Aid to Elderly, Disabled and Children (EAEDC) programs as of April 2012 with SSA's Death Master File of persons who had died before April 29, 2012. Our match results revealed that 1,197 total records for 1,164 deceased recipients had apparently not been properly updated in DTA's Benefit Eligibility and Control On-line Network (BEACON3) system and in fact continued to receive benefits beyond the date on which SSA data indicated that they had become deceased. These 1,164 recipients continued to receive benefits from six months to 27 months after they were reported to be deceased. We estimate that

these 1,164 deceased recipients improperly received approximately \$2.39 million in benefits from July 1, 2010 through April 24, 2012.

We brought this matter to the attention of DTA officials, who indicated that DTA has either taken or is in the process of taking a number of steps to improve its controls in this area, including a July 2012 integration of the Death Match Master File that DTA had purchased from the Department of Commerce in an effort to close cases of deceased individuals. In order to assess the effectiveness of this control, OSA staff randomly selected 283 of the 1,164 deceased recipients' Electronic Benefit Transfer (EBT) accounts identified during our match and found that 190 recipients (67%) were still shown in the DTA BEACON3 system as having active accounts as of August 31, 2012.

b. Unauthorized Persons Allowed to Use Benefits after Recipient Death

DTA's controls for preventing unauthorized persons from using benefits after the death of a program recipient need improvement. DTA relies on a contracted vendor, Affiliated Computer Services, Inc. (ACS), to administer various aspects of its EBT card system including removing unspent SNAP benefits from recipient's accounts after 12 months of inactivity. However, we found that this control was insufficient and not effective. Specifically, we tested the account records of the 190 recipients previously identified as deceased by the SSA but shown as active in the BEACON3 system and found that 146 (77%) reflected purchases or automated teller machine (ATM) transactions made after the recipients' date of death. These transactions totaled over \$486,000 and took place between 11 to 396 days after the recipients' date of death. ACS did not promptly remove the benefits remaining in the accounts at the time of death because none of these accounts had a date of death entered in BEACON3, and the EBT cards were still being used. Further, we found that over \$120,000 was spent by 42 (22%) recipients of the 190 tested whose benefits actually began after the recipients' date of death. Utilizing DTA's Electronic Payment Processing and Information Control (EPPIC) reports, we determined that 99%, or 188, of these recipients continued to access benefits totaling over \$606,000 for the period July 2010 through August 31, 2012.

By continuing to deposit benefits and allowing accounts to remain active for months after the death of recipients, DTA increases the risk that the benefits may be used by

unauthorized persons. Further, since the number of deposits into each recipient's EBT account is one determinant of ACS's revenues, the Commonwealth incurs an unnecessary cost for benefits deposited into accounts belonging to deceased recipients.

c. DTA Paid at Least \$532,000 in Questionable Dependent Claims

In order to determine whether the dependents of DTA benefit recipients were being claimed by more than one guardian, we analyzed dependent information of all 884,453 recipients of SNAP, TAFDC, and EAEDC benefits as of September 30, 2012. Our analysis determined that 178 guardians were claiming a dependent who was deceased or was using a deceased individual's SSN. We estimate that these 178 dependents with questionable eligibility continued to receive approximately \$368,136 in benefits from July 1, 2010 through September 30, 2012. We also found an additional 80 instances in which 40 children appeared to have multiple DTA recipients claiming them as dependents or were using another individual's SSN. We estimate that these 40 dependents received \$164,040 in questionable SNAP, TAFDC, and EAEDC benefits from July 1, 2010 through September 30, 2012.

d. DTA Paid over \$662,000 to Individuals Who Were Receiving Benefits under Two Separate Accounts and over \$359,000 to Individuals with the Same Social Security Number

We found that 26 individuals received SNAP benefits simultaneously under two separate accounts. DTA's BEACON3 system contains an edit check to identify and prevent a person already in the system from being entered into the system twice. However, these individuals' SSNs and/or names were entered into BEACON3 slightly differently in each case (e.g., middle initials added, digits in the SSN juxtaposed). These individuals all have two SSNs and separate active payment streams associated with them, yet appear to have the same name, live at the same address, and are approximately the same age. We determined that, for the period July 1, 2010 through September 30, 2012, at least \$662,128 in questionable payments had been received by these recipients. In addition, our analysis revealed that 21 SSNs were being used by more than one individual, each having different names and different dates of birth from each other. We determined that at least \$359,311 in questionable payments had been received by these recipients.

e. Inadequate Controls over Invalid Social Security Numbers

Applicants who have applied for, but have not yet received a SSN (e.g., newborns) are supplied with a temporary SSN when applying for DTA benefits. These temporary or “facsimile” SSNs, beginning with digits 991 through 999, are BEACON3-generated numbers that are assigned sequentially in each TAO. Once an actual SSN is obtained for a grantee or dependent child, the applicant must inform the DTA.

According to 106 Code of Massachusetts Regulations (CMR) 701.230, applicants without an SSN are allowed up to six months to provide one to DTA but in the interim must provide DTA with written verification from the SSA that they have applied for an SSN. Failure to comply with this requirement automatically excludes an applicant from receiving benefits until this information is provided.

However, we found that, during our audit period, DTA had not adequately formalized its policies and procedures to ensure that recipients had valid SSNs. We also found that DTA did not systematically reverify eligibility information regarding active participants with temporary SSNs. At the time of our audit, DTA’s reverification process was inconsistent, with the eligibility status of only some recipients being updated as part of various database-matching activities.⁶ However, even the methods being used do not ensure that the eligibility of the recipient population is properly updated or that such updates are performed completely and in a timely manner.

In fact, we determined that certain recipients have been allowed to receive benefits for an extended period of time without having a valid SSN. Specifically, using the information in DTA’s BEACON3 system, we were able to identify 9,580 individuals who were currently using an invalid temporary SSN. We reviewed a statistical sample of 97 individuals, from the total population of 9,580 individuals, based on a 95% confidence level, an expected error rate of 3% and a maximum tolerable error rate of 8%. In order to support our sampling methodology, the sample test would have to show no more than three instances of invalid temporary SSNs being used for longer than six months. However, we found that 13 of the 97 individuals tested had been using an

⁶ DTA database matching activities could include verification of the applicant’s income with the Massachusetts Department of Revenue and asset verifications with the Registry of Motor Vehicles.

invalid temporary SSN for periods ranging from one month to almost three years beyond the six-month period. Therefore, the maximum tolerable error rate is statistically projected to be as many as 21.3% of the population of 9,580, or 2,040 recipients with invalid SSNs beyond the six-month extension period. In our review of the sample case documentation in the BEACON3 case management system, we found no indication that an application to receive an SSN had been filed with the SSA. We determined that, at the time of our audit, DTA had not adequately formalized its policies and procedures to identify appropriate and consistent eligibility criteria regarding the use of “900” SSNs to ensure that benefit recipients are appropriately and consistently determined to be eligible for benefits.

We also determined that DTA does not routinely reverify eligibility information regarding active participants with temporary SSNs. At the time of our audit, the reverification process was inconsistent, with the eligibility status of only some recipients being updated as part of various activities. Without systematic and timely reviews of this information, there is inadequate assurance that current information is used to determine a recipient’s eligibility. Moreover, since having an SSN is a requirement for receiving benefit payments, the absence of proper SSN information reduces DTA’s ability to verify other benefit eligibility factors, such as recipient income.

Recommendation

In order to address our concerns relative to these matters, DTA should:

- Develop policies and procedures that address the use of information to identify when recipients have died, stop the payment of benefits to deceased clients in a more timely manner, and prevent the use of EBT cards by unauthorized persons after the death of a recipient.
- Ensure that BEACON3 is using a comprehensive national SSA database to perform its death matches and SSN verifications, and regularly perform checks to ensure that information in participant databases is accurate and complete.
- Develop edit checks within the BEACON3 system to ensure that a dependent can be claimed by only one guardian.
- Review all temporary SSNs in the BEACON3 data base and terminate the benefits of recipients who have not acquired a valid SSN as required by 106 CMR 701.230.

Auditee's Response

In response to this issue, DTA provided comments indicating that it agrees with our conclusions in a number of areas and has taken various actions, as follows:

As part of [the Interim Commissioner's] 100-day Action Plan, DTA is automating a number of data matches, including the U.S. Department of Commerce Death Master File, which is produced by the Social Security Administration (SSA). DTA is simultaneously developing policies and procedures, and automating compliance. . . .

DTA currently assigns a temporary identification number to recipients who do not provide a valid social security number. DTA implemented a process to identify benefit recipients who did not provide valid social security numbers at the time of application but subsequently received one from the Social Security Administration. DTA is streamlining and automating the ongoing reconciliation process. . . .

DTA will add these criteria [additional sources of information to identify when clients have died] to the review processes performed by the Local Office Quality Control unit.

In its response, DTA also provided additional information regarding the questionable expenses we identified, as follows:

DTA Provided at Least \$2.39 Million in Benefits to Individuals Who Appear to Have Been Deceased:

DTA currently matches with the Social Security Administration SDX and Beneficiary and Earnings Data Exchange (BENDEX), Department of Public Health Registry of Vital Records and Statistics and US Department of Commerce Death Master files to obtain death data. In the past two years, DTA has closed over 12,000 cases due to a death that was reported or determined by one of our matches. The Department is interested in any other databases that the SAO team used to detect and verify deaths.

The SAO audit team provided DTA with identifying information for 178 members who had been identified as deceased.

The Department reviewed these cases and determined that there were 13 clients listed twice, leaving 165 cases in question.

- *71 were confirmed to be deceased, and*
 - *54 of them were already closed when DTA received the information.*
 - *The remaining 17 cases were closed as a result of the death information received from the SAO team.*
- *79 cases were confirmed as not deceased.*
 - *66 of these were a result of data entry error of the recipient's SSN into the Department's system.*

- DTA is uncertain why the 13 remaining cases who were not deceased were cited by the audit team.
- The remaining 15 cases have been closed for various reasons, with an effective date of May 1st, 2013.

Unauthorized Persons Allowed to Use Benefits after Recipient Death:

While DTA already received death matches directly from the Social Security Administration and the Massachusetts Department of Public Health, in March 2012 DTA expanded its data sources by purchasing the Death Master File from the US Department of Commerce. The development of the match was completed in July 2012, when the Data Matching Unit began receiving the new data files. This new match has resulted in closings, reductions and fraud/overpayment referrals. . . .

DTA Paid at Least \$532,000 in Questionable Dependent Claims:

It is the Department's policy to pursue recoveries for benefit over-issuance and to make fraud referrals, as appropriate. The Department was not provided with case specifics, and therefore cannot address this finding directly.

However, given the two situations outlined in the report, DTA can offer additional policy and procedural information. Under the TAFDC program, it is not uncommon for dependent children to be under the care and control of an adult relative who is not their parent. There may be temporary overlap as adult relatives verify that they are exercising care and control over the child. To address lag in tracking guardianship, DTA automated and expanded its match with the Department of Children and Families (DCF) in September 2012 to include adoption and foster care subsidy cases, while also ensuring that no further data verification steps are required. This match is used in the determination of family composition, as well as identification and verification of undisclosed subsidies that may affect benefit levels. The automation of this match has reduced the number of days needed to fully process the match from one month to only four days.

DTA Paid over \$662,000 to Individuals Who Were Receiving Benefits under Two Separate Accounts and over \$359,000 to Individuals with the Same SSN:

The audit identified 26 cases where it appeared that individuals had received benefits under two separate accounts.

- 18 of the cases were, in fact, 36 individual recipients with the same name and living at the same address.
 - Of the 36 individuals, 32 had validated social security numbers and 4 had temporary identification numbers (999 Numbers);
 - 26 of the 32 with validated SSNs had verification of identity;

- *8 of the cases, 7 had incorrect SSNs, in which 6 were the result of data entry errors.*
 - *1 case received one month of benefits for which they were not eligible, and is currently under a repayment plan with DTA.*
 - *1 case resulted from a data entry error in entering an applicant's SSN and an inappropriate access of benefits, resulting in an overpayment / fraud referral. The case is pending an Intentional Program Violation (IPV) hearing;*
 - *1 case involved an individual with 2 different SSNs. The Department has verified that the individual did not access benefits under both numbers, and has voluntarily signed over the benefits for the account that had not been accessed. An overpayment /fraud referral was completed, and is currently pending an IPV hearing.*
 - *The remaining five cases containing data entry errors have been corrected.*

Inadequate Controls over Invalid Social Security Numbers:

. . . . The Department has long verified clients' SSNs through nightly systems runs with SSA. In February 2013, the Department implemented additional improvements to its verification of SSNs through the automation of matches with Social Security Administration data sources. On a monthly basis, the Department matches its clients with facsimile SSNs against the SSA databases to determine if an SSA-issued SSN has been obtained. If one has been obtained, the Department's eligibility system is automatically updated with the new SSN.

Auditor's Reply

Although in its response DTA indicates that it does conduct matches of recipient SSNs with various databases, our audit testing identified a number of problems in this area, which indicated that DTA's matching process should be made more effective. Although we recognize that DTA has attempted to improve its controls in this area, it clearly needs to monitor and evaluate the effectiveness of these controls to ensure that they are functioning as intended.

As stated in our report, we identified 178 guardians (including 13 guardians who had received both SNAP and either TAFDC or EAEDC benefits) who were claiming a dependent who was deceased or was using a deceased individual's SSN to obtain benefits. Based on its response, DTA's investigation into this issue supported the OSA's contention that DTA needs to effect better controls over this activity.

In its response, DTA indicated that it found that 66 of these 178 individuals were in fact not deceased but appeared to be so due to data entry errors. Based on this assertion, DTA clearly needs to take measures to better ensure that the data being entered into its BEACON3 system is complete and accurate in order to effectively administer program benefits. Further, although it is not clear what DTA means by a data entry error, we believe that this could pertain to the “verified by client” process used by DTA. This process allows a recipient-provided SSN to be recorded within BEACON3 without having the SSN number electronically verified through an automated computer matching process, in effect an “honor system” that provides less than adequate assurance that this recipient information is accurate.

Our testing found recipients who received benefits beyond the six-month time period allowed by DTA policies. Although the new eligibility system is updated automatically in the BEACON3 system when a new SSN is issued, our concern is that recipients can still be receiving benefits when a confirmation has not occurred. Accordingly, we encourage DTA to modify the system to identify accounts that are still using a facsimile SSN after six months and to terminate those benefits.

Finally, we are pleased that our audit work in this area has assisted DTA in identifying at least three cases that have resulted in the recoupment of funds and other measures to address the improper receipt of benefits. The actions taken and being taken by DTA relative to the issues discussed in the audit finding should serve to better ensure that only eligible individuals receive benefits.

2. INADEQUATE INVENTORY AND PHYSICAL SECURITY CONTROLS OVER BLANK EBT CARDS

We determined that DTA did not have adequate inventory and physical security controls over blank EBT cards. For example, we found that there was inadequate segregation of duties involving the recording, inventory, and reconciliation of blank EBT cards. As a result, our testing revealed that over 30,500 cards noted on the Card Issuance System (CIS) EBT card inventory listing as being shipped to five TAOs could not be reconciled to CIS Inventory Shipping forms. In addition, at the Worcester TAO we noted certain inadequate physical security controls over EBT cards. These internal control shortcomings heighten the

risk of abuse of blank EBT cards, which is an area of concern noted by previous DTA internal investigations.

a. Inadequate Inventory Controls

Contrary to DTA policies and procedures, we determined that DTA did not have adequate inventory and physical security controls over blank EBT cards. DTA's policies and procedures state, in part:

The CIS Inventory Shipping Form must be initialed and dated by the receiver and returned to the Benefit Issuance Unit by fax, or mail.

Our testing revealed that over 30,500 cards noted on the CIS EBT card inventory listing as having been shipped to five TAOs could not be reconciled to CIS Inventory Shipping forms. We also noted a lack of segregation of duties of staff involved in this process. Specifically, the CIS Daily Card Reconciliation Log was completed by the same person (card-issuance clerk) who issues EBT cards to recipients, and no other internal control existed, such as having a separate person at the TAO office (supervisor or higher level) physically count the blank cards in the printer hopper and physically count the number of EBT Card Signature Sheets that were completed for card issuance only. Also, calculations required to reconcile the log were performed by the card-issuance clerk. Without adequate segregation of duties, there is a risk that errors could be concealed or not detected in a timely manner. For this reason, management must consider the principle of segregation of duties when designing and defining job responsibilities and must implement the necessary control procedures to ensure proper segregation of duties.

Blank EBT cards are shipped from DTA's Central Office's Benefit Issuance Unit (BIU) when requested by a TAO. The cards are shipped to TAOs in boxes of 500-count increments along with a CIS Inventory Shipping Form that lists the number of cards in the shipment. Since blank EBT cards are shipped without any distinguishing marks, serial numbers, or text stamped on them, it is important that CIS security and handling procedures be followed. These procedures require that once received, the package should be opened and a physical count of each card be taken and verified by the TAO Director or his or her designee. If in agreement, the CIS Inventory Shipping Form is initialed, dated, and returned to the BIU by fax or mail. The new supply of cards should

then be added to the Safe Inventory Log and be locked in the TAO's safe, which must be located in a secured area of the building inaccessible to clients and unauthorized staff.

To determine whether DTA's established procedures and safeguards over EBT cards were being adhered to, we obtained the CIS EBT card inventory listing that recorded every EBT card shipment made from the BIU to all TAOs. We then selected five TAOs and requested from them all signed and unsigned CIS Inventory Shipping Forms that were sent by BIU during our test period. We then compared these shipments on the BIU inventory listing to each of the supplied CIS Inventory Shipping Forms and made note of any discrepancies. Our analysis revealed that, of the 116,495 EBT cards recorded on the BIU inventory listing as being shipped to the five TAOs, approximately 74%, or 85,981, reconciled to CIS Inventory Shipping Forms, leaving a total of 30,514 EBT cards that were not reconcilable. Below is a breakdown, by TAO, of the number of blank EBT cards that were missing proper documentation and not reconcilable.

Name of TAO	Cards Shipped from Central Office	Cards Noted within CIS Inventory Shipping Forms	Difference
Newmarket Sq.	31,000	24,000	7,000
Dudley Sq.	33,500	28,000	5,500
Chelsea	16,998	15,991	1,007
Worcester	22,997	17,990	5,007
Brockton	12,000	0	12,000
Totals	116,495	85,981	30,514



Significant Discrepancies in EBT Card Inventories

DTA's Card Issuance System and Handling Procedures stipulate that, after the order has been audited and verified, the CIS Inventory Shipping Form must be initialed and dated by the receiver and returned to the Central Office's BIU by fax or mail. However, our review of all 98 CIS Inventory Shipping Forms showed that 26 (27%) were not initialed or dated as required. The BIU was unable to address the high deficiency rate we identified through our testing because it discards the signed faxed or mailed copies of the CIS Inventory Shipping forms immediately after receiving them from the TAOs.

CIS Inventory Shipping Form		
TAO	No. of Inventory Shipping Forms Reviewed	No. of Inventory Shipping Forms without Initial and Date
Worcester	19	15
New Market	25	5
Dudley	37	5
Chelsea	17	1
Brockton*	0	0
Totals	98	26

* Brockton TAO staff indicated that they dispose of the CIS Inventory Shipping Forms immediately after faxing them to the BIU at the Central Office. In addition, the BIU was unable to confirm that Brockton had faxed the signed shipping forms since it immediately disposes of the forms upon receiving them from each of the 22 statewide TAOs.

We also noted two instances in which the number of cards received by the TAOs was different than the number indicated on the Inventory Shipping Forms. The Chelsea TAO followed proper procedures and advised the Central Office via email of the discrepancy of the card count difference. The Worcester TAO made note on the Inventory Shipping Form of the card count discrepancy but was unable to provide the audit team with either an email or a copy of the faxed document to the Central Office's BIU denoting the difference. We then requested from the Deputy Director of the BIU a copy of the Inventory Shipping Form fax received from the Worcester TAO as confirmation that shipments were received. However, the audit team was informed that the BIU does not maintain copies of the signed and dated CIS Inventory Shipping Forms and destroys them upon receipt.

In effect, we found that TAOs are being allowed by the BIU to disregard DTA's internal control of signing the CIS Inventory Shipping Form and returning it by fax or mail as a way of ensuring the Central Office has a formal record for the exact quantities of blank cards shipped were received and verified. By not maintaining the required documentation for shipments of blank EBT cards, DTA increases the risk of blank cards being improperly obtained and misused.

In this regard, two DTA internal investigative reports previously found that a DTA caseworker and an EBT card-issuing clerk had entered recipients' personal information onto blank EBT cards and then later assigned their own passwords to the cards, which allowed them to access the recipients' cash and SNAP benefits.⁷ DTA was cited in both the fiscal year 2011 and the fiscal year 2012 Single Audit of the Commonwealth for missing EBT Card Signature Sheets (which are required to be signed by the EBT card recipient and initialed by the card-issuance clerk) for the period July 1, 2010 through January 31, 2011. The fiscal year 2012 Single Audit also noted instances in which Card Signature Sheets were not properly initialed by the card-issuance clerk. Missing blank EBT cards and missing or improperly signed and approved EBT Card Signature Sheets may be indicative of fraudulent activity.

⁷ These individuals were later prosecuted and convicted by the Office of the Attorney General.

b. Inadequate Physical Security Controls

We also found inadequacies in the physical security controls over blank and emergency EBT cards at the Worcester TAO. Specifically, we noted the following issues:

- The safe that contained blank EBT cards was located in a pass-through area that led to an office supply closet where interns would gather on a regular basis. We also observed DTA caseworkers conducting interviews with benefit recipients right outside the open door to the pass-through area. DTA's CIS Security and Handling Procedures clearly state that the safe must be located in a secure area of the building that is inaccessible to clients and unauthorized staff.
- Contrary to DTA policies and procedures, emergency EBT cards were not being properly secured in a sealed and signed envelope within the TAO's locked safe. DTA's policies and procedures state, in part:

The TAO Director or his/her designee must examine the sealed envelope on a weekly basis. If the envelope appears to have been tampered with, a physical count must be performed. If any emergency cards are missing, a written report must be prepared and submitted to the BIU as described previously.

However, we found no documentation indicating that a physical count of EBT cards was performed or that a written report was completed, even though we observed an unsealed emergency card stock envelope.

- OSA staff observed that a desk drawer containing 50 blank EBT cards was half opened and not locked within the area in which EBT cards are printed/activated.

Recommendation

We recommend that the BIU monitor each shipment sent to the TAOs to ensure that confirmation is received from the TAO and that the quantity of blank cards shipped from the Central Office agrees with the amount of blank cards received by the TAOs. We also recommend that DTA's Internal Audit Unit make unannounced visits to TAOs to ensure that proper safeguards are in place over EBT cards, all CIS Inventory Shipping Forms are signed dated and on file, and all shipments received reconcile to the safe inventory logs. We further recommend that the Instructions for Completing the CIS Daily Card Reconciliation Log be amended to ensure appropriate segregation of duties.

At the end of each business day, an independent supervisory-level person at each TAO office should physically count the blank cards in the printer hopper and physically count the number of EBT Card Signature Sheets each day that were completed for card issuance only.

This individual should also perform the calculations required to reconcile the log and sign off that they have completed the task. The TAO Director should perform checks to ensure that the policies and procedures are being followed. In addition, DTA management should re-examine the physical security controls in the Worcester TAO and implement the necessary controls to ensure that blank and emergency EBT cards are properly safeguarded.

Auditee's Response

In response to this issue, DTA stated, in part:

DTA has been working to strengthen inventory control over EBT cards, and appreciates the recommendations received from the audit team. Since December 2012, DTA's newly hired Director of Internal Controls has focused on EBT card monitoring and inventory reconciliation procedures, and has implemented a number of steps to strengthen the process at both DTA central office and the local offices. . . .

DTA looks to improve its Card Issuance System (CIS) inventory controls to strengthen and minimize risk associated with EBT card inventory. DTA underwent a significant effort to update internal controls and procedures, as well as communicate them, and begin to systematically monitor their implementation. . . .

The Worcester TAO was one of five offices selected for inspection. A flood occurred in July 2012 which substantially impacted the space utilization of the office for several months and resulted in temporary changes to the storage and security of the EBT card inventory. DTA would like to provide the following information regarding the findings noted in the report specific to that office:

- The safe containing all negotiables including EBT cards is locked at all times. It is located in a room recommended as the most secure location in the facility. Following the flood, this room was also used to store items previously kept elsewhere in the building. Because staff needed to access items kept in the temporary storage area, the security guard was asked to patrol the area with increased frequency in order to maintain the security of the safe and the EBT cards.*
- All emergency EBT cards are kept in a sealed envelope and are inspected weekly by management. At no time was the envelope unsealed exposing emergency EBT cards and none of the cards were missing which would require a written report.*
- The 50 blank cards observed by the auditors were part of the working "active" inventory of EBT cards, which allow the clerk to issue cards to clients without having to retrieve a blank card from the safe at each individual request. Internal control protocols require that the number of cards needed for issuance be signed out of the safe and kept in the card*

issuance printer, a locked desk or room. The 50 blank cards were the "active" cards which were kept in a secure room staffed by the clerk responsible to issue cards. When the clerk exits the room, the door is locked. In addition, security staff patrol the area at all times to ensure appropriate security of all negotiables. . . .

Additionally, controls have been modified at Central Office to retain all signed and dated CIS Inventory Shipping forms received from the TAOs. The signed and dated CIS Inventory Shipping forms are being reconciled monthly to the CIS Inventory Spreadsheet on which every shipment is logged.

The new internal controls procedures were implemented effective March 2013. These procedures align with, and, in some cases, go beyond the SAO recommendations. DTA is monitoring its implementation in all TAOs by making physical visits. The TAOs are being monitored to ensure compliance with the new controls. In the event of a finding of noncompliance, the procedures are reinforced with the TAO Director and the TAO is revisited in the following weeks to confirm compliance.

Auditor's Reply

As stated in our report, OSA staff identified a number of internal control weaknesses relative to EBT cards during our site visit to the Worcester TAO (e.g., an unsealed manila envelope that included the entire stock of emergency EBT cards). Prior to leaving the Worcester TAO, OSA staff informed the Assistant Director that the emergency EBT card envelope was not sealed in a manner that would detect tampering. In contrast, a common practice we observed in place at the other four TAOs was security tape being used to seal shut the emergency card envelope, making it easier to visually detect whether any tampering has occurred.

With respect to the 50 blank cards we observed in an unlocked desk, no DTA policy allows for blank EBT cards to be kept in a locked desk or room. In fact, DTA's CIS Security and Handling Procedures state, "If additional cards are needed during the business day, record the number of cards added to the CIS printer (hopper)." For this reason, DTA should ensure that this practice is stopped. Our concern over the proper handling of blank EBT cards originated from our review of DTA's own Internal Fraudulent Investigative reports that found legitimate recipient benefits being accessed and fraudulently used by a caseworker and a card- issuance clerk. Access to blank EBT cards in an unlocked desk drawer provides the opportunity for misuse.

That said, we believe the actions taken by DTA to implement our recommendations, including having the Central Office retain all signed and dated CIS Inventory Shipping Forms received from the TAOs, are responsive to our concerns.

3. EBT SYSTEM MANAGEMENT REPORTS NOT BEING USED TO IDENTIFY POTENTIALLY FRAUDULENT ACTIVITIES BY RECIPIENTS AND VENDORS

Our audit found that DTA does not use any of the management reports provided by its EBT contractor to assist in the detection of potentially fraudulent activities by SNAP, TAFDC, and EAEDC recipients and retailers. By failing to use such management reports, DTA is limiting its ability to proactively detect instances of potential recipient fraud. In fact, our analysis of available EBT management reports revealed instances of questionable or suspicious activities that may indicate recipient misuse of SNAP, TAFDC, and EAEDC benefits totaling over \$15 million⁸ that could have been identified by DTA and investigated.

In accordance with 7 Code of Federal Regulations (CFR) 274.12 (b), ACS issues management reports to DTA that monitor the use of EBT cards by SNAP recipients. These Electronic Payment Processing Information Control (EPPIC) reports are intended to assist DTA with program management, operations, and performance. Through analysis of these reports, DTA can identify trends in recipient transactions that may indicate the abuse or misuse of benefits.

Our analysis of EPPIC reports that ACS makes available to DTA identified SNAP, TAFDC, and EAEDC redemption activity that appeared unusual and should have been reviewed by DTA had it been using the information in these reports. We analyzed six different EPPIC reports and identified patterns of suspicious transactions, such as (a) excessive even-dollar transactions, (b) excessive EBT card usage, (c) out-of-state transactions, (d) manual card entries, (e) full SNAP balance withdrawals, and (f) multiple transactions within a one-hour period, as discussed below.

a. Excessive Even-Dollar Transactions

The Even-Dollar Transaction Report is a monthly report that identifies approved even-dollar SNAP transactions that are equal to or more than \$100. This report is useful in

⁸ Even-dollar transactions totaling \$1.52 million, out-of-state transactions totaling \$4.58 million (all distant states and territories plus New Jersey), manual card transactions totaling \$.84 million, full SNAP balance withdrawals totaling \$4.99 million, and multiple transactions within one hour totaling \$3.64 million.

identifying potential fraudulent activity by participants because food purchases seldom end in even-dollar amounts. For this reason, even-dollar transactions may indicate instances in which retailers may be exchanging a participant's food stamp benefits for cash.

We reviewed the Even-Dollar Transactions Reports for the 12-month period September 2011 through August 2012 and determined that 145,276 recipients accessed \$56.7 million via 333,379 transactions in even-dollar SNAP purchases at 2,863 retailers throughout the Commonwealth, including one retailer that had 16,361 even-dollar transactions valued at over \$2.8 million during this period.

We then examined these even-dollar transactions to determine whether any particular retailer or benefit recipient repeated throughout the list. Searching the transactions for even-dollar amounts quickly revealed a set of retailers and individuals whose cards showed a large number of such transactions. Specifically, we identified 10 retailers that had 9,237 suspicious⁹ even-dollar transactions totaling \$1.5 million, as shown below:

Test of Even-Dollar Purchases at Small Retailer Markets		
Retailers	Even-Dollar Transactions	Total Dollar Value
Retailer 1	4,822	\$744,793
Retailer 2	775	\$128,006
Retailer 3	500	\$109,198
Retailer 4	695	\$120,046
Retailer 5	503	\$104,530
Retailer 6	553	\$87,986
Retailer 7	329	\$60,259
Retailer 8	581	\$88,411
Retailer 9	316	\$48,989
Retailer 10	163	\$27,579
Totals	9,237	\$1,519,797

An example of a recipient's suspicious activity is nearly duplicate transactions at the same store over a span of a few months. Such activity can indicate benefit trafficking whereby the recipient sells his or her food benefit to a merchant for cash instead of eligible food

⁹ An example of suspicious retailer activity would be a large number of SNAP even-dollar transactions at a small "mom and pop" grocery.

items. Below is an actual representation of one recipient's EBT card activity that had 23 even-dollar transactions totaling \$3,300 at one retailer over a 12-month period.

Recipient No. 1 Even-Dollar Transactions, September 2, 2011 through August 2, 2012

No.	Date of Transaction	Time of Transaction	Amount of Transaction	Retailer
1	9/2/2011	9:05:46	\$200.00	Retailer 1
2	9/3/2011	10:25:50	\$100.00	Retailer 1
3	9/3/2011	17:47:55	\$150.00	Retailer 1
4	10/3/2011	9:23:11	\$120.00	Retailer 1
5	11/7/2011	9:10:29	\$200.00	Retailer 1
6	11/7/2011	15:48:02	\$120.00	Retailer 1
7	12/2/2011	8:18:01	\$400.00	Retailer 1
8	1/2/2012	8:42:37	\$200.00	Retailer 1
9	1/2/2012	8:43:01	\$100.00	Retailer 1
10	1/2/2012	9:44:35	\$120.00	Retailer 1
11	2/2/2012	8:12:10	\$100.00	Retailer 1
12	2/2/2012	8:12:44	\$200.00	Retailer 1
13	2/3/2012	9:13:02	\$100.00	Retailer 1
14	3/2/2012	7:57:37	\$100.00	Retailer 1
15	3/2/2012	18:58:57	\$100.00	Retailer 1
16	4/2/2012	14:47:13	\$200.00	Retailer 1
17	4/2/2012	14:48:10	\$100.00	Retailer 1
18	4/4/2012	13:44:13	\$120.00	Retailer 1
19	5/3/2012	11:54:22	\$150.00	Retailer 1
20	6/2/2012	10:09:23	\$100.00	Retailer 1
21	7/2/2012	8:56:14	\$100.00	Retailer 1
22	7/2/2012	8:57:14	\$100.00	Retailer 1
23	8/2/2012	14:31:02	\$120.00	Retailer 1
Total			\$3,300.00	

b. Excessive Reissuances of EBT Cards

Our analysis of the EPPIC Card Issuance Tracking Reports revealed that over 9,800 people had requested and received 10 or more EBT replacement cards since 2006. The issuance of excessive replacement EBT cards may indicate that trafficking is occurring. According to the United States Government Accountability Office (GAO),¹⁰ trafficking

¹⁰ GAO report number GAO-07-53 "Food Stamp Trafficking: FNS Could Enhance Program Integrity by Better Targeting Stores Likely to Traffic and Increasing Penalties," released on October 13, 2006.

occurs when SNAP recipients exchange SNAP benefits for cash instead of food with authorized retailers. In a typical trafficking situation, a retailer gives a food stamp recipient a discounted amount of cash (e.g., 50 cents on the dollar) in exchange for food stamp benefits and pockets the difference. By trafficking, recipients and retailers commit fraud and undermine the primary purpose of the program, which is to help provide nutritious food to low-income individuals and families.

For fiscal year 2012, DTA issued approximately \$1.35 billion in SNAP benefits through more than 859,000 active EBT cards. Over 360,000 of these cards were reissued to recipients; however, no statistics or other information regarding percentage of cards reissued, timing of reissuance, the amount of benefits transferred to new cards, or recipients with multiple reissuances in one month, consecutive months, or annually are compiled or used by DTA to assist in its ability to properly monitor EBT card activities. TAOs issue/reissue EBT cards based on information provided by BEACON3, DTA's eligibility computer system. Approximately 42% of the 859,000 total active cards as of July 2012 were reissued in fiscal year 2012.

The EPPIC Card Issuance Tracking Report that ACS issues on a monthly basis to DTA lists all recipients who have received 10 or more reissuances since the inception of the EBT card system. However, DTA has not developed any standard policies or procedures for using these reports to monitor, evaluate, or follow up on suspicious patterns of behavior. Furthermore, no documentation is required to be included in the BEACON3 system to identify recipients requiring follow-up actions, indicate what follow-up actions were performed, or note the results thereof.

The Card Issuance Tracking Report from March 2006 to July 2012 contained 9,846 recipient cases with reissued EBT cards totaling over 147,000, as shown in the following chart:

Card Count Group	Number of Recipients	Percent of Total Recipients	Number of Replacement Cards	Percent of Total Replacement Cards
10 - 16	7,296	74.10%	88,688	60.01%
17 - 22	1,597	16.22%	30,282	20.52%
23 - 29	595	6.04%	15,129	10.25%
30 - 35	194	1.97%	6,217	4.21%
36 - 42	96	0.98%	3,689	2.50%
43 - 48	35	0.36%	1,590	1.08%
49 - 55	21	0.21%	1,078	0.73%
56 - 61	4	0.04%	231	0.16%
62 - 70	4	0.04%	262	0.18%
79 - 83	2	0.02%	162	0.11%
87 - 127	2	0.02%	214	0.15%
Totals	9,846	100%	147,542	100%

One reason for the significant number of EBT replacement cards could be that DTA lacks a policy requiring TAOs to investigate and/or interview recipients when they have repeated requests for EBT replacement cards.

We asked DTA officials about their knowledge of the Card Issuance Tracking Report; whether the report is used to identify, monitor, and identify potential fraud; and whether (complaints about) potentially fraudulent cases are referred to internal and/or external investigators. In response, these officials told us that they were aware of the existence of the Card Issuance Tracking Report, but did not utilize it because the information contained therein did not always agree with information in its BEACON3 system. However, we compared the data within the Card Issuance Tracking Report to the data within DTA's BEACON3 system and determined that the number of the replacement cards represented within the report either exactly or closely matched the number of replacement cards denoted within the BEACON3 system.¹¹ Accordingly, we believe the Card Issuance Tracking Report data were sufficiently reliable for DTA to use to identify questionable activity in this area.

¹¹ Our analysis determined that for our sample of 72 benefit recipients receiving replacement cards totaling 2,920, only 1.3% of the total, or 39, could not be verified within the BEACON3 system.

c. Out-of-State Transactions

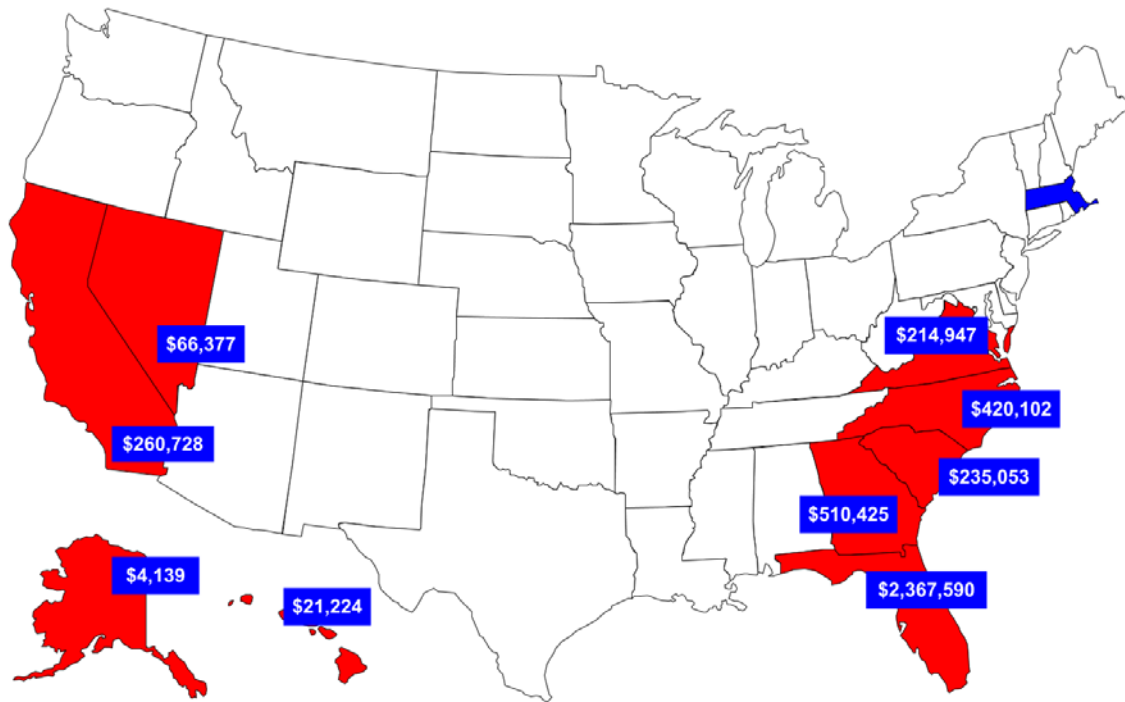
The EPPIC monthly Out-of-State Activity Reports provide details on out-of-state transactions completed by Massachusetts clients. Although transactions outside Massachusetts are within the law, the Out-of-State Activity Report is a useful management tool for identifying recipients who might be receiving duplicate benefits in another state during the same period and/or have not reported a change in residence. Both occurrences are contrary to program regulations.

Our analysis of this report determined that, for the period of November 2011 through April 2012, recipients accessed more than \$27 million in benefits via 666,767 transactions outside the Commonwealth of Massachusetts. The OSA acknowledges that many eligible recipients have valid reasons for using EBT cards out-of-state, including employment and family obligations. However, the Out-of-State Activity Reports we reviewed revealed that recipients used Massachusetts EBT cards in almost every state as well as two territories, including as far away as Hawaii, Alaska, California, Florida, and the Virgin Islands. The reports identified cash and SNAP recipients who used EBT cards to withdraw over \$4 million from November 2011 through April 2012 at retailers located outside of the New England area as indicated in the table below.

November 2011 to April 2012 by Distant States and Territories

State	Cash Transactions	Cash Amount	SNAP Transactions	SNAP Amount	Total Transactions	Total Amount
Florida	5,701	\$444,983	62,821	\$1,922,607	68,522	\$2,367,590
Georgia	1,440	\$101,431	12,411	\$408,993	13,851	\$510,425
North Carolina	1,094	\$78,124	10,854	\$341,978	11,948	\$420,102
California	523	\$41,748	9,802	\$218,980	10,325	\$260,728
Virginia	450	\$35,620	5,845	\$179,327	6,295	\$214,947
South Carolina	612	\$45,912	6,058	\$189,140	6,670	\$235,053
Nevada	175	\$11,827	2,152	\$54,551	2,327	\$66,377
Puerto Rico	406	\$49,230	178	\$6,749	584	\$55,980
Virgin Islands	13	\$1,418	238	\$13,856	251	\$15,275
Hawaii	35	\$2,701	660	\$18,523	695	\$21,224
Alaska	3	\$311	68	\$3,828	71	\$4,139
Grand Total	10,452	\$813,305	111,087	\$3,358,532	121,539	\$4,171,840

Distant State EBT Card Usage (in Dollars)



Our audit also identified the top two cities for cash and SNAP benefits for each of the identified distant states and territories, as identified below:

No.	State	City 1	City 2
1	Florida	Orlando	Kissimmee
2	Georgia	Atlanta	Riverdale
3	North Carolina	Charlotte	Greensborough
4	California	Los Angeles	Oakland
5	Virginia	Norfolk	Richmond
6	South Carolina	Myrtle Beach	Greenville
7	Nevada	Las Vegas	Henderson
8	Puerto Rico	Caguas	Bayamón
9	Virgin Islands	St. Thomas	St. Croix
10	Hawaii	Honolulu	Hanalei
11	Alaska	Anchorage	

We also determined that transactions made in four New England states, as well as New York and New Jersey (where nonresidents could potentially be receiving public assistance benefits) totaled over \$21 million for the six months tested, as shown below.

November 2011 to April 2012 by New England States, New York and New Jersey

State	Cash Transactions	Cash Amount	SNAP Transactions	SNAP Amount	Total Transactions	Total Amount
New Hampshire	16,387	\$1,203,970	223,381	\$11,901,139	239,768	\$13,105,110
Rhode Island	8,726	\$1,146,981	86,731	\$3,037,125	95,457	\$4,184,105
Connecticut	4,950	\$107,355	49,049	\$1,582,286	53,999	\$1,689,641
New York	3,947	\$113,348	46,250	\$1,407,262	50,197	\$1,520,610
New Jersey	1,149	\$30,408	12,835	\$377,518	13,984	\$407,926
Maine	1,500	\$406,545	12,747	\$382,978	14,247	\$789,523
Grand Total	36,659	\$3,008,607	430,993	\$18,688,308	467,652	\$21,696,915

In late 2011, DTA determined that a large number of SNAP households had been accessing their SNAP benefits electronically through EBT, for over 90 days in out-of-state locations, which according to DTA is “an indication that the households may no longer reside in Massachusetts.” In fact, according to DTA regulations 106 Code of CMR 203.660, which apply to the TAFDC program, a temporary absence that exceeds 60 calendar days shall create a rebuttal presumption that Massachusetts residency has been abandoned and that eligibility for assistance has ceased. These-out-of state transactions then require a fair hearing and submission verification review by DTA senior management because of the frequency of out-of-state usage.

On November 16, 2011 DTA’s Data Matching Unit (DMU) sent notices to 940 SNAP households identified as having consistently used their benefits out of state, requesting that they provide verification of current Massachusetts residency within 10 days of the notice date or face automatic termination of their benefits. However, our review determined that individuals were still receiving SNAP benefits for more than 90 days outside the Commonwealth. For example, we found that one individual began receiving SNAP benefits in St. Thomas in the Virgin Islands in November 2011 and continued to receive such benefits through March 2012. Another individual received SNAP and cash

public assistance for five straight months in Florida and made monthly cash withdrawals in the cities of St. Cloud, Fort Myers, and Jacksonville, a span of over 465 miles.

DTA's Assistant Commissioner indicated that DTA is aware of this issue and is working to develop policies to address it.

d. Manual Card Entries

The Manual Card Entry Report lists approved monthly SNAP transactions in which the EBT card number was manually entered into a POS terminal, not swiped. Although this report can be used to identify damaged/lost EBT cards, it can also be used by DTA investigators to detect potential fraud at a retailer location, if multiple manual card entries have been made. One possible potential fraud scenario is when retailers and/or store employees steal recipient card numbers and personal identification numbers (PINs) and subsequently obtain benefits from client accounts by performing a manual key entry of the card and PIN number without the recipient's knowledge or consent. Another scenario would be when retailers use store cameras, or simply observe and capture EBT client card information, including PINs, and use this information to perform manual transactions to obtain benefits without the recipient's knowledge or consent.

We reviewed Manual Card Entry Reports for the nine-month period January 1, 2012 through September 30, 2012 and determined that there were 76,727 recipients who processed 320,101 manual card transactions totaling \$9.6 million at 10,122 retailers. We were able to identify the top 10 dollar value retailers that had 11,812 manual card transactions totaling \$838,880, as shown in the following chart:

Top Ten Dollar Value Retailers with Manual Card Transactions		
Recipient	Manual Card Transactions	Dollar Value
Retailer 1	1,220	\$171,127
Retailer 2	1,528	\$136,340
Retailer 3	1,582	\$75,885
Retailer 4	1,316	\$74,258
Retailer 5	742	\$72,652
Retailer 6	799	\$63,376
Retailer 7	1,299	\$62,890
Retailer 8	837	\$62,346
Retailer 9	904	\$62,109
Retailer 10	1,585	\$57,897
Totals	11,812	\$838,880

In addition, we were able to identify the 10 retailers who had the most manual card transactions for the period reviewed, as listed below:

Top Ten Manual Card Transactions by Retailers		
Retailers	Manual Card Transactions	Dollar Value
Retailer 1	3,038	\$24,603
Retailer 2	2,223	\$53,058
Retailer 3	1,955	\$51,155
Retailer 4	1,935	\$8,718
Retailer 5	1,694	\$46,309
Retailer 6	1,611	\$52,179
Retailer 7	1,600	\$54,517
Retailer 8	1,585	\$57,897
Retailer 9	1,582	\$75,884
Retailer 10	1,544	\$57,409
Totals	18,767	\$481,729

We determined that the majority of the top 10 retailers listed above were smaller urban retailers. (According to FNS, although such stores account for only 13% of all SNAP redemptions, trafficking is much more likely to occur there.)

In our review of recipients we identified 133 recipients who had 100 or more manual transactions totaling \$285,081 during the nine month period under review and noted the top 10 recipients who had the most frequent manual card entries, as shown below.

Top Ten Manual Card Transactions by Recipients		
Recipients	Manual Card Transactions	Dollar Value
Recipient 1	351	\$4,833
Recipient 2	307	\$1,086
Recipient 3	290	\$1,835
Recipient 4	277	\$2,000
Recipient 5	234	\$5,354
Recipient 6	220	\$8,500
Recipient 7	211	\$2,164
Recipient 8	209	\$4,070
Recipient 9	204	\$2,615
Recipient 10	201	\$1,528
Totals	2,504	\$33,985

If recipients were having problems with their EBT cards, which could be evidenced by the volume of manual entries, it is reasonable to assume they should have requested a replacement EBT card. However, our review indicated that the recipients did not do this, and that in fact five recipients still had their original EBT card. Conversely, if the problem was attributable to the POS device's ability to read the card, the store owner should have the problem rectified.

e. Full SNAP Balance Withdrawals

The Full SNAP Balance Withdrawal report provides DTA management useful information in efforts to identify possible card theft or misuse of benefits. One possible fraud scenario that could be detected by this report is when recipients wait outside authorized retailers offering to loan their EBT cards and PIN to shoppers entering the store. Willing shoppers then use the card to purchase groceries and return the card, along with a discounted amount of cash to the waiting recipient. The report provides data on all withdrawals of greater than \$200 that leave the remaining balance at zero. Our analysis of this report revealed that, from October 2011 through September 2012,

recipients conducted 102,704 transactions at 1,956 retailers and providers to access more than \$24 million in SNAP benefits while reducing their total remaining benefit to zero. We found that the top 250 retailers and providers accounted for over \$20 million (83%) or 84,935 (83%) transactions. The top 10 retailers processed almost \$5 million in full SNAP benefit withdrawals over the 12-month period, as shown below.

Top 10 Retailers Who Processed Full SNAP Benefit Balance Withdrawals		
Retailers	Full Benefit Withdrawal Transactions	Dollar Value
Retailer 1	7,320	\$1,778,305
Retailer 2	1,932	\$466,799
Retailer 3	1,775	\$464,666
Retailer 4	1,743	\$418,287
Retailer 5	1,632	\$389,961
Retailer 6	1,548	\$385,942
Retailer 7	1,337	\$322,417
Retailer 8	1,284	\$301,084
Retailer 9	906	\$232,885
Retailer 10	905	\$226,081
Total	20,382	\$4,986,427

Retailer 1, which has processed significantly more transactions than all other retailers, accounts for 34% of all transactions of the top 10 retailers.

We also identified 270 recipients who consistently conducted full SNAP benefit withdrawals totaling almost \$600,000 over the 12-month period, as shown in the following table:

Consecutive Months of Full SNAP Benefit Withdrawals	Number of Recipients Associated with Full SNAP Benefit Withdrawals	Dollar Amount of Full Benefit Withdrawals
12	34	\$91,046
11	50	\$118,694
10	67	\$151,692
9	119	\$238,435
Total	270	\$599,867

Listed below are the top 10 recipients by dollar amount who exhausted the full benefit withdrawal dollar amount in a single monthly transaction for all 12 months tested.

Recipient	Dollar Amount Full Balance Withdrawals
Recipient 1	\$6,184
Recipient 2	\$4,114
Recipient 3	\$3,903
Recipient 4	\$3,892
Recipient 5	\$3,220
Recipient 6	\$2,533
Recipient 7	\$2,400
Recipient 8	\$2,400
Recipient 9	\$2,400
Recipient 10	\$2,400
Total	\$33,446

Our review also looked at the retailers where the recipients conducted the transactions. The top retailer, in both the amount of transactions (7,320) and dollars (\$1,778,305) was significantly higher than the next largest retailer by 80% in both transactions and dollar amounts, as shown in the following table:

Retailers	Number of Transactions	Dollar Amount
Retailer 1	7,320	\$1,778,305
Retailer 2	1,284	\$301,084
Retailer 3	900	\$217,101
Retailer 4	796	\$194,933
Retailer 5	652	\$159,167
Retailer 6	541	\$129,247
Retailer 7	284	\$67,670
Retailer 8	228	\$54,357
Retailer 9	172	\$38,642
Total	12,177	\$2,940,506

f. Multiple Transactions within One Hour

The Multiple Transactions Within One Hour Report provides valuable information in determining patterns and trends that may help identify trafficking of SNAP benefits by program recipients. We examined six months of reports from May 1, 2012 through October 31, 2012 and identified the top recipients who consistently made multiple purchases within one hour over a six-month period. We also identified the top retailers who processed these transactions. The following table illustrates the six-month activity:

Multiple Transactions within One Hour				
	Retailers	Recipients	Transactions	Amount
May	10,940	205,190	825,797	\$22,487,034
Jun	11,428	205,113	822,563	\$22,226,798
Jul	12,806	211,802	876,213	\$22,976,866
Aug	12,713	209,780	862,406	\$22,564,692
Sep	11,525	207,582	835,421	\$22,475,066
Oct	11,391	210,250	841,971	\$23,117,310
Totals			5,064,371	\$135,847,766

By filtering the above data through Excel pivot tables, we were able to identify the top 200 recipients and retailers for each month over the six-month period for both

transactions and dollar amount transacted. The following table identifies the top 10 recipients based on transactions.

Top 10 Recipients Conducting Multiple Transactions within a One-Hour Period		
Recipient	Transactions	Amount
1	431	\$773
2	425	\$1,230
3	365	\$582
4	319	\$849
5	318	\$652
6	304	\$2,098
7	296	\$852
8	289	\$2,570
9	289	\$1,540
10	<u>276</u>	<u>\$902</u>
Total	3,312	\$12,048

According to USDA statistics, the average SNAP household depletes its monthly benefit in six transactions. Our review of the Multiple Transactions Within One Hour Report revealed 433 recipients who exceeded that average. These recipients also made other transactions during the period under review that did not fall into the multiple purchases category, thus adding to the number of transactions they perform consistently. The table below lists the top 10 recipients by dollar amount.

Top 10 Recipients with Multiple Transactions within One Hour by Dollar Amount		
Recipient	Amount	Transactions
1	\$5,688	72
2	\$5,264	100
3	\$4,958	80
4	\$4,791	108
5	\$4,650	45
6	\$4,617	109
7	\$4,477	44
8	\$4,436	77
9	\$4,378	54
10	<u>\$4,220</u>	<u>60</u>
Totals	\$47,479	749

FNS has recently proposed rule changes that clarify “the practices of individuals who target people outside of grocery stores or other locations, offering to sell their benefits for cash or other non-eligible items.” The Multiple Transactions Within One Hour Report can assist DTA in identifying potential trafficking as described above.

In our review of retailers, the top 10 retailers that processed multiple transactions within one hour were discount supermarkets. The following table identifies the top 10 retailers based on dollar amount.

Top 10 Retailers with Multiple Transactions within 1 Hour by Amount		
Recipient	Amount	Transactions
1	\$2,992,941	38,716
2	\$2,530,802	37,118
3	\$1,744,270	24,878
4	\$1,681,105	29,040
5	\$1,638,199	23,006
6	\$1,631,454	19,287
7	\$1,523,089	24,661
8	\$1,424,637	22,006
9	\$1,382,280	26,281
10	<u>\$1,357,083</u>	<u>26,359</u>
Totals	\$17,905,860	271,352

Our analysis also examined the top 10 small retailers. These retailers are local variety and small grocery stores, and the volume of multiple transactions within one hour would put them in the top 75 retailers, of over 11,000 statewide. The table below details those retailers:

Top 10 Small Retailers with Multiple Transactions within One Hour by Transaction		
Retailer	Transactions	Amount
1	20,106	\$545,671
2	18,620	\$553,522
3	15,718	\$537,443
4	14,546	\$378,636
5	13,679	\$83,015
6	12,855	\$399,821
7	12,428	\$415,790
8	11,938	\$166,440
9	11,914	\$272,914
10	<u>11,062</u>	<u>\$284,455</u>
Totals	142,866	\$3,637,707

We analyzed Retailer 1 and Retailer 2 for the month of October 2012 to identify recipients who transacted large dollar amounts at these stores. We noted that the recipient who had the largest transaction amounts for October in Retailer 1 was also the recipient who had the largest transaction amounts in October for Retailer 2. Upon review of this recipient it was noted that the recipient made 11 transactions in total for \$1,312.62, for the month of October at these two retailers.

DTA officials indicated that, in their opinion, these reports are time-consuming to create and ineffective in identifying problems, and that FNS does not specifically require states to use these reports. They also stated that DTA lacks the personnel and resources to take advantage of this fraud detection tool. Nonetheless, our analytical reviews show that each report offers a distinct view of various performance activities that management should use to identify questionable activities relative to potential fraud, waste, or abuse. Moreover, use of these reports makes an effective internal control tool for DTA's high-volume transactions operation, one that will increase stakeholder confidence in the integrity of DTA's programs and give management a better understanding of program activity in different areas.

Recommendation

DTA should use the management reports produced by its EBT contractor to help monitor the potential misuse of recipient benefits. By not adopting a proactive approach to recipient fraud detection, DTA is limiting its ability to detect various questionable uses of benefits in a

timely manner. In this regard, DTA should implement written policies and procedures relative to the use of this information that provides guidance in identifying what is considered unusual activity, what information should be tracked and over what period of time, whom to report the information to, what information to report, and how often to report such information. DTA should employ analysts to perform data-mining calculations of these reports. Also, DTA's Fraud Investigations Unit should form State Law Enforcement Bureau (SLEB) agreements with FNS to investigate and take administrative action against retailers committing fraud.

Auditee's Response:

In response to this issue, DTA stated, in part:

Excessive even dollar transactions

DTA has identified a methodology to include additional filtering, that will assist in identifying potentially fraudulent activity and excluding non-suspicious scenarios. DTA is in the process of hiring data analytics staff who will review and analyze all of these reports to identify those clients that truly fit the profile for trafficking. Moreover, DTA has been in discussions with BSI to potentially develop and obtain additional analytical tools incorporating information from these reports.

Excessive reissuances of EBT cards

DTA has developed a comprehensive process for monitoring EBT card replacements. In October 2012, the Department issued an initial mailing to 5,406 cash and SNAP clients who had received 3 or more EBT card replacements during the most recent 12 calendar months. The letter alerted these households that the Department has noted an unusually high number of replacement requests and that the Department will monitor all future replacement requests.

In December 2012, the Department implemented an ongoing process of noticing and monitoring clients who request a fourth or subsequent replacement EBT card within a rolling 12-month period, and requiring that they provide an explanation for the request prior to the Department issuing the new card. The process has not only resulted in 328 referrals to the Department's Fraud Investigations Unit (FORS), but also allowed the Department to identify cases where accommodations may be needed to help clients retain their EBT cards. The Department has also referred 40 retailers to United States Department of Agriculture - Food and Nutrition Services (USDA-FNS) for retailer trafficking investigations.

Out-of-state transactions

DTA monitors out of state activity. The Department receives and processes a monthly report of clients who are accessing their cash assistance outside of Massachusetts or Border States for more than 60 days. DTA closes these cases.

With regard to the SNAP program specifically, while out-of-state transactions can be an indicator of fraud, transactions outside of Massachusetts are allowable within state and federal law. Federal SNAP rules require clients to verify residency, although there is no durational requirement. Although clients are prohibited from receiving benefits in more than one state, there are generally no restrictions on use of benefits outside of the state in which the client resides. Practical matters, such as clients residing in border cities and towns, may be cause for regularly out-of-state usage. However, clients with continued or persistent out of state usage, particularly usage beyond states contiguous to Massachusetts, may be asked at recertification to provide an explanation. . . .

Manual card entries

FNS allows for EBT card numbers to be manually entered at the register, instead of the cards being swiped. Even though manual transactions do not always indicate fraud, DTA will ensure that such transactions that do appear suspicious are identified as part of the expanded data analytics that are currently being designed.

Full SNAP balance withdrawals

Full SNAP balance withdrawals may be an indicator of fraud. However, it is important to note that the average monthly benefit for SNAP households is \$236. Given current food costs and household expenses, it is common for clients to expend their benefit at one time for the month.

Multiple transactions within one hour

The average length of this monthly report is 20,000 pages. DTA will work with a data analyst to add additional criteria that would identify truly suspicious transactions. Currently, the report lists all transactions – including those that occurred at different retailers or locations.

In addition, DTA made the following comments:

- *DTA is in the process of acquiring additional data analytics tools. The creation of broader and more sophisticated analytical packages based on a data warehouse will also be pursued, with target implementation in early 2014.*
- *DTA is acquiring streamlined and customized reports [from ACS] and expects additional tools to be available in September 2013.*
- *DTA is automating the identification of suspected illegal activity by developing an automated program integrity checklist. Completion expected in June 2013.*
- *Two data analysis staff expected to be hired by July 2013.*
- *Execution of agreement [with FNS] anticipated in May 2013.*
- *DTA is in the process of acquiring additional data analytics tools, with anticipated availability in September 2013.*

- *Customized EPPIC [out of state usage] report purchased, resulting in 810 case closings since implementation. . . .*

In the course of the audit, DTA shared with the SAO team a number of known issues with the reports, which had prevented DTA from proactively using them in their current format. Some of the reasons include lack of staffing, the size of the reports, and their highly circumstantial nature. . . .

To strengthen its capacity to process and analyze data that is now obtained from newly available data sources, the DTA Program Integrity Division is in the process of hiring a data manager and a data analyst. Analyzing and building analytics to make existing reports useful and easy to customize will be one of the top priorities of these positions. The Department is also in the process of collaborating with BSI as the Bureau is developing data analytics to address the same problem areas.

Auditor's Reply

Based on its response, DTA is taking measures to address our concerns relative to this matter.

4. DTA'S CONTROLS OVER ENSURING THAT CASE FILE DOCUMENTATION IS CURRENT AND COMPLETE NEED IMPROVEMENT

We determined that DTA needs to strengthen its internal controls over ensuring that recipient case files contain all the required information to support recipient eligibility. Specifically, although our tests indicated that the majority of information gathered during the initial intake of DTA cases was documented accurately and completely, in some instances DTA staff did not follow up with recipients who did not provide required information and ensure that the information was obtained and included in the recipient's case file. In fact, we found a number of case files lacked documentation for dates of birth, immunization verification, and absent parent information, resulting in inadequate assurance that these clients met program eligibility requirements.

Families receiving TAFDC, EAEDC, SNAP benefits must meet specific eligibility requirements based on income and household composition. In addition, to remain on these programs, clients must periodically reapply for TAFDC, EAEDC, and SNAP benefits and report any changes that may affect their status. In order to assess the controls DTA had established over the maintenance of recipient case files, OSA staff requested and received from DTA a copy of the TAFDC, EAEDC, and SNAP BEACON3-generated data file of all active records. We subsequently reviewed and analyzed the BEACON3-generated report

outlining all active TAFDC, EAEDC, and SNAP cases and their associated benefit recipients. We determined that, as of April 30, 2012, the TAFDC, EAEDC, and SNAP databases consisted of 519,585 active cases administered by TAOs.

To determine the integrity of BEACON3 data, we selected a judgmental sample of case files from five local TAOs to provide an adequate representation of the TAFDC case files. The five TAOs selected (Chelsea, Dudley Square, Newmarket Square, Worcester, and Brockton) were responsible for processing roughly 31% of the 519,585 active TAFDC, EAEDC, and SNAP cases. We then randomly selected through ACL a total of 150 TAFDC, EAEDC, and SNAP cases from the five TAOs to determine whether the cases were properly initiated, reviewed, and monitored based on TAFDC, EAEDC, and SNAP eligibility requirements. We tested the 150 cases by reviewing their BEACON3 TAFDC, EAEDC, and SNAP case files as of April 30, 2012 and tracing selected elements of this data to supporting source documentation kept as hardcopy in the respective case file.

Regarding documentation for the case files of TAFDC and EAEDC programs, DTA is required to follow the provisions of 106 CMR 702.410, which states, in part:

The case record is the permanent collection of the information necessary for determining eligibility and providing benefits and referrals for services. All decisions regarding eligibility and case actions must be based on information documented in the case record.

In addition, 106 CMR 360.300 requires DTA to maintain certain documentation for SNAP case files, as follows:

The contents of the case record serve as documentation of the household's initial and continuing eligibility. The case record shall include applications for certification or recertification (including any required Department forms); worksheets used in the computation of income for eligibility and the basis of issuance; documentation including verification techniques used by the case manager; copies of forms sent to the issuance unit authorizing or changing participation or basis of issuance; copies of notices of adverse action and other notices sent to the client and responses thereto; and actions related to the fair hearing process.

To be eligible to receive TAFDC, EAEDC, and SNAP benefits, individuals must meet certain requirements. For example, they must be a qualified U.S. citizen or qualifying alien, and their income cannot exceed a certain level. We selected for our review of source documentation the following 14 data elements that were either necessary for recipients to either initiate or maintain their benefits:

1. Identification of applicant
2. Date of birth
3. Social Security Number (SSN)
4. Relationship of child to grantee
5. U.S. citizenship
6. Signed and dated application
7. Non-citizen status
8. Address
9. Massachusetts residence
10. Work requirement
11. Self-employment
12. Up-to-date immunization records
13. School verification record
14. Absent parent information

We then determined whether each of the 150 case files case had adequate supporting documentation for each of the 14 data elements selected. Although we sampled 150 TAFDC, EAEDC, and SNAP cases, the actual number of data elements we tested varied, depending on the type of case and its associated guidelines. Our testing indicated that, of the 1,658 data elements reviewed, only 96 (6%) of these elements lacked the required supporting documentation. The following charts illustrate the breakdown of source documentation errors for each of the three benefit programs.

Supplemental Nutrition Assistance Program (SNAP)															
Data Element Number	1	2	3	4	5	6	7	8	9	10	11	12	13	14	Totals
Data Elements Reviewed	99	N/A	99	N/A	99	99	99	99	99	99	99	N/A	99	N/A	990
Data Elements Correct	95	N/A	99	N/A	97	92	97	90	90	98	94	N/A	98	N/A	950
Data Elements Incorrect	4	N/A	0	N/A	2	7	2	9	9	1	5	N/A	1	N/A	40
Percent Correct	96%	N/A	100%	N/A	98%	93%	98%	91%	91%	99%	95%	N/A	99%	N/A	96%
Error Rate	4%	N/A	0%	N/A	2%	7%	2%	9%	9%	1%	5%	N/A	1%	N/A	4%

Emergency Aid to Elderly, Disabled and Children (EAEDC)															
Data Element Number	1	2	3	4	5	6	7	8	9	10	11	12	13	14	Totals
Data Elements Reviewed	14	14	14	N/A	14	14	14	14	14	14	14	N/A	10	N/A	150
Data Elements Correct	13	13	14	N/A	12	14	13	14	14	12	14	N/A	10	N/A	143
Data Elements Incorrect	1	1	0	N/A	2	0	1	0	0	2	0	N/A	0	N/A	7
Percent Correct	93%	93%	100%	N/A	86%	100%	93%	100%	100%	86%	100%	N/A	100%	N/A	95%
Error Rate	7%	7%	0%	N/A	14%	0%	7%	0%	0%	14%	0%	N/A	0%	N/A	5%

Transitional Aid to Families with Dependent Children (TAFDC)															
Data Element Number	1	2	3	4	5	6	7	8	9	10	11	12	13	14	Totals
Data Elements Reviewed	37	37	37	37	37	37	37	37	37	37	37	37	37	37	518
Data Elements Correct	35	32	36	34	35	36	35	37	37	32	36	24	28	32	469
Data Elements Incorrect	2	5	1	3	2	1	2	0	0	5	1	13	9	5	49
Percent Correct	95%	86%	97%	92%	95%	97%	95%	100%	100%	86%	97%	65%	76%	86%	91%
Error Rate	5%	14%	3%	8%	5%	3%	5%	0%	0%	14%	3%	35%	24%	14%	9%

However, we noted that some supporting documentation for TAFDC was either missing or incomplete, as discussed below.

- **Dates of Birth:** Recipients of TAFDC benefits must provide verification of dependent's births via a birth certificate, hospital birth record, or other official government document. Our testing indicated that there was no such documentation to support the dates of birth of the grantee or child (Data Element No. 2) in five (14%) of 37 case files reviewed.
- **Work Requirement:** Unless specifically exempt, beneficiaries are required to work for pay or take part in an Employment Services Program activity for 20-30 hours a week to be eligible for TAFDC benefits. We found that five (14%) of 37 case files reviewed lacked documentation for work requirement participation (Data Element No. 10).
- **Up-to-Date Immunization Records:** Regarding immunization requirements, 106 CMR 203.800 states, in part:

The grantee must ensure that each dependent child is properly immunized. Failure to comply with this requirement shall result in the ineligibility of the grantee. The grantee must provide verification of the dependent child's immunization at application, upon notification of the birth of a dependent child who will be included in the assistance unit, and when the dependent child turns age two. . . .

When a grantee fails to comply with these requirements without good cause, he or she will be sanctioned by a denial or a reduction of cash benefits in an amount

equal to his or her portion of the assistance grant. In two-parent households, both parents will be sanctioned for failure to comply with this requirement.

Our testing indicated that 13 (35%) of 37 case files did not contain adequate documentation verifying immunizations for children over the age of 14 (Data Element No. 12).

- **School Verification Record:** In accordance with 106 CMR 203.900, dependent children under the age of 14 who receive TAFDC benefits must attend school unless an exemption applies. Under DTA regulations, if a grantee does not provide the required school attendance verification, DTA must put the grantee on probation and suspend the dependent child's benefits for six months, or until the grantee provides proof that the child is regularly attending school. We found that nine (24%) of 37 case files lacked adequate documentation regarding the school verification requirement for children (Data Element No. 13).
- **Absent Parent Information:** Unless exempted from cooperation requirements through a good cause or other exception, TAFDC clients must name and provide information about the noncustodial parent of their children, and cooperate in any way possible with the Commonwealth. DTA requires clients to complete the "Assignment of Support Rights, Cooperation with Child Support, or Good Cause Claim Form (T-A34/36 (7/2002))" as well as a BEACON3-generated "Declaration of Absent Parent Affidavit" in order to fulfill both these mandated requirements. However, our audit testing indicated that five (14%) of the 37 case files examined did not contain proper documentation for absent parent information (Data Element No. 14). It is important to note that although this supporting documentation may have been incomplete or absent from the case files, this in itself does not solely determine whether an individual has in fact been identified as the absent parent.

In most of the 96 data element errors we identified in the sample drawn, the noncompliance resulted from either clients or caseworkers not reporting and/or recording changes to TAFDC status subsequent to the clients' initial eligibility. Also, DTA does not have adequate policies in place regarding effective management oversight to ensure that recipient case folders contain the required and up-to-date documentation to support a recipient's ability to continue receiving TAFDC program benefits.

During our audit, we presented the results of our audit testing with DTA officials. In response, DTA's Assistant Commissioner noted that DTA is aware of and currently attempting to address this issue.

Recommendation

DTA should establish procedures to ensure that caseworkers continuously update TAFDC recipient files with all supporting documentation required for continuing eligibility. DTA staff should work with its Internal Audit Unit to develop a risk management approach for improving controls over data integrity for data contained within the BEACON3 application.

Auditee's Response

In its response, DTA indicated that monitoring procedures have been set up to ensure that caseworkers continuously update TAFDC recipient files with all supporting documentation required for continued eligibility. DTA also stated that a field operations memorandum will be released in May 2013. In addition, DTA indicated that it is in the process of building a program integrity checklist, which will prevent case managers from dispositioning cases in the absence of required verifications. Also, DTA stated, in part:

Additionally, The Department has implemented several initiatives to address findings from the Office of the Inspector General (OIG) report of January 2013, many of which are in the same areas that the SAO team reviewed. These initiatives include

- *A recently executed Memorandum of Understanding (MOU) with the Department of Elementary and Secondary Education (DESE) which will provide DTA access to statewide school attendance via a quarterly electronic data match resulting in a streamlined process for verifying client compliance with this regulatory requirement.*
- *In May 2013, the Department will release instructions to case managers, which will increase case file examination that will potentially result in the identification of non-custodial parents who are living in the client household but are claimed as "absent." The case managers will look for additional identifying details which will increase the likelihood that the Department of Revenue can obtain orders for child support.*
- *The Department is currently reviewing additional automation and technology enhancements, including increased and more frequent matches, in order to strengthen its internal controls over application, eligibility, verifications and documentation. The Department re-determines clients' financial and categorical eligibility once every one to three years for SNAP, depending on program rules. Program eligibility for cash assistance is re-determined at least once a year. Cash assistance clients are required to report changes such as income, assets, family composition and address within ten days.*

- *The Department has initiated a number of steps to enhance its verifications process, providing automatic and specific information to clients about missing verifications. If missing verifications are not received timely, the BEACON system will automatically deny applications or close existing cases.*
- *In addition to the verifications enhancement, all the data matches DTA has implemented or is in the process of implementing will contribute to timely, accurate data on client eligibility, and increase controls to ensure that case file documentation is current.*

In addition, DTA stated, in part:

The SAO team selected 5 DTA offices to perform a review of client case files. In the SAO team request, the files were identified by case number and program type. DTA's goal was to ensure that resources were available to the SAO team to clarify and address any questions or deficiencies observed. While the audit report lists a number of problem areas, in the majority of cases DTA was able to verify the information through documentation in the case files. . . .

The Department reviewed the cases identified by the SAO as having inadequate supporting documentation, and established that the 5 cases lacking documentation for dates of birth did in fact have verification in the file. The SAO also identified 5 cases lacking proper absent parent documentation and the Department was able to locate Absent Parent Affidavits or Good Cause forms in all five cases. Ten of the 13 cases identified as lacking immunization verifications were also confirmed to have proper immunization documentation satisfying the Department's regulations.

Auditor's Reply

As noted in our report, during our review of selected DTA case files we found that a number of case files lacked documentation for dates of birth, work requirements, immunization verifications, school record verifications, and absent parent information, resulting in a reduced level of data reliability and possible payment of funds to ineligible recipients. It also should be noted that similar case file documentation problems were also mentioned in the January 2013 Office of Inspector General's Report "Review of Eligibility for the Transitional Aid to Families with Dependent Children Program."

In its response, DTA claims it was able to locate some of this missing information cited in our report; however, even if this is true, it is clear that DTA needs to establish better internal controls over this process to ensure that each recipient's information is complete and up to

date. Based on its response, DTA is taking measures to address our concerns relative to this matter.

OTHER MATTERS

Voter Registration Mailing Returned as Undeliverable

DTA mailed voter registration forms to over 478,000 households in July 2012. During a routine walkthrough of the DTA office area, OSA staff came upon 79 post office bins with approximately 250-300 return-to-sender envelopes marked as “undeliverable.” A closer inspection indicated that there were approximately 20,000 to 30,000 returned voter registration mailings.

During our meeting with senior DTA management, they confirmed that the returned letters were in fact from the voter registration mailing. DTA’s initial assessment indicated that it had incorrect addresses for over 19,000 households. We requested, and DTA senior management indicated that they would provide, all documentation and support for this mailing, the returned letter quantification, the determination of eligibility for these individuals, and what public assistance program (if any) these individuals were receiving benefits from. However, DTA did not provide us with this information.

On January 9, 2013 DTA officials indicated through media reports that the voting information was sent to every applicant or client of DTA over a 12-month period, not all of whom are actual current recipients of benefits. DTA provided a breakdown of the 19,000 that showed about 11,200 were not receiving benefits and therefore were not required to update DTA of their whereabouts. The other roughly 7,700 were referred to local DTA offices, where officials were verifying information case by case. DTA stated that the individuals associated with the 7,700 pieces of mail that came back were either verified through their new address as referred by the post office or had their benefits terminated. DTA stated that it was unsure how many of those 7,700 were found to have been noncompliant. Subsequently, in February 2013 an internal report was released from DTA indicating that, based on DTA estimates, it had lost track of 47,087 households receiving DTA benefit recipients, or 10% of the total 478,000 who had received DTA mailings. DTA indicated that after DTA staff hand-counted boxes of the returned mail, they discovered the actual number was 47,087 and not the original estimate of 19,000.

Our final correspondence with DTA on February 7, 2013 requested “Inventory of names and addresses related to the returned voter registration drive mailing and the quantification of those deemed to be ineligible after your review of the returned mail.” However, DTA did not provide us

with this requested information, which we intended to use to determine whether recipients were living at the address where the original letter was sent. Not having up-to-date addresses for benefit recipients could indicate that thousands of people receiving electronic benefits may have moved out of state or out of the country or may have died, resulting in welfare benefits going to thousands of families that may not be eligible.

Auditee's Response

In response to this issue, DTA officials stated, in part:

In order to comply with a preliminary agreement reached as a result of a lawsuit filed alleging that the Department failed to provide voter registration services required by the National Voter Registration Act of 1993, voter registration information was mailed to 478,000 households. According to the agreement, mailers were sent to 143,677 inactive clients: households denied benefits or with closed cases; these households were not receiving benefits at the time of the mailing. All of the 47,087 mailers returned to the Department as undeliverable were examined and processed according to the Department's returned mail process accordingly:

- *22,406 mailers represented households who were not actively receiving benefits at the time of the mailing. These mailers required no further action.*
- *24,681 pieces represented households who were actively receiving benefits at the time of the mailing. Action for these mailers included confirmation of the following statuses subsequent to the mailing: client case closure, client notification of a change of address, and Department contact with the client to verify current mailing address.*
- *2,017 of the active clients did not reach any of the categories above, could not be reached, or did not provide an updated address as requested. Therefore, these cases were closed.*
- *The Department will review the cases for any overpayments made. A client found to have been overpaid will be required to repay DTA for such overpayment.*

DTA has updated and enhanced its policies and procedures for dealing with mail returned as undeliverable from active clients. For mailings that are sent to a total of 20,000 or fewer households, the returned mail will continue to be processed by the appropriate local DTA office according to procedures outlined in April 2008.

However, for mailings issued to over 20,000 households, the Department has contracted with a vendor to automate the returned mail procedures. All returned mail is sent to a vendor who provides an electronic file to the Department showing those with no forwarding address and those with forwarding addresses. This information is then processed by the Department's BEACON eligibility

system to automatically update addresses, issue requests for address verification, and/or close cases as necessary.

Additionally, the Department has begun to run a report for any cases closed to determine if the client has reapplied, either in their own case, or in someone else's case. If they have reapplied, the Department may pursue recoupment.

Auditor's Reply

Since DTA did not provide us with the information we requested relative to this matter, we are unable to corroborate the accuracy and completeness of DTA's comments relative to the returned mail. However, based on its comments, DTA is taking some measures to address this issue.

APPENDIX

Department of Transitional Assistance Bridge to Stability Action Plan: First 100 Days

The Department serves one out of every eight people in the Commonwealth, primarily working families, children, elders, and people with disabilities. The mission of the Department is to assist low-income individuals and families to meet their basic needs, increase their incomes, and improve their quality of life. We meet this mission by providing a variety of services, including food and nutritional assistance, cash assistance, and employment supports. Although the Department provides cash and nutrition benefits, the goal of the Department is to transition clients by providing supports enabling them to move toward economic stability.

This 100 day Plan also incorporates established best practices, policy and procedural changes, an increase in the provision of oversight and training, and significant investments technological enhancements as it serves to address specific issues raised by the Office of the Inspector General (OIG), the Office of the State Auditor (OSA) and federal regulators. In addition, it balances program integrity enhancements with improved client satisfaction.

These specific initiatives are being undertaken by the Department to enhance program integrity, restore public and legislative confidence in the Department's ability to carry out its mission, and utilize taxpayer dollars most efficiently while serving the Commonwealth's most vulnerable citizens.

Phase I – Program Integrity Enhancements

- **Registry of Motor Vehicles**
In process: The Department is in the process of entering a data-sharing agreement with the RMV to obtain access to its data base. The RMV record review will allow DTA to verify all vehicles owned by the applicant and will eliminate reliance on client disclosure to obtain information regarding vehicle ownership. The Department is also working on “batch” data matching with the RMV to identify any potential undisclosed vehicle ownership on an ongoing basis for all adult cash assistance recipients. This match would identify all vehicles registered at an address and the approximate value of each vehicle.
- **Income Verification Enhancements:**
Started at Central Office: The Department has begun a pilot with Equifax to evaluate the Work Number, an automated employment verification system. This new product is expected to significantly impact the timeliness of employment information available and greatly reduce the number of overpayments as a result of not being able to verify up-to-date income. This form of Front End Detection not only ends the “Pay and Chase” method of dispensing benefits but also acts as a deterrent.

- **Social Security Number Verification:**
To be completed in May: The Department has started implementing verification processes to improve the accuracy and integrity of social security numbers. The Department will develop and automated solution within its eligibility system, BEACON.

To be in completed in September: DTA will add functionality in the BEACON eligibility system to automate the data matching and noticing process.
- **Department of Revenue (DOR) Data Matching:**
In process: The Department is working with DOR to improve the income verification process. The pilot will make front end employment information available at the time of application, as well as expand the data received to include self-employment income, rental income, and possibly alimony.
- **Department of Elementary and Secondary Education - School Attendance Verification:**
To be completed in April: The Department is working with DESE to access statewide school attendance via an electronic data match to better assess compliance with this requirement.
- **Department of Criminal Justice Information Services (DCJIS) Warrant Match**
To be completed in April: The Department currently conducts an outstanding warrant match with CJIS on a quarterly basis. This match takes 3 months to complete. The new match will be conducted on a monthly basis, with automated notices being sent to the recipient. This enhancement will insure that the match is conducted more frequently and efficiently so that no cash assistance recipient will receive benefits while having an outstanding warrant for their arrest.
- **ICE - Citizenship of Unverified Applicants:**
To begin implementing in May: The Department will review and revise procedural guidance and train field staff to insure that case managers are consistently using the Systematic Alien Verification for Entitlements (SAVE) verification process for all noncitizen applicants.
- **Absent Non-Custodial Parent Verification:**
To be implemented in May: The Department will increase file examination that will potentially result in more absent non-custodial parents being identified in the household and the children not being deprived of parental support.
- **Residency and Address Verification:**
To be implemented in May: The Department is revising the Landlord

Verification Form or Shared Housing Verification Form, used to verify an applicant's residency and address, to include a clause indicating that the signatory on the form has signed "under penalties of perjury". Case Managers will be instructed to verify a client's address each time it changes.

Additional Program Integrity Enhancements

- **ATM and POS Withdrawal Monitoring:**
Implemented in March 2013: The Department has begun a bi-weekly monitoring of ATM and POS withdrawals to identify any purchases made at prohibited establishments. DTA staff members are monitoring where transactions are located and visiting potentially prohibited establishments, such as stores that sell liquor and not groceries. DTA is following up on any potential violations with clients, retailers and law enforcement. Retailers who violate the law will be notified of their responsibilities under the law and the penalties for violation. These notices will be shared with local law enforcement. Clients found purchasing prohibited items or using ATMs at prohibited establishments will be investigated and penalties enforced.

In the first two weeks of ATM monitoring the Department reviewed 79,000 ATM transactions at 6,500 distinct locations. These included 163 liquor stores, 12 tobacco shops, 1 tattoo parlor, and 1 travel agency. In addition, more than 800 ATM companies (such as ATM Express and Cardtronics) were investigated to identify possible locations in prohibited establishments.

- **Block prohibited items and establishments:**
In process: The Department is working with its EBT vendor, Xerox, to modify its EBT system to block ATMs in prohibited establishments. Cash assistance clients are not permitted to purchase items or withdraw cash at prohibited locations using their EBT cards. As Xerox works to modify their system, the Department has started monitoring ATMs across the Commonwealth to determine if they are located in a prohibited establishment.
- **Work with state and local law enforcement agencies to combat SNAP trafficking:**
In process: The Department will enter into an agreement with the United States Department of Agriculture-Food and Nutrition Services Bureau (USDA-FNS) to become a State Law Enforcement Bureau (SLEB). The agreement will grant the Department the authority to conduct investigations into possible Supplemental Nutritional Assistance (SNAP) fraud, and create the framework for local law enforcement to investigate retailers with the authorization of FNS. This agreement is an example of DTA's pro-active approach to building relationships with law enforcement and developing new sources of information.

- **Implement \$5 fee for replacement EBT cards:**
Implementation completed: EBT card replacement fees of \$5 for cash assistance clients began in December, 2012. The total collected from cash clients through February, 2013 was \$15,770. Total fee collections for FY13 are estimated at approximately \$30,000 - \$50,000. Early indicators suggest a 28% decrease in replacement requests.
 - **To be implemented in April:** The Department has received approval from the USDA to charge a similar \$5 replacement fee for SNAP clients. Total fee collections for SNAP recipients for FY13 are estimated at approximately \$120,000 - \$200,000.
- **Notice and monitor clients who request multiple EBT card replacements:**
Implementation completed: Because multiple EBT card replacements can be an indicator of fraud, the Department instituted a process of review when a fourth replacement card is requested within twelve months.
- **Enhance the Department's ability to aggressively pursue chronic mismanagement of cash benefits**
To begin in May: Under Interim Commissioner Monahan's direction, the Department will implement a comprehensive and proactive screening and vendor payment plan. The plan will direct payment of 'certain clients' cash benefits for housing, utilities, or other obligations, ensuring that taxpayer resources are used as intended, for these basic needs.

Phase II – Long-Term and On-Going Initiatives

- **IES Phase II:**
 The Department is currently participating in the development of a new Integrated Eligibility System (IES) that will be available through the state operated health insurance exchange. This is an unprecedented opportunity through the Affordable Care Act to align MassHealth and Department eligibility processes and further improve program integrity. By linking agencies to a shared services portal, the Department will enhance its ability to verify eligibility using the EOHHS/state the Federal data hubs.
- **External Audit:**
To begin in March: The Department has hired an external audit firm – Ernst & Young to perform an independent review and recommend further improvements and processing efficiencies in Program Integrity, Administration and Finance, and Field Operations. The firm will spend 4 to 6 weeks in the field and will file a draft report with DTA in mid-May.
- **Bridge to Stability Listening Tour:**
Began in March: Interim Commissioner Monahan and Department staff has embarked on a state-wide listening tour that allows residents all across the Commonwealth to share ideas, provide feedback and suggestions on how the

Department can improve. Following the final session, the Department will file a report with the Governor and Legislature that will incorporate the feedback we received during the sessions.

- **Process Improvements:**

In process: The Department will implement process enhancements to improve the timeliness of processing new benefit applications and re-certifications, improve SNAP error rate to exceed the national average and find technological solutions to improve service delivery and reduce client wait times.

- **Program Integrity Unit Staff Additions:**

In process: The Department anticipates that the initiatives outlined above will uncover cases where action should be taken to address eligibility errors or fraud. The anticipated increase in data matches and fraud investigations will lead to an increase in disqualification hearings – and thus, a greater need for hearing officers and clerks to avoid the accumulation of a hearing appeals backlog. DTA anticipates that an additional 3 fraud investigators, 4 Data Matching unit staff, 6 hearing officers and 3 clerks will be needed to handle the additional caseload.

- **Ongoing Hiring of Bargaining Unit staff:**

In process: To combat a rise in caseload, the Department has implemented changes to its hiring process by backfilling caseworkers on a continuous, rolling basis to keep pace with an attrition rate which averages seven case managers per month. In addition to the caseworker hires, clerical positions are also being backfilled. The addition of bargaining unit staff will bring SNAP cases from 1000 to 725 and cash assistance cases from 250 to 125.

In addition, Central Office management and administrative positions will be filled to implement various program integrity process enhancements and initiatives.

- The Department will continue to develop and implement a plan for addressing USDA overpayment.