

**OHIO DEPARTMENT OF JOB AND FAMILY SERVICES**

**AUDITOR'S REPORT ON THE  
SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM**

**FOR THE PERIOD JANUARY 1, 2015 THROUGH JUNE 30, 2015**



**Dave Yost • Auditor of State**



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# Dave Yost • Auditor of State

## AUDITOR'S REPORT

Ohio Department of Job and Family Services  
30 East Broad Street, 32<sup>nd</sup> Floor  
Columbus, OH 43215

We have audited the Ohio Department of Job and Family Services' (the Department) Supplemental Nutrition Assistance Program (SNAP – formerly known as Food Stamps) Electronic Benefit Transfer Card (EBT) usage data and other pertinent information for the period January 1, 2015 through June 30, 2015, under the authority of Ohio Revised Code Section 117.11.

We have performed the procedures enumerated in this report to identify anomalies which may indicate higher risks related to misuse, fraud, or other concerns regarding SNAP EBT Card transactions and inquired whether procedures were in place to mitigate the identified risks.

The information that follows describes the procedures performed during our audit and the related results for each procedure. Our analysis was based on information provided by the Department directly, including reports for analysis they obtained from a service organization; the completeness and accuracy of which we could not verify. The Department indicated they reviewed the reports prior to providing them for audit. Because retailer and recipient information is confidential according to the Food and Nutrition Act of 2008 at 7 USC 2018(c) and 7 CFR 278.1(q), we have not included any names or other identifiers in our report results.

This engagement was not a financial or performance audit, the objectives of which would be vastly different. Therefore, it was not within the scope of this work to conduct a comprehensive and detailed examination of the SNAP EBT Card activity or test for compliance with program requirements and other federal regulations, or evaluate for efficiencies of the processes.

On May 26, 2016, we held an exit conference with the Department's management and discussed the contents of this report. A response was received on June 8, 2016 and was evaluated and included in our working papers.

A handwritten signature in black ink that reads "Dave Yost".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

May 26, 2016

## **GENERAL BACKGROUND**

The Department is the single state agency responsible for administering the SNAP program in Ohio. During fiscal year (FY) 2015, the Department reported approximately \$2.5 billion in SNAP benefits issued to 824,231 primary recipients on behalf of their assistance groups (referred to throughout this report as recipients); approximately \$1.3 billion of which was issued during our six-month audit period. The Department utilizes a state-supervised, county-administered approach for the SNAP program. As a result, certain processing functions are performed by the 88 County Departments of Job and Family Services (CDJFS). The Department's Client Registry Information System – Enhanced (CRIS-E) determines eligibility and benefit amounts based on income, dependents, and other information entered by the 88 CDJFS. The Ohio Benefits System (a new integrated eligibility system) is expected to replace CRIS-E in 2017. Any recommendations referenced to CRIS-E would also apply to the new eligibility system. The CDJFS are also tasked with maintaining the documentation to support the information entered into CRIS-E and for following up on recipient issues.

The Department has also contracted with a service organization, Xerox, to perform various functions related to the SNAP EBT Card process, including:

- issuing EBT cards to SNAP recipients based on eligibility information from CRIS-E;
- loading available benefits onto the EBT cards each month based on information from CRIS-E;
- expunging expired benefits from the cards based on rules provided by the Department;
- processing food purchase transactions from the retailers (provided to the United States Department of Agriculture's, Food Nutrition Services (FNS)); and,
- requesting reimbursement for food purchases on behalf of the retailers from FNS.

The EBT cards are automatically loaded each month with the recipients' benefits issued. The recipients are then able to use their benefits to purchase (claim) food at retailers authorized by FNS by swiping their card and entering their PIN. FNS has maintained responsibility for the identification and investigation of fraud related to retailers, although oftentimes contracts with other agencies for this function; the State is responsible for the identification and investigation of fraud related to recipients.

We requested and the Department provided several CRIS-E reports and Electronic Payment Processing Information Control (EPPIC – Xerox report package system) reports, in order to perform our audit. We also requested listings of deceased individuals from the Ohio Department of Health for 2010 through 2014. In addition, we inquired with the Department and ten selected CDJFS regarding procedures used to mitigate the identified risks. All amounts included in this report have been rounded to the nearest dollar, unless otherwise indicated.

## **DECEASED RECIPIENTS**

7 CFR 272.14(c)(1) requires that States shall provide a system for:

Comparing identifiable information about each household member against information from databases on deceased individuals. States shall make the comparison of matched data at the time of application and no less frequently than once a year.

If benefits are issued and loaded onto EBT cards on behalf of deceased individuals, there is a higher risk those benefits will be obtained and used by an unauthorized individual. This risk is further increased if benefits are not terminated timely. Under the current process, the Department receives files weekly from the United States Department of Commerce - National Technical Information Services' (NTIS) database listing all deceased individuals. The listing is uploaded and stored within CRIS-E and CRIS-E matches to recipient data at midnight that evening. When CRIS-E matches a new deceased record with an existing recipient, an error alert is generated for the recipient's case file record. The CDJFS case worker is to review and verify the alert and take appropriate action. However, because of the current "pay and chase" process in place, if these alerts are not worked timely, there is an increased risk and effort in recouping inappropriate benefits claimed. Using the 2010 through 2014 deceased files obtained from the Ohio Department of Health, we performed the following procedures:

- A) We compared deceased individuals to benefit recipients in CRIS-E and identified 1,862 instances in which a deceased individual was issued benefits during the audit period. We then evaluated the date of death to determine if it was prior to January 1, 2014 to evaluate the Department's compliance with 7 CFR 272.14(c)(1) which only requires they perform the match to deceased individuals "no less frequently than annually", resulting in a possibility of a 12 month lapse between the date of death and the update of CRIS-E records. We identified 36 instances in which the individual's date of death was prior to January 1, 2014 and, thus, the CRIS-E file should have been updated prior to our audit period. The Department issued an estimated \$24,406 in benefits to these recipients; \$13,598 of which was claimed for nine of these recipients, resulting in questioned costs for the claimed amount included in the FY 2015 State of Ohio Single Audit Report. The Department's related corrective action plan was also included in the State of Ohio Single Audit Report.
- B) We haphazardly selected 20 deceased individuals from those remaining in the deceased file (excluding the items matched from step A above). For each individual selected, we verified CRIS-E was updated within one year from the date of death and the individual's benefits were terminated, per the code of federal regulations. There were claims paid to the recipient number after the date of death, however, all 20 of these individuals were part of a larger recipient group that would be associated with the same recipient number.

#### **RECOMMENDATION #1**

We recommend the Department implement additional procedures to reasonably ensure the CDJFS caseworkers are reviewing and verifying the CRIS-E error alerts and taking appropriate action timely to reduce the risk that benefits are being claimed by an unauthorized individual. The Department should:

- Conduct additional mandatory training with CDJFS caseworkers pertaining to the review and resolution of CRIS-E errors alerts generated for deceased individuals, including more timely resolution of alerts.
- Implement a process to prioritize these alerts for the CDJFS caseworkers to follow up on based on number of fields matched.
- Perform quarterly reviews, at a minimum, of all CRIS-E error alerts generated for deceased individuals and reasonably ensure they are being investigated and resolved timely by the CDJFS.
- Consider implementing an automated control in CRIS-E to terminate eligibility for recipients when all data related to the deceased individual matches to the data provided by the NTIS.
- Investigate the recipients specifically identified in our testing to ensure any necessary repayments are received or additional actions are taken.

#### **DUPLICATED RECIPIENTS**

If one individual is assigned multiple recipient numbers, there is a higher risk the individual will be issued duplicate benefits, which could result in unallowable and/or fraudulent benefit claims paid. When a new applicant's information is entered into CRIS-E, a recipient number is assigned to the applicant. If the CRIS-E edit checks identify this individual may already be assigned a recipient number, an error alert is generated for the CDJFS caseworker to review/investigate the alert and take appropriate action. These error alerts are generated to help ensure one individual is not assigned multiple recipient numbers. In addition, during the application entry process, the caseworker is to ensure the social security number provided is valid by checking it in a CRIS-E subsystem, which interfaces with the United States Social Security Administration's (SSA) database. Using the overall benefits listing report from CRIS-E, we performed the following procedures:

- A) We identified all individuals on the recipient listing who had the same name and date of birth, but with different social security numbers and recipient numbers. There were 153 instances identified where an individual's name and date of birth was associated with more than one recipient number for a total of 322 recipient numbers. We were able to determine that, in 104 of the 153 instances, each individual had a valid social security number and were, therefore, separate individuals. For the remaining 49 instances related to 98 recipient numbers, one of the social security numbers was not a valid number. The Department indicated that, in 37 of these instances, the social security number was inaccurately entered initially. Once the mistake was identified, the CDJFS case worker entered the correct social security number and a new recipient number was generated. However, there were 12 instances related to 24 recipient numbers in which benefits, totaling \$17,878, were issued for the same months and the recipient could have received duplicate benefits. This amount was included in the questioned costs reported in the FY 2015 State of Ohio Single Audit Report. The Department's related corrective action plan was also included in the State of Ohio Single Audit Report.
- B) We compared social security numbers to all recipient numbers in CRIS-E. There were four instances identified where two recipient numbers were associated with the same social security number for a total of eight recipient numbers. We were able to determine no overlapping benefit payments were made to four of these recipient numbers because a new recipient number was assigned when the individual reapplied due to changes in their eligibility. In the other four cases, the recipient numbers were created within the system for test purposes and were not actual recipients.

#### **RECOMMENDATION #2**

We recommend the Department implement additional procedures to reasonably ensure the CDJFS caseworkers are reviewing and investigating the CRIS-E error alerts and validating the social security number provided during the application process. The Department should:

- Conduct additional mandatory training with CDJFS caseworkers pertaining to the application entry process. The training provided should specifically address how to review, investigate, and resolve errors alerts generated during the applicant entry process and reiterate the importance of validating the social security number in the SSA subsystem.
- Implement a process to prioritize these alerts for the CDJFS caseworkers to follow up on.
- Perform quarterly reviews, at a minimum, of all CRIS-E error alerts generated for possible duplicated recipients and reasonably ensure they are being investigated and resolved timely by the CDJFS.
- Consider implementing an automated control in CRIS-E to perform a real-time social security number check to ensure a valid social security number is entered prior to the determination of eligibility.
- Investigate the recipients specifically identified in our testing to ensure any necessary repayments are received or additional actions are taken.

#### **UNUSUAL CARD ACTIVITY**

In many instances, fraud or other issues may be identified through data analysis. Xerox has made several standard "fraud" reports available to the Department and 88 CDJFS within the EPPIC reporting system. These reports can be used to identify possible anomalies or unusual occurrences pertaining to EBT card activities. We requested several EPPIC reports for our audit period from the Department, who reviewed the reports provided by Xerox prior to releasing them to us. We then reviewed the reports to identify anomalies which may indicate higher risks related to misuse of EBT cards.

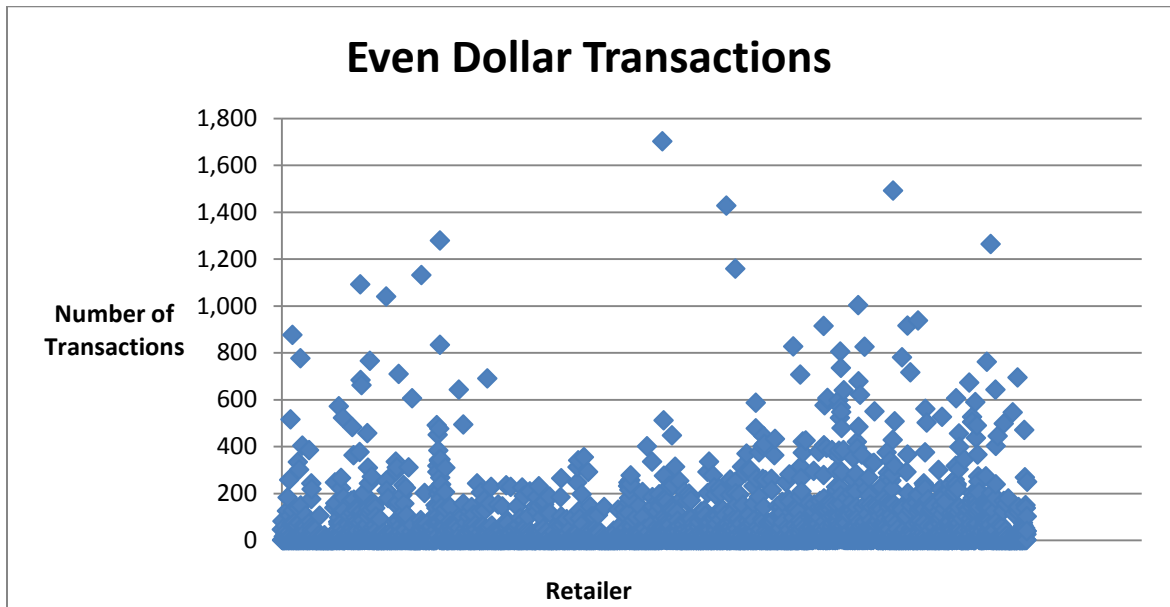


**Even Dollar Transactions**

We identified even dollar purchase transactions exceeding \$100. Even dollar transactions are not common when purchasing food, particularly at small retailers where inventories are more limited. This risk could be less at large retailers where recipients are more likely to use their full benefit amount, typically issued in whole dollars. Therefore, excessive even dollar transactions associated with a certain recipient and/or retailer could signify potential fraudulent activity. The total even dollar transactions for our audit period were as follows:

<i><b>Total Retailers</b></i>	<i><b>Total Recipients</b></i>	<i><b>Total Transactions</b></i>	<i><b>Total Dollar Amount</b></i>
3,200	129,141	183,437	\$28,503,733

- i) We prepared a graph showing all retailers utilized by recipients for even dollar transactions and the total number of these transactions per retailer to identify outliers.



- ii) We analyzed all even dollar transactions exceeding \$100 to identify retailers and recipients with multiple occurrences. The following tables list the top ten small retailers (i.e. those retailers not part of a chain representing higher risk) and recipients.

<b>SMALL RETAILERS – HIGHEST EVEN DOLLAR TRANSACTIONS</b>		
<i><b>Retailer #</b></i>	<i><b>Total Dollar Value</b></i>	<i><b># of Transactions</b></i>
1	\$146,971	690
2	\$119,133	707
3	\$115,993	716
4	\$112,900	776
5	\$94,356	597
6	\$89,918	457
7	\$80,971	370
8	\$68,516	264
9	\$59,636	236
10	\$59,238	291
<b>Total</b>	<b>\$947,632</b>	<b>5,104</b>

<b>RECIPIENTS – HIGHEST EVEN DOLLAR TRANSACTIONS</b>		
<b>Recipient #</b>	<b>Total Dollar Value</b>	<b># of Transactions</b>
1	\$11,504	60
2	\$4,626	12
3	\$3,740	6
4	\$3,258	6
5	\$3,119	6
6	\$3,096	6
7	\$3,000	6
8	\$2,908	9
9	\$2,760	11
10	\$2,734	8
<b>Total</b>	<b>\$40,745</b>	<b>130</b>

iii) We analyzed one recipient in our top 10 who also made significant even dollar purchases at one of the top ten small retailers listed above. Below are the results.

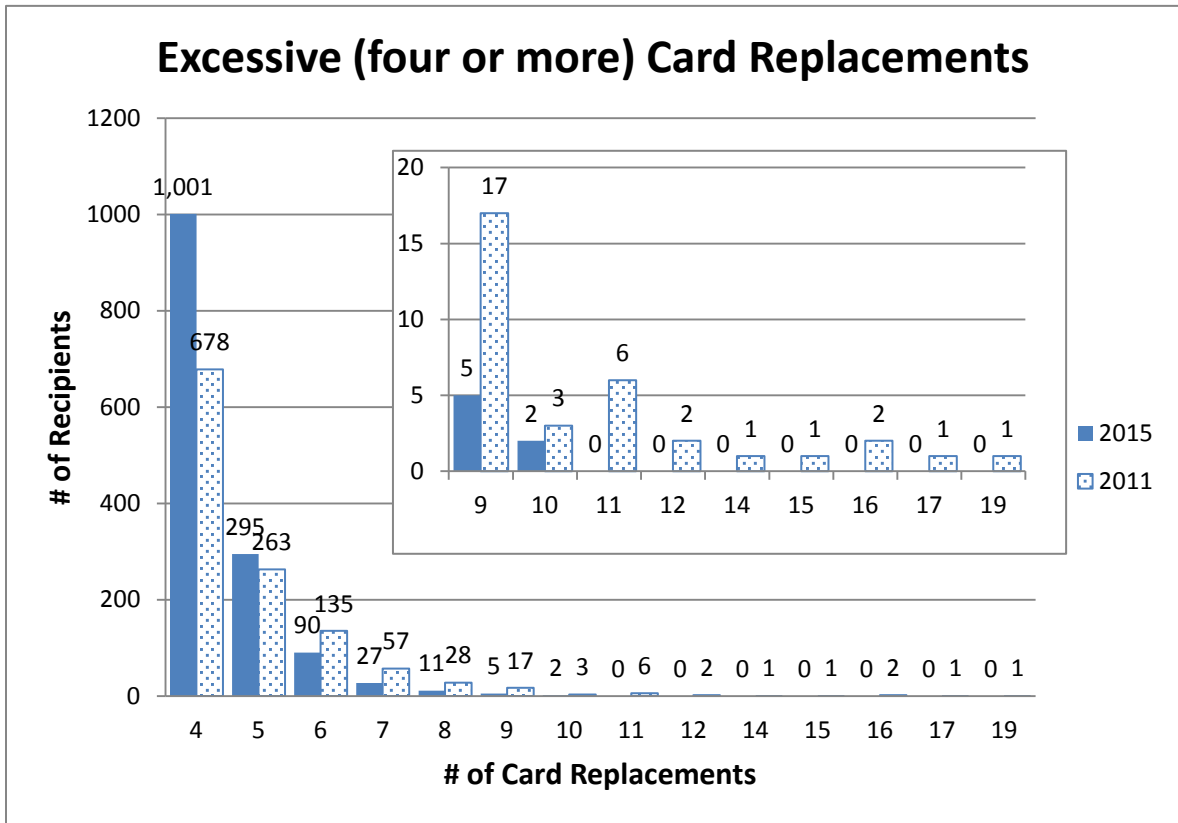
<b>RECIPIENT #2 EVEN DOLLAR TRANSACTIONS</b>			
<b>Transaction No.</b>	<b>Date and Time of Transaction</b>	<b>Amount of Transaction</b>	<b>Retailer</b>
1	1/3/2015 12:00 a.m.	\$575	#1
2	1/3/2015 12:04 a.m.	\$196	#1
3	2/3/2015 12:01 a.m.	\$575	#1
4	2/3/2015 12:03 a.m.	\$196	#1
5	3/3/2015 12:01 a.m.	\$575	#1
6	3/3/2015 12:02 a.m.	\$196	#1
7	4/3/2015 12:00 a.m.	\$575	#1
8	4/3/2015 12:02 a.m.	\$196	#1
9	5/3/2015 12:00 a.m.	\$575	#1
10	5/3/2015 12:03 a.m.	\$196	#1
11	6/3/2015 12:01 a.m.	\$575	#1
12	6/3/2015 12:04 a.m.	\$196	#1
<b>Total</b>		<b>\$4,626</b>	

**RECOMMENDATION #3**

- The *Even Dollar Transaction Report* should be used as a monitoring tool to identify recipients with a significant number of even dollar transactions and implement procedures to investigate unusual activity.
- As noted in the table above for Recipient 2, the dates, times of use, and same dollar amounts indicate an unusual pattern of use of the EBT card. The Department should review the individual transactions for each recipient and retailer identified in our testing to determine whether the amount and time the transactions were completed are unusual and should be further investigated.
- The outliers identified in the retailer graph above should be reviewed to determine if there is anything unusual about the transactions associated with these retailers and if these retailers should be referred to the appropriate investigative agency.
- As other anomalies are noted pertaining to retailers, the information should be forwarded to the appropriate investigative agency.

**Replacement Cards**

7 CFR 274.6(b)(5), effective November 2013, states, in part, "The State agency may require an individual member of a household to contact the State agency to provide an explanation in cases where the number of requests for card replacements is determined excessive. If they so require, the State agency must establish a threshold for the number of card replacements during a specified period of time to be considered excessive. That threshold shall not be less than four cards requested within 12 months prior to the request..." The Department has determined that four or more replacement cards issued during a 12 month period is considered excessive. We identified recipients that were issued replacement cards four or more times ("excessive replacement card recipients") during our audit period. Excessive replacement cards issued to recipients could indicate the cards are being sold or otherwise traded for cash or other commodities, requiring the recipient to request additional cards. There were 1,431 recipients that were issued four or more replacement cards during our audit period. We also compared the number of recipients receiving excessive replacement cards to excessive replacement card recipients in 2011 for the same months; 2011 was the last year similar procedures were conducted. See the results in the graph below.



We also compared the fluctuation percentage for recipients with 10 or more replacement cards to the total number of SNAP recipients. In 2011, we determined recipients issued 10 or more replacement cards over the life of the EBT card program starting in March 2006 were excessive and reviewed accordingly. A decrease in the number of recipients with 10 or more replacement cards issued was expected if recommendations made in the 2011 audit were implemented. There was a decrease in the percentage of recipients with 10 or more replacement cards issued from 2011 to 2015 for the same six-month period, and therefore, it appears that the Department implemented procedures to reduce the number of replacement cards issued.

<i>Period</i>	<i>Total Excessive Replacement Card Recipients</i>	<i>Total SNAP Recipients</i>	<i>% of Recipients with Frequent Replacement Cards</i>
2011	17	832,677	0.02042%
2015	2	824,231	0.00024%

**RECOMMENDATION #4**

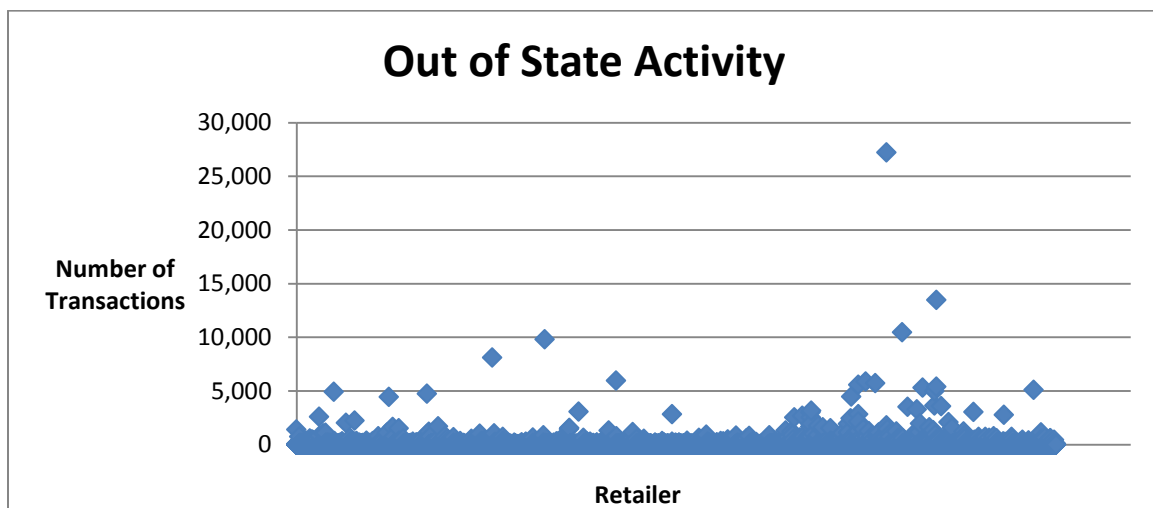
Implement procedures to review the *Card Issuance & Replacement Report* to reasonably ensure that excessive replacement cards issued are investigated and any possible fraudulent activity resulting from excessive issuances is investigated and action taken.

**Out-of-State Activity**

We identified all EBT card activity occurring out of state. If EBT cards are excessively utilized out of state, this could indicate the recipient does not live within state lines, is receiving benefits in more than one state, and/or exchanging their EBT card with others for cash and/or other commodities. The total purchase transactions made out of state were:

<i>Recipients</i>	<i>Number of Transactions</i>	<i>Total Amount</i>
118,316	909,177	\$28,725,305

- i) We prepared a graph showing all retailers utilized by SNAP recipients out-of-state and the total number of transactions per retailer to identify outliers.



- ii) We removed all the border state activity from the listing and identified the following top 10 non-contiguous states with the most activity:

<i>State</i>	<i>Total Recipients with Activity</i>	<i>Total Amount</i>	<i>Top Two Cities within the State</i>
Florida	9,174	\$2,125,844	Orlando \$119,130
			Jacksonville \$104,091
Georgia	5,065	\$1,149,962	Atlanta \$124,922
			Decatur \$58,833
Minnesota	4,733	\$678,023	Marshall \$596,709
			Minneapolis \$17,893
Texas	2,458	\$662,746	Houston \$92,770
			San Antonio \$48,944
Tennessee	4,823	\$623,976	Memphis \$70,824
			Sevierville \$58,100
North Carolina	3,150	\$590,430	Charlotte \$106,496
			Fayetteville \$24,478
South Carolina	3,215	\$469,114	Myrtle Beach \$134,017
			Columbia \$32,816
New York	2,207	\$454,060	Brooklyn \$75,394
			Bronx \$61,914
Illinois	2,783	\$451,144	Chicago \$159,528
			Rockford \$12,718
Alabama	1,808	\$414,881	Tuscaloosa \$51,448
			Birmingham \$32,136
<b>Total</b>	<b>39,416</b>	<b>\$7,620,180</b>	

- iii) Next, we identified all the border state activity from the listing and noted the following:

<i>State</i>	<i>Total Recipients with Activity</i>	<i>Total Amount</i>	<i>Top Two Cities within the State</i>	<i>Distance to City from Ohio Border (approximate)</i>
West Virginia	20,887	\$5,846,885	Mason \$1,335,979	1 mile
			Huntington \$932,926	3 miles
Kentucky	26,471	\$5,049,361	Ashland \$1,361,317	1 mile
			Covington \$496,206	1 mile
Michigan	12,328	\$2,295,295	Lambertville \$345,344	4 miles
			Detroit \$335,095	52 miles
Pennsylvania	11,299	\$2,208,820	Erie \$303,357	32 miles
			Hermitage \$285,184	5 miles
Indiana	9,850	\$2,125,093	Richmond \$496,068	5 miles
			Fort Wayne \$267,538	20 miles
<b>Total</b>	<b>80,835</b>	<b>\$17,525,454</b>		

- iv) Since recipients living in counties bordering other states may use their card significantly within those bordering states, we removed all purchases made in a bordering state for any recipients whose county of residence bordered that state and analyzed the remaining activity. We identified the top 10 recipients with the most out-of-state activity:

<b>Recipient #</b>	<b>State</b>	<b>County of Residence</b>	<b>Total Amount</b>	<b>Number of Transactions</b>
1	Pennsylvania	Franklin	\$2,775	31
2	Michigan	Cuyahoga	\$2,722	3
3	New York	Cuyahoga	\$2,155	1
4	South Carolina	Seneca	\$2,056	4
5	Kentucky	Butler	\$1,663	10
6	Colorado	Montgomery	\$1,608	11
7	Florida	Stark	\$1,543	24
8	Illinois	Franklin	\$1,533	8
9	Mississippi	Ashtabula	\$1,471	7
10	Arkansas	Lucas	\$1,442	36

**RECOMMENDATION #5**

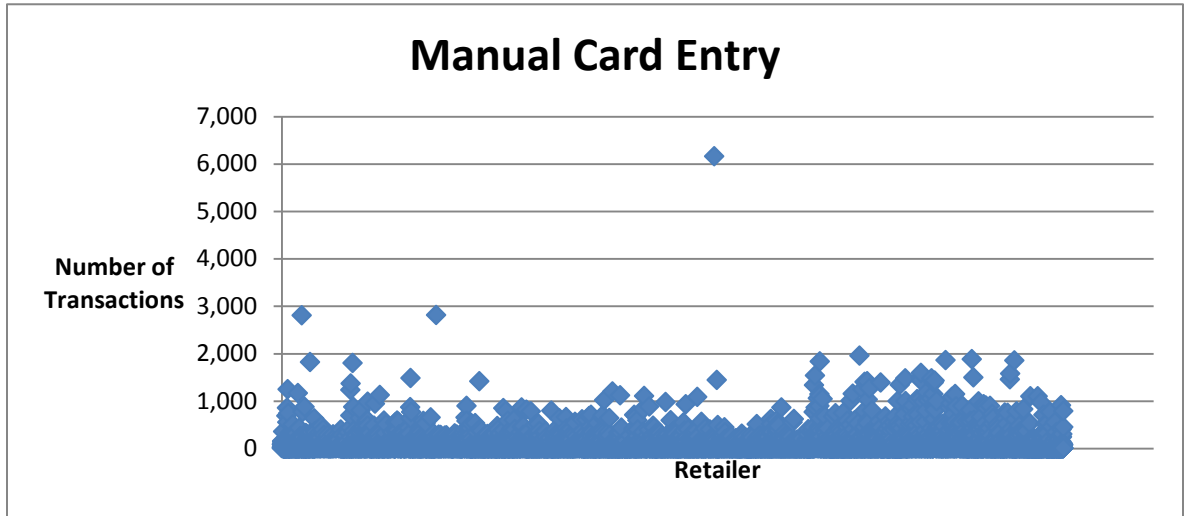
- Implement additional monitoring procedures to review the *Out-of-State Activity Report* and investigate recipients utilizing their EBT card multiple times out of state.
- Determine whether the large amount of out-of-state usage is due to travel required by employment or other valid reasons.
- Consider additional procedures to verify the recipient is not also receiving benefits in other states, which would require corroboration with those states.
- The outliers identified in the retailer graph above should be reviewed to determine if there is anything unusual about the transactions associated with these retailers and if these retailers should be referred to the appropriate investigative agency.
- As other anomalies are noted pertaining to retailers, the information should be forwarded to the appropriate investigative agency.

**Manual Card Entries**

We identified all purchase transactions associated with manual card entries. These entries involve keying in the card number and PIN at the point of sale either because the card swipe did not work or because the EBT card was not present. Excessive manual card entries could indicate the benefits are not being utilized by the intended recipient, or there are issues with the EBT cards themselves.

<b>Total Retailers</b>	<b>Total Recipients</b>	<b>Total Transactions</b>	<b>Total Amount</b>
10,188	109,172	679,236	\$17,338,056

- i) We prepared a graph showing all retailers utilized by recipients for manual card entry transactions and the total number of these transactions per retailer to identify outliers.



- ii) We identified the top 10 retailers with the highest dollar amount associated with manual card entries.

<i><b>Retailer #</b></i>	<i><b>Amount</b></i>	<i><b>Transactions</b></i>
1	\$152,717	2,813
2	\$148,435	814
3	\$128,127	1,950
4	\$124,986	2,800
5	\$120,149	2,251
6	\$92,091	1,416
7	\$89,761	1,533
8	\$85,404	1,795
9	\$82,671	1,591
10	\$81,736	1,551
<b>Total</b>	<b>\$1,106,077</b>	<b>18,514</b>

- iii) We also identified the top 10 recipients with the highest dollar amount associated with manual card entries.

<i><b>Recipient #</b></i>	<i><b>Amount</b></i>	<i><b>Transactions</b></i>
1	\$8,055	98
2	\$7,885	161
3	\$7,003	101
4	\$6,578	268
5	\$6,347	123
6	\$6,184	266
7	\$6,017	71
8	\$5,946	602
9	\$5,942	135
10	\$5,908	110
<b>Total</b>	<b>\$65,866</b>	<b>1,935</b>

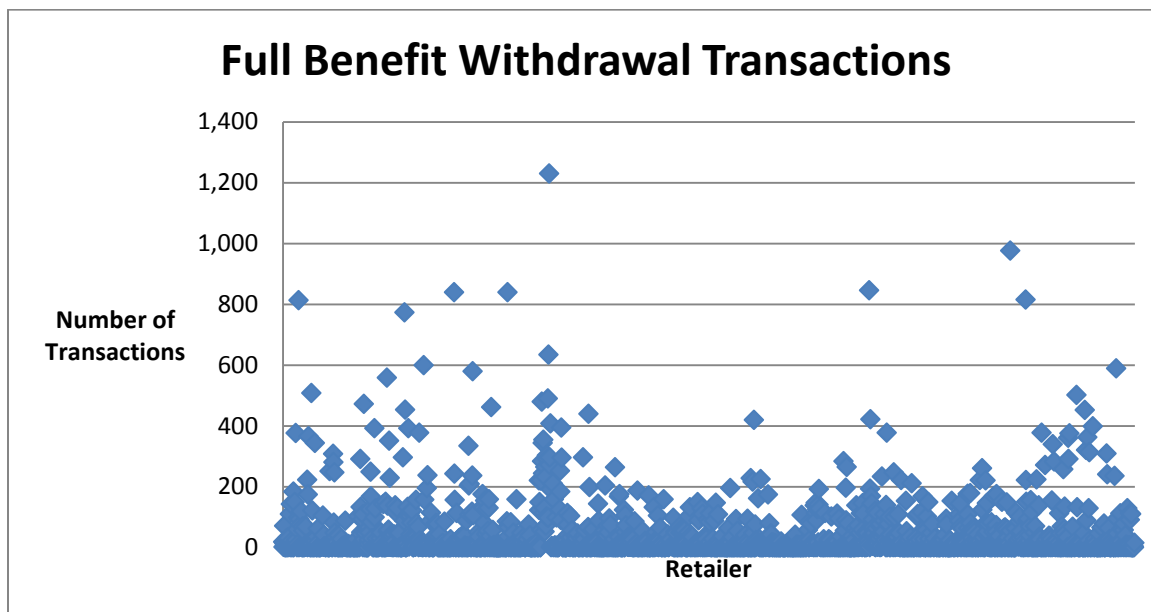
**RECOMMENDATION #6**

- Implement procedures to review the *Manual Card Entry Report* and investigate recipients with an excessive number of manual card entries to determine the reason the EBT cards are not being swiped. These procedures could include recipient inquiry and the review of additional EPPIC reports.
- The outliers identified in the retailer graph above should be reviewed to determine if there is anything unusual about the transactions associated with these retailers and if these retailers should be referred to the appropriate investigative agency.
- As other anomalies are noted pertaining to retailers, the information should be forwarded to the appropriate investigative agency.

**Full Benefit Withdrawal Transactions**

We identified all individual purchase transactions where at least the full monthly benefit amount awarded was withdrawn in a single purchase transaction. This could indicate the recipients were transferring their benefits to others for cash or other commodities, or they had other resources available indicating they may no longer be eligible for benefits. There were 96,367 recipients with 152,740 full benefit withdrawal transactions totaling \$25,430,189.

- i) We prepared a graph showing all retailers utilized by recipients for full benefit withdrawal transactions and the total number of these transactions per retailer to identify outliers.



- ii) Next, we identified all recipients with one purchase transaction that exceeded three times their benefit issuance amount, as identified in the table below. We performed this additional analysis as it could be reasonable to use one month's benefit issuance in one transaction; however, the use of three times the benefit issuance amount in one transaction would seem more unusual.

<b>Total Recipients</b>	<b>Total Transactions</b>	<b>Total Amount</b>
274	274	\$57,218



The 10 highest dollar transactions were identified.

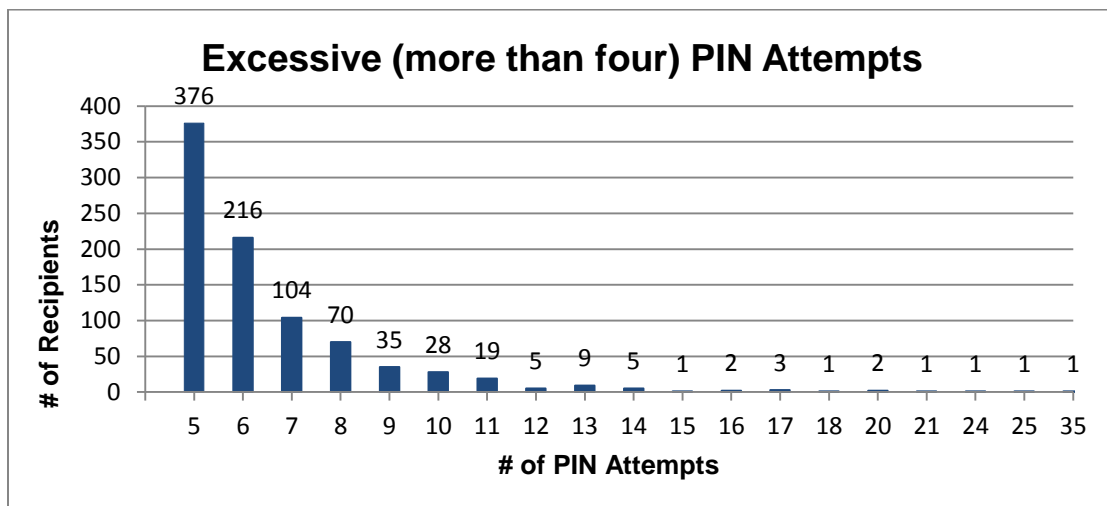
<b>Recipient #</b>	<b>Total Purchase</b>	<b>Transaction Date/Time</b>	<b>Monthly Benefit Amount</b>
1	\$1,323	3/4/2015 12:02 p.m.	\$194
2	\$1,281	2/20/2015 3:45 p.m.	\$194
3	\$1,273	5/26/2015 5:21 a.m.	\$194
4	\$1,242	6/2/2015 5:56 a.m.	\$156
5	\$1,108	3/4/2015 12:03 p.m.	\$194
6	\$1,073	3/29/2015 5:44 p.m.	\$194
7	\$1,063	5/22/2015 11:24 a.m.	\$194
8	\$1,027	6/2/2015 5:56 a.m.	\$194
9	\$898	6/25/2015 1:01 a.m.	\$163
10	\$781	2/20/2015 1:12 p.m.	\$194

**RECOMMENDATION #7**

- Review the *Full Food Assistance Balance Withdrawal Report* to identify recipients with a significant number of full benefit withdrawal transactions and review the individual transactions to determine if there are any unusual patterns identified. If anomalies are identified, determine methods and implement procedures to investigate these recipients.
- If the recipient carries a large accumulated balance on their card, investigate the reason for the large balance as detailed in recommendation #12 below.
- The outliers identified in the retailer graph above should be reviewed to determine if there is anything unusual about the transactions associated with these retailers and if these retailers should be referred to the appropriate investigative agency.
- As other anomalies are noted pertaining to retailers, the information should be forwarded to the appropriate investigative agency.

**Excessive PIN Attempts**

We identified all recipients who exceeded their allotted four PIN attempts (as determined by the Department). If four unsuccessful PIN attempts are made, the card is automatically locked and cannot be used until the recipient resets the PIN. If a recipient has an excessive number of unsuccessful PIN attempts, this could indicate the individual is not the rightful owner of the card. We identified a total of 7,938 recipients with 18,878 unsuccessful PIN attempts; 880 of these recipients had an excessive number (more than four) of PIN attempts, as detailed below.

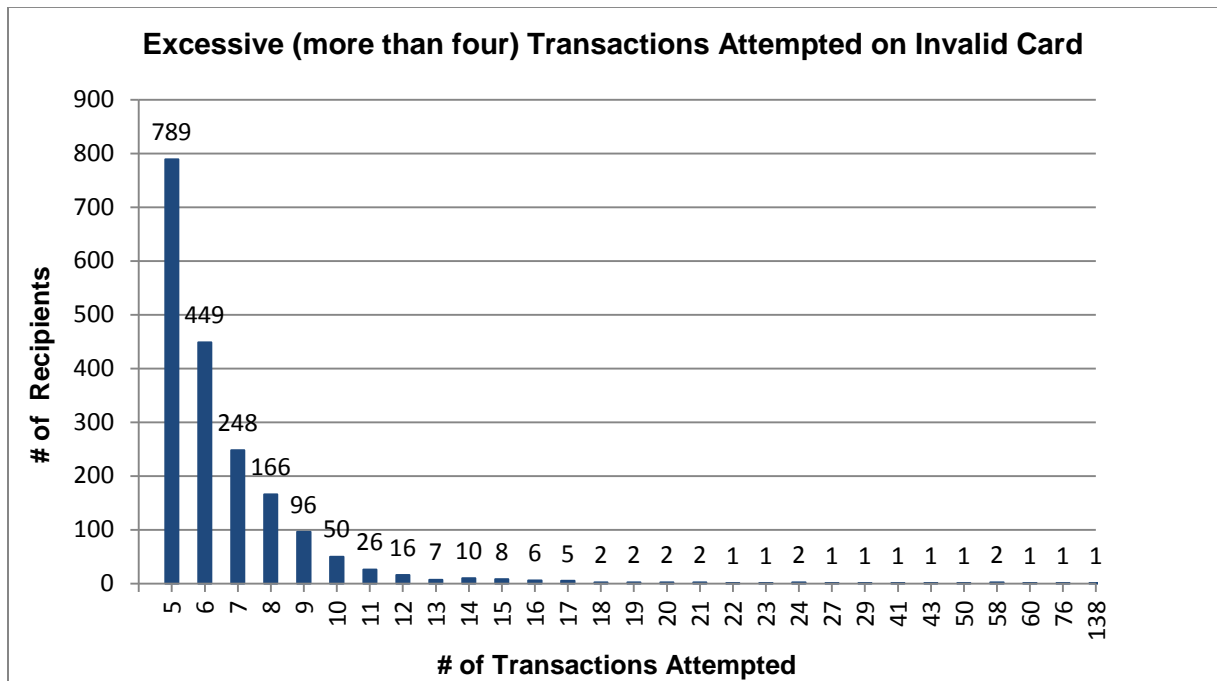


**RECOMMENDATION #8**

Implement procedures to review the *Excessive PIN Attempts Report* to identify recipients with a significant number of PIN attempts, and determine the reason for the excessive attempts. Consider reviewing EPPIC transaction history reports to identify any other unusual activity that may indicate an unauthorized individual was utilizing the card.

**Invalid Card Attempts**

We identified all purchase transactions attempted on an invalid card (reported as lost, damaged, stolen, etc.). Transactions attempted on an invalid card could indicate an unauthorized individual attempted to use the card. There were a total of 12,906 excessive (more than four) transactions attempted on an invalid card relating to 1,898 recipient accounts, as shown below:



**RECOMMENDATION #9**

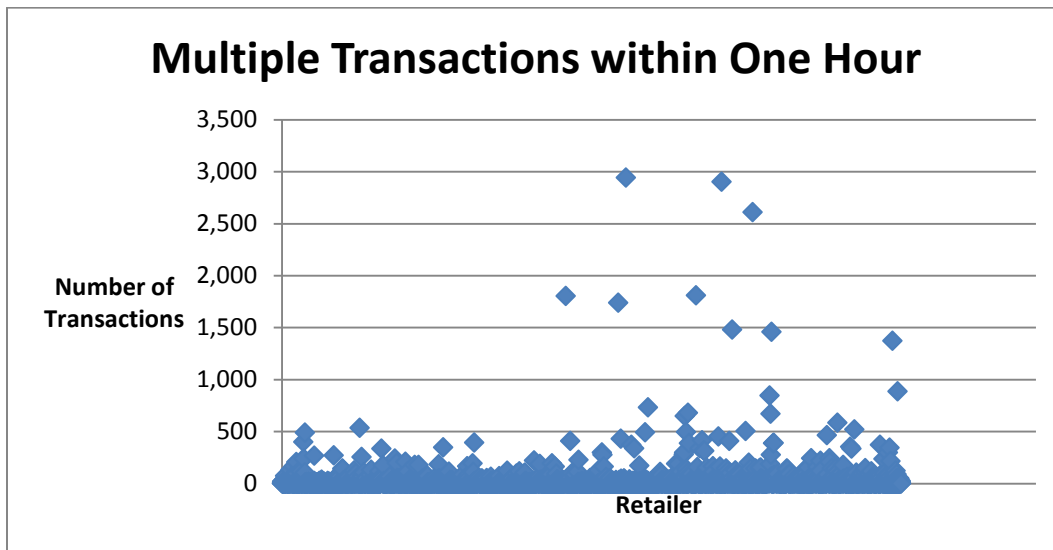
Review the *Transactions Attempted on Invalid Card Report* to identify recipients with a significant number of transactions attempted on an invalid card assigned to them, and determine the reason for the excessive attempts. Consider reviewing EPPIC transaction history reports to identify any other unusual activity that may indicate an unauthorized individual was utilizing the card.

**Multiple Consecutive Transactions**

We identified multiple purchase transactions occurring on one recipient account within one hour, shown in the table below, by month. If the card or benefits are being used excessively within a short amount of time, especially utilizing a single retailer, this could indicate the card is being exchanged for cash and/or being used by multiple unauthorized individuals.

<i>Month</i>	<i>Retailers</i>	<i>Recipients</i>	<i>Transactions</i>	<i>Amount</i>
January	1,921	2,628	15,835	\$365,124
February	1,686	2,211	13,245	\$315,923
March	1,887	2,570	15,561	\$341,215
April	1,890	2,576	15,529	\$353,262
May	2,114	2,875	16,363	\$357,229
June	2,144	2,887	16,387	\$364,422
<b>Total</b>	<b>11,642</b>	<b>15,747</b>	<b>92,920</b>	<b>\$2,097,175</b>

- i) We prepared a graph showing all retailers utilized by SNAP recipients for multiple transactions within one hour and the total number of these transactions per retailer to identify outliers.



- ii) We identified the top 10 recipients with the highest dollar amount of transactions within a one-hour period during the six month period tested.

<i>Recipient #</i>	<i>Transactions</i>	<i># of one-hour time periods</i>	<i># of Retailers Visited</i>	<i>Amount of All Transactions</i>
1	48	7	2	\$2,343
2	54	7	20	\$2,335
3	68	6	23	\$2,079
4	44	7	17	\$1,920
5	26	5	5	\$1,879
6	23	4	4	\$1,825
7	31	4	2	\$1,707
8	12	3	7	\$1,671
9	6	1	2	\$1,555
10	24	4	8	\$1,545
<b>Total</b>	<b>336</b>	<b>48</b>	<b>90</b>	<b>\$18,859</b>

iii) We analyzed an individual one-hour period for Recipient #9 in our top 10. Below are the results.

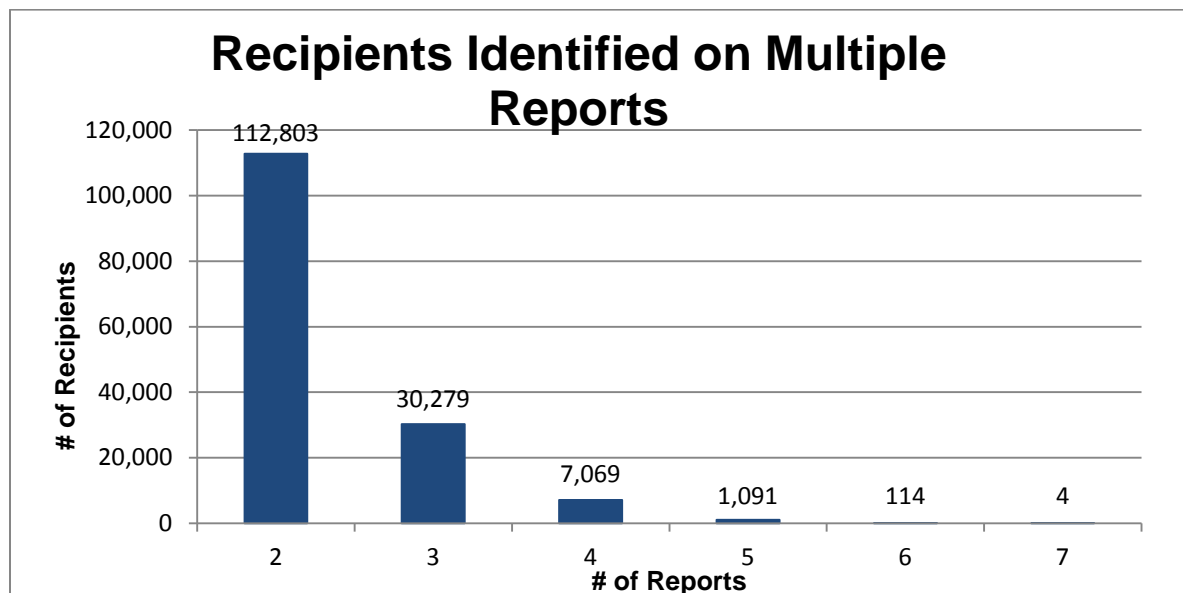
<b>Transaction #</b>	<b>Transaction Date/Time</b>	<b>Retailer #</b>	<b>Amount of Transaction</b>
1	1/31/2015 7:57 p.m.	1	\$201
2	1/31/2015 8:01 p.m.	1	\$189
3	1/31/2015 8:04 p.m.	1	\$269
4	1/31/2015 8:42 p.m.	2	\$262
5	1/31/2015 8:49 p.m.	2	\$262
6	1/31/2015 8:52 p.m.	2	\$372
<b>Total</b>			<b>\$1,555</b>

**RECOMMENDATION #10**

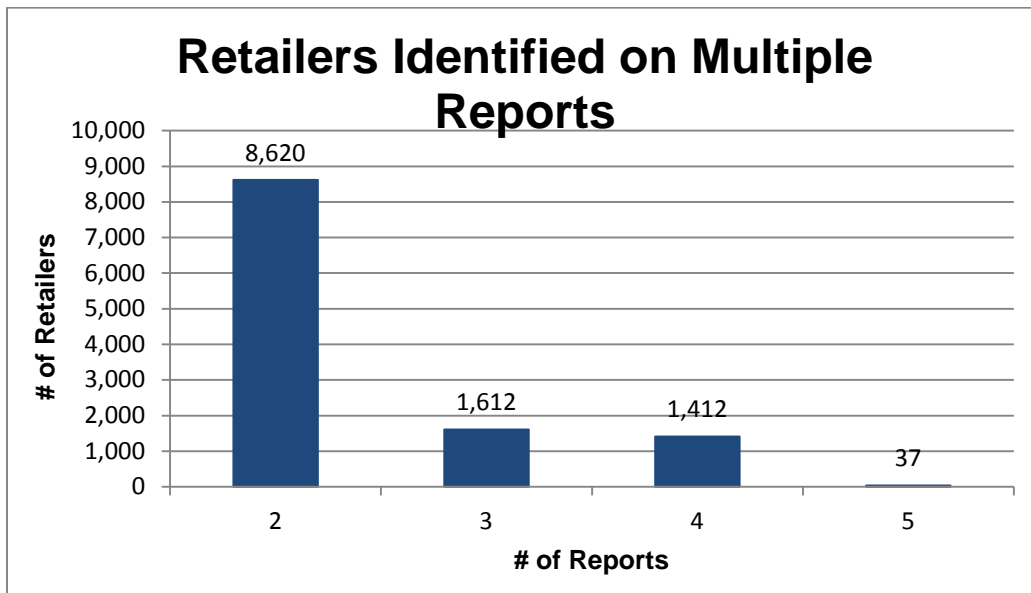
- Review the *Multiple Transactions Within 1 Hour Report* to identify recipients with a significant amount of transactions within multiple one-hour periods. Identify the retailers utilized in these instances to determine whether the same retailer was utilized during the period. If the same retailer is utilized multiple times within the same period, this could indicate the card is being exchanged for cash and/or used by multiple ineligible individuals. If anomalies are identified, determine methods and implement procedures to investigate these recipients.
- The outliers identified in the retailer graph above should be reviewed to determine if there is anything unusual about the transactions associated with these retailers and if these retailers should be referred to the appropriate investigative agency.
- As other anomalies are noted pertaining to retailers, the information should be forwarded to the appropriate investigative agency.

**Recipients and Retailers Identified on Multiple Reports**

Using all eight of the EPPIC reports noted above, we identified recipients and retailers that appeared on more than one of the reports. If a recipient or retailer appears on multiple reports, there is a higher possibility that fraud or other questionable activity is occurring. There were 151,360 recipients appearing on multiple reports, as follows.



There were 11,681 retailers appearing on multiple reports, as follows.



#### **RECOMMENDATION #11**

- Utilizing all the standard EPPIC reports available, recipients and retailers appearing on multiple reports should be identified since this could be an indicator of fraudulent activity. Review the data periodically to identify outliers and other anomalies and investigate those occurrences.
- The 37 retailers identified in our testing on five reports should be referred to the appropriate authorities for investigation.

### **EXCESSIVE CARD BALANCES**

7 CFR 274.2(h) states:

- (1) If EBT accounts are inactive for 3 months or longer, the State agency may store such benefits offline.
  - (i) Benefits stored off-line shall be made available upon reapplication or re-contact by the household;
  - (ii) The State agency shall attempt to notify the household of this action before storage of the benefits off-line and describe the steps necessary to bring the benefits back on-line;
- (2) The State agency shall expunge benefits that have not been accessed by the household after a period of one year. Issuance reports shall reflect the adjustment to the State agency issuance totals to comply with monthly issuance reporting requirements prescribed under § 274.4.
- (3) Procedures shall be established to permit the appropriate managers to adjust benefits that have already been posted to a benefit account prior to the household accessing the account; or, after an account has become dormant. The procedures shall also be applicable to removing stale accounts for off-line storage of benefits or when the benefits are expunged. Whenever benefits are expunged or stored off-line, the State agency shall document the date, amount of the benefits and storage location in the household case file.

In addition, the Department indicated the EBT contract requirements, approved by FNS, state:

**Section 2.2.2.4 Benefit Expungement –**

The Contractor must track aging at both the account and benefit level. Each food assistance benefit begins aging at the time it becomes available to the client. The EBT account begins aging at the point that the first benefit becomes available. Subsequently, each time that the client completes a transaction, the account aging clock is reset to start anew, even if one or more benefits have been expunged.

No benefits may be expunged until the account aging clock has reached 365 calendar days. Once the account has reached expungement age, only those benefits that have been available to the client for 365 or more calendar days shall be expunged. If one or more subsequent benefit authorizations for the same client account have been available to the client for less than 365 calendar days, they are not expunged. They must remain online until each has reached full expungement age. If an account that has had all benefits expunged is reactivated because the client has again become eligible, the account must be treated in the same manner as a new account in terms of benefit aging and expungement timeframes.

An excessive benefit balance carried on an EBT card could signify the benefit balance has accumulated more than a period of one year increasing the risk of noncompliance with requirements. This could also indicate the recipient had additional resources available and was no longer in need of the benefits, allowing the benefits to be distributed elsewhere. Using a listing of all recipients with card balances greater than \$2,300 (nearly double the maximum benefit amount for a family of eight), we identified a total of 1,337 recipients with a balance greater than this threshold on their card during the audit period, as listed below:

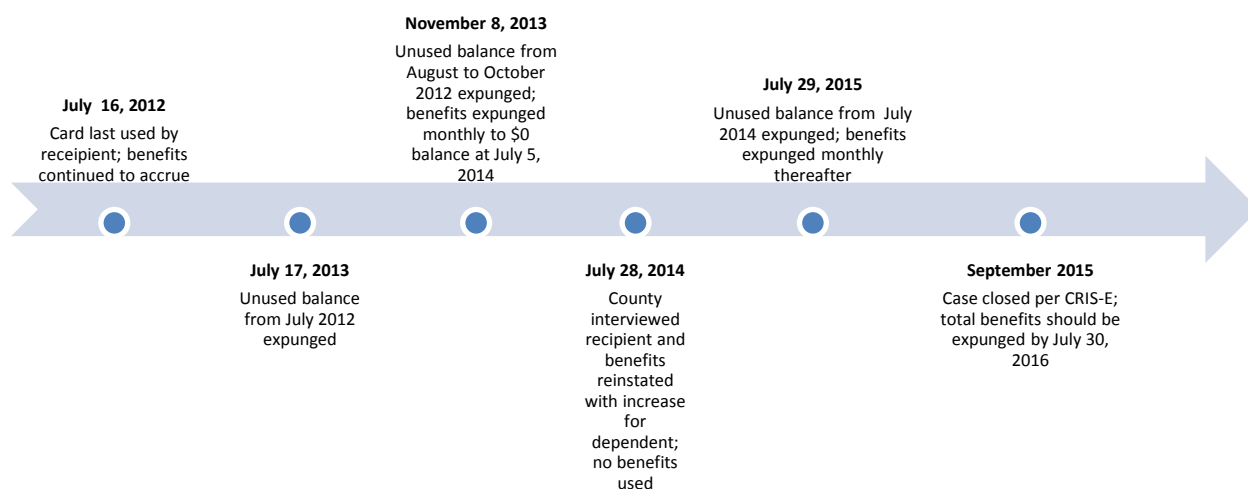
<i><b>Balance Range:</b></i>	<i><b>Total Recipients</b></i>	<i><b>Total Balance Carried</b></i>
\$2,300 - \$2,999	706	\$1,813,619
\$3,000 - \$3,999	323	\$1,104,199
\$4,000 - \$4,999	135	\$595,857
\$5,000 - \$5,999	69	\$374,777
\$6,000 - \$6,999	40	\$254,692
\$7,000 - \$7,999	31	\$230,454
\$8,000 - \$8,999	6	\$50,765
\$9,000 - \$9,999	14	\$131,772
\$10,000 - \$10,999	3	\$31,512
\$11,000 - \$11,999	2	\$22,658
\$12,000 - \$12,999	2	\$24,685
\$13,000 - \$13,999	1	\$13,827
\$14,000 - \$14,999	1	\$14,496
\$15,000 - \$15,999	0	0
\$16,000 - \$16,999	1	\$16,910
\$17,000 - \$17,999	1	\$17,471
\$18,000 - \$18,999	1	\$18,757
\$19,000 - \$19,999	0	0
\$20,000 - \$20,999	1	\$20,610
<b>Total</b>	<b>1,337</b>	<b>\$4,737,061</b>

We also obtained information from the Department, provided by Xerox, for each of the 1,337 high balance recipients listed above to show when their EBT card was last utilized. We found the high balance recipients last accessed their account/used their card in the following calendar years:

<b>Calendar Year Recipient's Account Last Accessed</b>	<b>Total Recipients</b>	<b>Total Balance Carried</b>
2012	7	\$23,221
2013	19	\$63,585
2014	72	\$248,640
2015	1,165	\$4,143,677
Date Not Provided	74	\$257,938
<b>Total</b>	<b>1,337</b>	<b>\$4,737,061</b>

We reviewed a Xerox report documenting which recipients had benefits expunged during our audit period. Eight of the 26 (30.8%) recipients listed above who last accessed their accounts in 2012 and 2013 were not listed on the expungement report covering our six-month period. The Department provided further information to indicate benefits for these eight recipients had been fully expunged prior to our audit period. However, these recipients continued to be eligible based on the redeterminations performed by the counties and, therefore, continued to earn benefits. Since the contract agreement requires benefits to be available for 365 days before expungement, their balances continued to accumulate even though they were not being used. See the timeline below for further information for one of these eight recipients. In addition, the Department indicated that no date was available for the 74 recipients for which no date was provided because those recipients had not accessed their benefits since at least July 2009 (the beginning date of the report provided). Of the 20 recipients selected for testing, 10 were listed on the expungement report covering our six-month period. In addition, the Department provided documentation for the other 10 selected recipients from these 74 to show their benefits had been fully expunged prior to our audit period.

Timeline of Activities for Recipient One of Eight



#### **RECOMMENDATION #12**

- Investigate the remaining 54 of the 74 accounts identified above where a date the account was last accessed was not provided and verify the card balances loaded over a year ago were expunged as required by 7 CFR 274.2(h)(2).
- Utilize the standard EPPIC report that includes all recipient cards that have not been utilized in a year, the date the account was last active, and the benefits expunged to assist in monitoring card balances. Ensure Xerox immediately expunged those benefits to comply with the requirements of 7 CFR 274.2(h)(2).
- Implement procedures as allowed in 7 CFR 272(h)(1) to store any benefits not utilized for three months off-line. Only reactivate the benefits upon reapplication or re-contact by the recipient.
- Inquiries should be made at the time of reapplication or re-contact to determine why benefits had not been used and whether additional income or resources are available to the recipient that had not been reported to ensure continued eligibility is appropriate.

#### **EPPIC REPORTS USE**

- A) We inquired with the Department to determine whether they were using the EPPIC reports provided by Xerox. Department personnel indicated they do not use the reports for monitoring purposes. They indicated it is the CDJFS' responsibility to generate and review EPPIC reports, investigate fraud allegations, and recoup overpayments from recipients. The Department indicated it conducts quarterly meetings with CDJFS investigators and provides technical assistance and training to the CDJFS pertaining to EPPIC report use and investigations.
- B) We selected 10 counties: Cuyahoga, Franklin, Hamilton, Holmes, Huron, Logan, Lucas, Montgomery, Muskingum, and Pickaway. We inquired with the CDJFS in these counties to determine:
- i. Whether the CDJFS utilized the EPPIC reports;
  - ii. If sufficient and knowledgeable personnel were assigned to fraud identification and investigation;
  - iii. What procedures were in place for fraud identification and investigation;
  - iv. Whether training was provided by the Department;
  - v. If quarterly meetings were conducted with the Department; and,
  - vi. The steps that are taken when possible fraud is identified.

Based on the responses provided by the 10 selected CDJFS:

- There are no procedures in place to review EPPIC reports to identify anomalies for possible investigation. Investigations are not initiated until the CDJFS receives a complaint or referral. At that point, the EPPIC reports are utilized only as they relate to the specific recipient under investigation.
- The Department does provide training and conducts quarterly meetings with the CDJFS for reviewing recipient family, income, and other information to identify potential fraud during the application process. The Department also provides training on how to handle a complaint and the corresponding investigation. However, the Department does not provide training pertaining to EPPIC report monitoring and how to identify anomalies and other outliers related to fraud and misuse of the EBT cards.
- Seven of ten CDJFS either do not have personnel dedicated full time to SNAP fraud identification and investigation, have only one investigator, or have had significant turnover and vacant positions in their fraud section.



## **OVERALL RECOMMENDATIONS**

Since resources are often limited at the CDJFS, the Department should take a more proactive role in identifying possible fraud related to EBT cards and centralize the function. Centralizing this function at the Department level would allow specific personnel to become more experienced and adept at identifying and investigating anomalies and help focus the resources of both State and county personnel. In addition to the recommendations made throughout this report, we recommend the Department:

- Regularly review EPPIC reports and identify anomalies and other outliers for investigation. The information could then be passed to the CDJFS or appropriate authorities for investigation.
- Provide additional training to CDJFS personnel to help them better understand the EPPIC report data and how to proceed with investigations. The training materials provided should be maintained and readily made available to the CDJFS for reference.
- Conduct meetings with CDJFS personnel periodically to ensure all questions and concerns are addressed and investigations are being performed properly.
- Update and formally document the policies and procedures regarding the SNAP eligibility and fraud review/investigation process, including any changes made as a result of these recommendations. Communicate these policies and procedures to all affected staff, both State and County. Periodically review and update the policies and procedures to ensure they remain current and are sufficient.
- Ensure all procedures completed are documented and the documentation is maintained in accordance with established records retention policies.

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# Dave Yost • Auditor of State

**OHIO DEPARTMENT OF JOB AND FAMILY SERVICES  
SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM - SNAP**

**FRANKLIN COUNTY**

**CLERK'S CERTIFICATION**

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JUNE 28, 2016**