

Performance Audit No. 15-04

A Performance Audit of Data Analytics Techniques to Detect SNAP Abuse



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January 5, 2016

The Office of the Utah State Auditor conducted *A Performance Audit of Data Analytics Techniques to Detect Supplemental Nutrition Assistance Program (SNAP) Abuse* and presents its findings herewith. This audit was conducted in an effort to identify the strength of proactive controls designed to detect SNAP misuse.

This audit report cites overarching concerns regarding inadequate use of data analytics to proactively identify, review, and prioritize potential misuse of SNAP benefits. **Finding 1** cites concerns regarding the prioritization process that the Department of Workforce Services (DWS) uses to review potential misuse of benefits. **Finding 2** shows that 636 recipients made purchases exclusively outside of Utah for six months or more—calling into question their Utah SNAP eligibility. **Finding 3** demonstrates how DWS could limit electronic benefit transfer (EBT) card trafficking by adhering to federal guidelines. **Finding 4** cites concerns regarding insufficient review of rapid successive transactions. **Finding 5** provides examples of unidentified even dollar transactions that appear suspicious and may require investigation.

We believe that the implementation of the recommendations found in this audit report will strengthen the administration of SNAP in the state while increasing recipient accountability. Proactively identifying program misuse will help ensure that SNAP benefits are used only for the intended purpose and by eligible individuals.

We recognize and appreciate the cooperation of DWS management and staff throughout the course of this audit.

Sincerely,

David S. Pulsipher, CIA, CFE
Performance Audit Director

Audit Staff: Rachel Dyer, MPA
Nick Purse, JD, CIA
Kylan Brown, MPA

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Executive Summary

Finding 1: The Investigations Unit Does Not Effectively Use Data Analytics to Prioritize High Risk Recipient Behavior. The Department of Workforce Services (DWS) Investigations Unit does not proactively identify high risk behavior that potentially indicates Supplemental Nutrition Assistance Program (SNAP) misuse. Federal regulations require that the state agencies that administer SNAP identify and collect on claims resulting from benefits overpaid or trafficked. DWS currently considers six specific behaviors as indicators of potential SNAP trafficking that may warrant an investigation into a specific case. However, DWS appears to review inaccurate data in considering which cases to investigate and does not appear to consistently investigate high risk behaviors. In addition, DWS' limited criteria and equal weighting of suspicious cases appear to allow cases with the highest risk behaviors to escape scrutiny.

Finding 2: Analyzing Out-of-State Transactions Could Identify Ineligible Recipients. Recipients of 636 SNAP cases spent almost \$1.4 million while using their electronic benefit transfer (EBT) card exclusively outside of the state for six consecutive months or longer, despite state residency requirements. Exclusive purchase patterns outside of the state may indicate program abuse while decreasing DWS' ability to detect and prevent recipient fraud, waste, and abuse. The DWS Investigations Unit should focus its analytical efforts on identifying SNAP recipients with a higher likelihood of program misuse. Current efforts limit the Investigations Unit's ability to identify SNAP recipients who appear to incorrectly claim state residency in order to take advantage of the program benefits.

Finding 3: DWS Could Limit EBT Card Trafficking by Conforming to Federal Requirements. The DWS Investigations Unit does not adequately identify SNAP benefit trafficking risks or prioritize high risk trafficking cases for investigation. The Investigations Unit does not identify the magnitude of EBT card replacement requests, possibly overlooking cases in which recipients regularly request excessive replacement cards in a 12-month period. Some recipients continue to receive SNAP benefits despite potentially misusing their EBT cards, and, in one case, confessing to selling EBT cards for drugs.

Complying with the federal Food and Nutrition Service (FNS) requirements would help DWS to (1) notify SNAP recipients with questionable behavior that they will be closely monitored, (2) identify recipients who continue to demonstrate behavior consistent with EBT card trafficking, and (3) prioritize cases with the highest risk of program abuse.

Finding 4: Investigating Rapid Successive Transactions Could Limit SNAP Fraud. The DWS Investigations Unit does not adequately identify high risk SNAP recipients that use their EBT card multiple times in short time periods. Such trends are an indication of potential benefits abuse and should be considered, among other risks, when prioritizing cases to investigate. Identifying irregular usage patterns and recipient behavior could help DWS to identify potential EBT card misuse, in addition to potential collaboration with merchants. The majority of rapid successive transactions¹ were processed by only two percent of merchants.

Finding 5: DWS Does not Identify and Investigate Some High Risk Even Dollar Transactions. DWS could potentially detect SNAP abuse by prioritizing suspicious even dollar transactions to investigate. The Investigations Unit reviews only SNAP recipients who make at least two even dollar transactions over \$50 in multiples of \$10 in the same month and only if the recipients demonstrate other suspicious behavior in the same month. It appears this methodology overlooks recipients with more suspicious purchase patterns. Additionally, the current tests do not identify many of the transactions they are designed to detect. DWS could better detect potential SNAP abuse by considering habitual multiple and large even dollar transactions.

¹ For purposes of this finding, “rapid successive transactions” refers to multiple transactions made by the same SNAP recipient with the same merchant within five minutes of the prior transaction.

Table of Contents

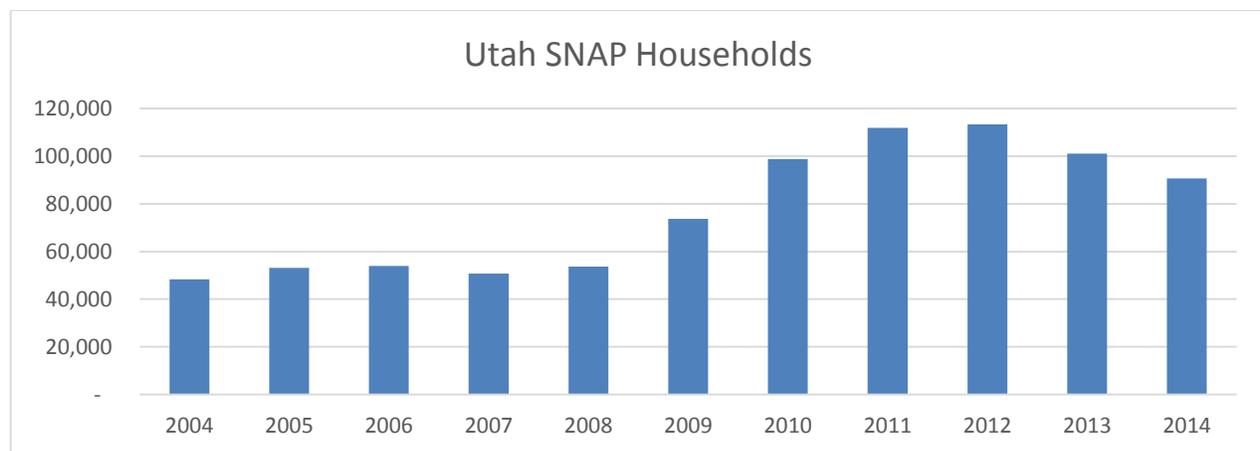
Executive Summary	5
Table of Contents	7
Background	9
Finding 1: The Investigations Unit Does Not Effectively Use Data Analytics to Prioritize High Risk Recipient Behavior	13
DWS Fraud Alert Reports Do Not Appear to Effectively Generate Investigation Referrals	13
Alert Reports Contain Inaccurate Data.....	15
DWS Fraud Alert Reports Do Not Identify the Severity of Individual Flagged Concerns.....	18
Finding 1 Recommendations	19
Finding 2: Analyzing Out-of-State Transactions Could Identify Ineligible Recipients.....	21
Exclusive Out-of-State EBT Card Usage Calls into Question The Utah Residency of Recipients for 636 SNAP Cases	21
Exclusive Out-of-State EBT Card Usage Lowers Ability to Prevent SNAP Benefit Misuse	24
Investigations Unit Alert Reports do not Identify High Risk Purchase Behavior for Out-of-State Purchases.....	27
Finding 2 Recommendations	28
Finding 3: DWS Could Limit EBT Card Trafficking by Conforming to Federal Requirements	29
FNS Requires DWS to Monitor EBT Replacement Card Requests to Minimize Card Trafficking.....	29
DWS Referred Only 13 Percent of Potential Trafficking Cases for Investigation	31
DWS Should Investigate Recipients Who Request Excessive Replacement Cards	33
Despite Federal Requirements, DWS Did not Send Required Notices to Over 1,000 Cases with Excessive EBT Card Replacements.....	38
Withholding Replacement Cards May Decrease the Risk of Trafficking EBT Cards	39
DWS' Excessive Replacement EBT Card Notices Do Not Contain all Federally Required Components	40
Finding 3 Recommendations	41

Finding 4: Investigating Rapid Successive Transactions Could Limit SNAP Fraud	43
Rapid Successive Transactions with the Same Merchant Within a Short Time may Signify Fraud	43
DWS Investigated Few SNAP Recipients who Made Four or More Rapid Successive Transactions	43
DWS Fraud Alert Reports Do Not Account for the Severity of Rapid Successive Transactions.....	44
DWS Could Identify Potential Fraud by Investigating Multiple Transaction Amounts that Equal Even Dollar Amounts	45
DWS Could Increase Test Effectiveness by Calculating The Total Number of Transactions in a Rolling Period	47
DWS' Current Prioritization Process Does Not Identify All Abnormal Recipient Purchasing Behavior	48
Irregular and Chronic Multiple Successive Transactions Behavior Could Signify Fraud	49
Identifying Suspicious Retailer Behavior Could Limit SNAP Fraud	50
Finding 4 Recommendations	52
Finding 5: DWS Does not Identify and Investigate Some High Risk Even Dollar Transactions.....	53
DWS Considers Limited Multiple Even Dollar Transactions Executed in the Same Month a Risk Behavior.....	53
DWS Did not Investigate Thousands of Even Dollar Transactions In its Alert Reports, Some of Which Appear High Risk	54
The Investigations Unit Algorithms Miss Most Even Dollar Transactions They Are Designed to Identify	54
The Investigations Unit Does not Consider Even Dollar Transactions of Less Than \$50	57
The Investigations Unit Should Review and Prioritize Large Even Dollar Transactions	59
Finding 5 Recommendations	60
Appendix A	61
Department of Workforce Services Response.....	63

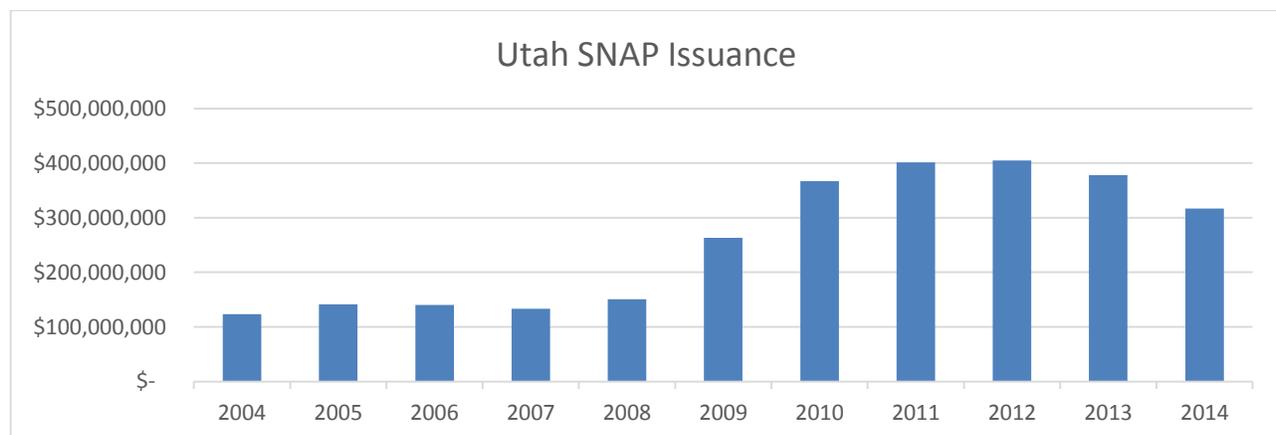
Background

On August 31, 1964, the United States Congress passed *The Food Stamp Act of 1964* “to safeguard the health and well-being of the Nation’s population by raising levels of nutrition among low-income households.”² The Food Stamp Program, or the Supplemental Nutrition Assistance Program (SNAP)—as later renamed in subsequent legislation³—allows for eligible households within each state to receive an allotment of funds each month to “purchase food from retail food stores which have been approved for participation in [SNAP].”⁴

In Utah, the Department of Workforce Services (DWS) administers the SNAP program.⁵ As represented in the figures below, 90,570 Utah households participated in SNAP in 2014, and were issued almost \$317 million in SNAP benefits.



Source: OSA Analysis of FNS State Activity Reports



Source: OSA Analysis of FNS State Activity Reports

² 7 U.S.C. § 2011.

³ Food, Conservation, and Energy Act of 2008, Pub. L. No. 110-246, § 4001(b), 122 Stat. 1651, 1853 (2008).

⁴ 7 U.S.C. § 2013(a).

⁵ Utah Admin. Code R986-900-902. This compliance requirement includes certain specific exceptions or clarifications to federal law that are outlined in Administrative Rule. Among these are specific waivers granted by the Food and Nutrition Service. Utah Admin. Code R986-900-902.

DWS' Investigation Unit and Overpayments Unit fulfill the federally-mandated process of establishing recipient claims, which are amounts owed due to benefits overpaid or trafficked.⁶

The Investigations Unit consists of 15 investigators across the state tasked with investigating potential SNAP benefits fraud, waste, and abuse. In determining which cases⁷ warrant an investigation through proactive data mining, the unit reviews specific analytics generated within monthly DWS fraud alert reports. Once an investigator has substantiated an investigation, the Overpayments Unit screens the case for accuracy and adequacy of evidence. After a substantiated case passes through the screening process, it receives one of three specific classifications:

1. **Intentional Program Violation (IPV):** intentionally having “[m]ade a false or misleading statement, or misrepresented, concealed or withheld facts” or “committed any act that constitutes a violation of the Food Stamp Act, the Food Stamp Program Regulations, or any State statute for the purpose of using, presenting, transferring, acquiring, receiving, possessing or trafficking of coupons, authorization cards or reusable documents used as part of an automated benefit delivery system (access device).”⁸
2. **Inadvertent Household Error (IHE):** “any claim for an overpayment resulting from a misunderstanding or unintended error on the part of the household.”⁹
3. **Agency Error (AE):** any claim for an overpayment caused by an action or failure to take action by the state agency.¹⁰

With the exclusion of certain delineated exceptions, the commission of an IPV suspends participation in SNAP for a defined time period, based on the number of accumulated violations. Program suspensions include:

- 1st IPV – 12 months
- 2nd IPV – 24 months
- 3rd IPV – Permanent SNAP suspension¹¹

Increasingly severe penalties apply to recipients who use or receive benefits for purchases involving controlled substances or weapons or for purchases involving an aggregate amount of \$500 or more.¹² In addition, fraudulent statements or representations made with respect to identity or place of residence to receive simultaneous food stamp benefits result in 10 years of program ineligibility.¹³

Prior to collection, all alleged overpayments must first be adjudicated through the administrative, civil, or criminal process. More specifically, any individual adult member¹⁴ of the SNAP household at the time of the overpayment or alleged trafficking incident may be found jointly and severally liable for the

⁶ 7 C.F.R. § 273.18(a).

⁷ DWS defines a “case” as “[a]n aggregation of evidence and information relating to a household” Glossary, DEPARTMENT OF WORKFORCE SERVICES (DWS) ELIGIBILITY POLICY MANUAL FOR THE FINANCIAL, FOOD STAMPS, AND CHILD CARE PROGRAMS (*hereinafter* DWS Policy).

⁸ 7 C.F.R. §273.16 (c); 7 C.F.R. §273.18 (b)(1)

⁹ 7 C.F.R. §273.18 (b)(2).

¹⁰ 7 C.F.R. § 273.18(b)(3).

¹¹ 7 C.F.R. § 273.16(b)(1).

¹² 7 C.F.R. § 273.16(b)(2)-(4).

¹³ 7 C.F.R. § 273.16(b)(5).

¹⁴ This includes any person connected to the household, such as an authorized representative. DWS Policy 820-1.

overpayment “and may also be determined guilty of [an IPV] and/or fraud and subject to all appropriate penalties.”¹⁵ An overpayment adjudication is initiated once DWS serves a completed Notice of Agency Action (NAA) packet—which includes the customer’s rights and participation requirements—for every individual determined to be responsible for the alleged overpayment.

After service, the SNAP recipient may (1) agree with the allegations and pay the obligation or negotiate a repayment plan; (2) disagree with the allegations and participate in a conference with the presiding officer or request an administrative hearing; (3) file a bona fide hearing request that will be forwarded through the presiding officer to the DWS Division of Adjudication; or (4) not participate in the process, in which case the presiding officer enters a default order that decides all issues raised in the NAA.

During an overpayment hearing, “[t]he Administrative Law Judge will determine if the customer has an overpayment obligation, the cause of the overpayment, the facts of the case, the amount of the overpayment, if the funds were obtained by fault, an intentional program violation of the program policy, and any related issues.” The resulting order may include, but is not limited to, “findings and order, default order, order based on resolution, and order of dismissal.”

If an administrative hearing has not been requested, the presiding officer will review and fairly weigh all evidence received from all parties and issue an order “as to the amounts owed, the classification, as well as any alleged IPV, and any penalty amounts and time periods.” IPV determinations will be based on clear and convincing evidence. In either case, the customer will receive a copy of the administrative order¹⁶ which “will

1. Establish the validity of the obligation,
2. Establish the reason (fault or intentional program violation) of the obligation, and
3. Provide a means of enforcing the collection of that obligation.”

All motions or requests to set aside default orders are referred to the DWS Adjudication Division for a hearing before an administrative law judge. A party has up to 30 days following the date the administrative order is issued to request judicial review by filing a petition with the district court in the county in which that party lives. The district court reviews the case “de novo” and the hearing “may involve a full hearing on the facts, a mere review of the record, testimony by the Presiding Officer, and argument by attorneys, depending on the nature of the petition and decision of the judge.” Fraud consists of a criminal conviction in district court for IPV’s of a specific severity. DWS “reserves the right to pursue prosecution of fraud based upon cost effectiveness and contracts agreed upon with the [Utah Office of the Attorney General].”

According to federal regulations, DWS is entitled to keep a percentage of what it collects from overpayments. The following table shows the allowable amount for collection retention.

¹⁵ The statute of limitations for overpayments based on fraud or mistake is three years “from the discovery of the facts constituting the fraud or mistake.” DWS Policy 820-3. This statute of limitations tolls while the individual is out of the state where an action is discovered, or if the customer is in the state but later leaves the state. DWS Policy 820-3. Cases referred for criminal prosecution must adhere to the applicable statute of limitations outlined within the Utah Code. DWS Policy 825-8.

¹⁶ DWS Policies 820-6 and 820-7. Administrative orders are valid for eight years after the date upon which the order was signed. DWS Policies 820-6 and 820-7.

Classification of Overpayment	Retention Rate
IPV	35%
IHE	20%
AE	0%

Source: 7 C.F.R. § 273.18 (k)(1)

DWS collected a total of more than \$8.4 million in claims, and retained almost \$1.5 million from 2010 through 2014, as shown below.

	IPV Claims collected	IHE Claims Collected	AE Claims Collected	Total Collection	IPV Claims Retained	IHE Claims Retained	Total Retention
2010	\$433,936	\$380,902	\$392,377	\$1,207,215	\$151,878	\$76,180	\$228,058
2011	\$470,545	\$461,329	\$564,180	\$1,496,053	\$164,691	\$92,266	\$256,956
2012	\$546,493	\$605,751	\$728,847	\$1,881,091	\$191,272	\$121,150	\$312,423
2013	\$633,216	\$637,926	\$764,388	\$2,035,530	\$221,626	\$127,585	\$349,211
2014	\$653,208	\$532,420	\$643,812	\$1,829,439	\$228,623	\$106,484	\$335,107
Total	\$2,737,398	\$2,618,327	\$3,093,604	\$8,449,329	\$958,089	\$523,665	\$1,481,755

Source: FNS State Activity Reports

DWS transfers all funds retained through overpayments to the state's General Fund. Since 2010, DWS classified most of its established overpayments as either IHE or AE. DWS reported only two percent of all overpayments as IPV, or fraud, which ranks 35th out of 54 states and territories.¹⁷

Since 2003, FNS has provided annual performance bonuses to states and territories that achieve high scores in several categories for SNAP programs. These bonuses can total over a million dollars a year. High performance bonuses serve as an incentive for states to improve and effectively administer this federal program. Those categories include:

- Lowest and Most Improved Payment Error Rate
- Lowest and Most Improved Case and Procedural Error Rate¹⁸
- Best Application Processing Timeliness Rate
- Best and Most Improved Program Access Index (PAI)¹⁹

DWS has not qualified to receive an FNS performance bonus since 2004.²⁰

¹⁷ Auditor analysis of FNS State Activity Reports (2010-2014).

¹⁸ Implemented in 2012, this new case and procedural error rate "measures the correctness of a state agency's action to deny an application, or suspend, or terminate the benefits of a participating household." *Summary of the Supplemental Nutrition Assistance Program's (SNAP) High Performance Bonuses*, FOOD AND NUTRITION SERVICE (August 2013).

¹⁹ "The PAI is the ratio of participants to persons with incomes below 125 percent of poverty." *Id.*

²⁰ Utah earned \$561,367 in 2004 for having the fourth best payment error rate.

Finding 1 The Investigations Unit Does Not Effectively Use Data Analytics to Prioritize High Risk Recipient Behavior

The Department of Workforce Services (DWS) Investigations Unit does not proactively identify high risk behavior that potentially indicates Supplemental Nutrition Assistance Program (SNAP) misuse. Federal regulations require that the state agencies that administer SNAP identify and collect on claims resulting from benefits overpaid or trafficked. DWS currently considers six specific behaviors as indicators of potential SNAP trafficking that may warrant an investigation into a specific case. However, DWS appears to review inaccurate data in considering which cases to investigate and does not appear to consistently investigate high risk behaviors. In addition, DWS' limited criteria and equal weighting of suspicious cases appear to allow cases with the highest risk behaviors to escape scrutiny.

DWS Fraud Alert Reports Do Not Appear to Effectively Generate Investigation Referrals

Proactively identifying potential program misuse through data analytics would help DWS to identify and correct concerns rather than relying on reactive measures to identify potential problems. While the Investigations Unit uses some analytics to identify suspicious behavior, the current process does not always detect high risk recipient behavior and appears to use inaccurate transactional data. The Investigations Unit currently uses monthly Fraud Alert Reports (alert reports) to assess the extent to which SNAP recipients engage in the following six specific behaviors that DWS identifies as fraud risks :

1. Monthly depletion of the electronic benefit transactions (EBT) balance.
2. Multiple EBT card use within five minutes.
3. Multiple even dollar purchases in the same month (i.e., at least two transactions of \$50 or more that are multiples of \$10)
4. Two or more out-of-state transactions in the month prior to the review²¹, during the review month, and in the month following the review month.
5. Carrying a month-end balance of \$5,000 or more.
6. Five or more replacement cards in the previous 12 months.

²¹ The "review" is the "official review of the eligibility factors of a case in order to determine eligibility for the new eligibility period," which is "all months a household is eligible for assistance until the next review of eligibility." The review takes place during the last month of an eligibility period. All households receiving SNAP have an eligibility period of up to six months except that "households where all members are elderly and/or disabled with no earned income are certified for a period of up to 12 months." DWS Policies 730 and 735. The terms "review" and "recertification" are synonymous throughout this report. See 7 C.F.R. § 273.14 ("recertification"); DWS Policy 735 ("Eligibility Review").

The alert reports capture transactions associated with exceptions 1 through 4 and case numbers associated with exceptions 5 and 6. Cases “flagged”²² with three or more of the six exceptions in a given month are considered for investigation. However, earning three exceptions in an alert report does not necessarily identify the highest risk behavior because:

1. Alert reports do not consider historical SNAP recipient behavior outside of the month reviewed for four of the six exceptions.
2. Alert reports do not consider the magnitude of suspicious behavior.
3. Alert reports appear to contain inaccurate data.
4. Two of the six exceptions are mutually exclusive: monthly depletion of EBT card balance and carrying a month-end balance of \$5,000 or more.
5. Alert reports did not include any EBT replacement card data in 10 of the 19 reports reviewed.²³

As a result, in most alert reports, earning three exceptions required a more stringent standard of effectively earning *three out of four* of the following exceptions: (1) multiple even dollar transactions, (2) multiple transactions within a five minute timeframe, (3) out-of-state transactions, or (4) either the monthly depletion or the carrying a month-end balance of \$5,000 or more on the EBT card.

Moreover, though it is an important *proactive* control to prevent program misuse, the alert reports appear to generate a small percentage of investigation referrals. Instead, DWS relies on various *reactive* controls to detect potential program abuse. Such reactive controls include referrals from recipient neighbors, eligibility workers, and other governmental agencies.

Though both types of controls are important, greater emphasis on data analytics will enable DWS to identify potentially abusive behavior before it perpetuates. Reactive controls typically only detect the potential program abuse after it becomes a larger problem. As seen in Figure 1.1, below, only 3.38 percent of all investigations referred from January 1, 2014 through September 30, 2015 were generated by investigators.

²² We use the term “flagged” to indicate any cases that earned at least three exceptions on the “Exception Overlay” sheet of any DWS Fraud Alert Report. The DWS Investigations Unit considers these “flagged” cases for investigation.

²³ DWS corrected this error after we notified them of the missing information in August 2015.

Figure 1.1 Investigation Sources (January 2014 through June 2015)

Investigation Referral Source	Count	Percent of Total
Eligibility Specialist	4,743	54.38%
Payment Specialist	1,466	16.81%
Taxpayer	1,092	12.52%
[Blank data field]	421	4.83%
Investigator	295	3.38%
QC Analyst	195	2.24%
Employment Counselor	151	1.73%
Other State Agency	139	1.59%
Health Department	92	1.05%
Payment Error Prevention	60	0.69%
Recovery Services	48	0.55%
Public Assistance Overpayments	11	0.13%
Business Services	9	0.10%

Source: DWS and eEREP Investigation Data

Of the 295 investigation referrals generated by investigators, only 23 pertained to cases flagged on any alert report. The alert report is the primary proactive control used to identify potential program misuse. Most other referral sources listed in Figure 1.1 are reactive controls that identify potential concerns only after the potential misuse has escalated or become apparent to outside observers. Strengthening the data analytics will enable DWS to more quickly identify and correct potential program misuse that may otherwise go undetected. DWS should strengthen the data analytics used to identify high risk recipient behavior to guide proactive investigations.

Alert Reports Contain Inaccurate Data

Relying on incomplete or inaccurate alert reports limits the Investigations Unit from identifying potential program misuse. Inaccurate data clutters the monthly reports and can cause investigators to spend limited time and resources reviewing cases with lower risks.

Alert Reports do not Appear to Accurately Capture Relevant Transaction Data in all Cases. In addition to the seemingly tenuous connection between alert reports and investigation referrals, it appears that the alert reports capture transaction data that is not entirely reflective of the true nature of a transaction. For instance, the alert reports appear to (1) double count transactions across some alert reports, (2) flag false positives, and (3) overlook some transactions that DWS analytics are intended to identify. The cause of these anomalies is not entirely clear.

First, the alert reports appear to have double counted transactions across some alert reports. For example, 103 of the even dollar transactions counted in the January 2015 alert report appear identical (i.e. same case number, date, amount, store, store address, etc.) to 103 of the even

dollar transactions in the February 2015 alert report. Furthermore, there is no record of any even dollar transactions executed in February or May 2015 captured in any of the alert reports.

Second, DWS may mistakenly identify a single transaction drawn from multiple grants²⁴ as two even dollar transactions executed in the same minute at the same retailer on the same date. Figure 1.2 demonstrates this concern. Because this recipient had not used SNAP benefits for several months, the single transaction was reported as six transactions drawing upon six different benefit grants—five of which were for even dollar amounts that depleted the previous month’s balance.

Figure 1.2 Example of Transactions with the Same Merchant Split in Alert Reports

Data Source	Transaction Number	Transaction Date	Transaction Time	Transaction Amount
Raw EBT Transaction History (reflective of the separate grants)	1	5/28/2014	23:34	\$22.00*
	2	5/28/2014	23:34	\$52.00*
	3**	5/28/2014	23:34	\$90.00*
	4**	5/28/2014	23:34	\$80.00*
	5	5/28/2014	23:34	\$80.00*
	6	5/28/2014	23:34	\$37.86
Actual Transaction	1	5/28/2014	23:34	\$361.86

*Depleted balances from prior months

**Captured in alert reports

Source: OSA Analysis of SNAP Purchases

This recipient was flagged on an alert report as engaging in three of the six behaviors identified by DWS as potential program misuse, even though the recipient made only one transaction of \$361.86. However, this case was still investigated for suspicious recipient behavior.

Finally, the alert reports appear to overlook some transactions that DWS analytics are intended to identify. As mentioned above, certain months of transactions appear to have been overlooked entirely in the alert reports. In addition, in cases where a single transaction is drawn from multiple grants, the alert reports do not always detect two large even dollar transactions executed at the same retailer. Even when one of the transactions is reversed, DWS does not account for reversed transactions in the alert reports. In one particular case, this lack of detection may have occurred because each even dollar purchase drew from three different monthly allotments (see Figure 1.3 below).

²⁴ Individual SNAP recipient benefits are allocated monthly as separate grants. Recipient funds are debited on a first in first out basis, thereby drawing down funds from all previous monthly grants before pulling from the most recent grant. Thus, one transaction may appear as multiple transactions executed in the same minute at the same merchant in COGNOS because COGNOS appears to display split transaction amounts that reflect the actual amount of each individual grant applied to the overall transaction. COGNOS is software that DWS uses to compile reports (e.g. transaction data reports for a specific case).

Figure 1.3 Combined Purchases Total Even Dollar Amount Example

Data Source	Transaction Number	Transaction Date	Transaction Time	Transaction Amount*
Actual Transaction	1	1/13/2014	16:00	\$200.00
Amounts	2	1/13/2014	16:04	\$200.00
Raw EBT				\$30.00
Transaction History (reflective of the separate grants)	1	1/13/2014	16:00	\$169.25
				\$.75
	2	1/13/2014	16:04	\$30.00
				\$169.25
				\$.75

**One of the \$200 transactions was reversed. DWS does not account for reversed transactions in its analytics, so neither did our analysis.*

Source: OSA Analysis of SNAP Purchases

The overlooked even dollar purchase noted in Figure 1.3 represents transaction data that the DWS alert reports appear designed to capture to assist DWS assess cases for potential trafficking. However, these transactions were not identified in the alert reports.

The examples highlighted in the figures above demonstrate how the alert report design may not only clutter the report with inaccurate transaction data and inappropriately flag cases for potential trafficking but also how the alert reports may miss high risk behavior that DWS should identify and potentially investigate. We recommend that DWS ensure that transaction data is captured, reflected, and analyzed accurately in the alert reports to make investigation determinations.

The DWS Banking Vendor Data Appears to Contain Duplicate Transactions. In addition to the anomalies mentioned above, it appears that the vendor transaction data that DWS uses to populate the alert reports and other transaction data reports contains duplicate transactions. Figure 1.4, below, demonstrates one of several such examples of this concern.

Figure 1.4 Vendor Data with Duplicate Transactions

Data Source	eREP ²⁵	COGNOS	Vendor Transaction Data ²⁶
Date	3/7/2014*	3/8/2014	3/8/2014
Time	22:59*	00:58	00:58
Transaction Amount	\$65.00	\$30.34	\$15.17
			\$15.17
		\$99.66	\$49.83
			\$49.83
Transaction Total	\$65.00	\$130.00	\$130.00

Source: OSA Analysis of SNAP Purchases

The fact that the same transaction²⁷—such as the example above—is at times represented differently by each of the three databases may distort the accuracy of the data with which the alert reports are assembled. This reporting inconsistency appears to represent a small number of transactions and did not materially affect the substance of the audit findings.

DWS Fraud Alert Reports Do Not Identify the Severity of Individual Flagged Concerns

Alert reports do not distinguish or weight SNAP recipient behavior that could indicate benefits misuse. The Investigations Unit should consider the magnitude of potentially suspicious behavior over the course of the review period, in addition to historical recipient behavior.

Specifically with regard to even dollar transactions, DWS identifies all cases that execute two or more even dollar transactions in the same month that are both at least \$50 in value and equal to a multiple of \$10. For example, an individual with transactions in the same month of \$60 and \$80 would qualify under this criteria. Yet the alert reports neither differentiate between cases in terms of the number of transactions nor total dollar amount for those transactions. In other words, under the current system, a case that executes two even dollar purchases of \$50 each totaling \$100 likely receives the same scrutiny as a case that executes multiple even dollar purchases that total thousands of dollars. Cases with extreme instances of even dollar or multiple transactions within five minutes may escape scrutiny simply because these cases did not earn three or more exceptions on the alert reports.

²⁵ eREP is DWS' database management software.

²⁶ Both our analysis and the alert reports draw upon the same DWS vendor transaction database.

²⁷ While it appears that there is a two hour difference between eREP and the COGNOS and banking vendor data, the figures above represent the same transaction. It is unclear why there is a one minute difference between eREP and the COGNOS/vendor data.

Finding 5 further elaborates on concerns with even dollar transactions. Similar concerns exist for out-of-state purchases (Finding 2), issuance of more than four replacement EBT cards in 12 months (Finding 3), and multiple transactions made within five minutes (Finding 4).

Finding 1 Recommendations

1. We recommend that DWS strengthen the data analytics used to identify and prioritize high-risk recipient behavior to guide proactive investigations.
2. We recommend that DWS ensure that transaction data is captured, reflected, and analyzed accurately in the alert reports to make investigation determinations.
3. We recommend that DWS consider the magnitude of transactions and the historical behavior of SNAP recipients when prioritizing cases to refer for investigation.
4. We recommend that the DWS Investigations Unit combine transactions within the same minute that draw from separate grants in order to more accurately identify potential misuse of SNAP benefits.

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Finding 2 Analyzing Out-of-State Transactions Could Identify Ineligible Recipients

Recipients of 636 Supplemental Nutrition Assistance Program (SNAP) cases spent almost \$1.4 million while using their electronic benefit transfer (EBT) card exclusively outside of the state for six consecutive months or longer, despite state residency requirements. Exclusive purchase patterns outside of the state may indicate program abuse while decreasing the Department of Workforce Services' (DWS) ability to detect and prevent recipient fraud, waste, and abuse. The DWS Investigations Unit should focus its analytical efforts on identifying SNAP recipients with a higher likelihood of program misuse. Current efforts limit the Investigations Unit's ability to identify SNAP recipients who appear to incorrectly claim state residency in order to take advantage of the program benefits.

Exclusive Out-of-State EBT Card Usage Calls into Question The Utah SNAP Eligibility of Recipients for 636 SNAP Cases

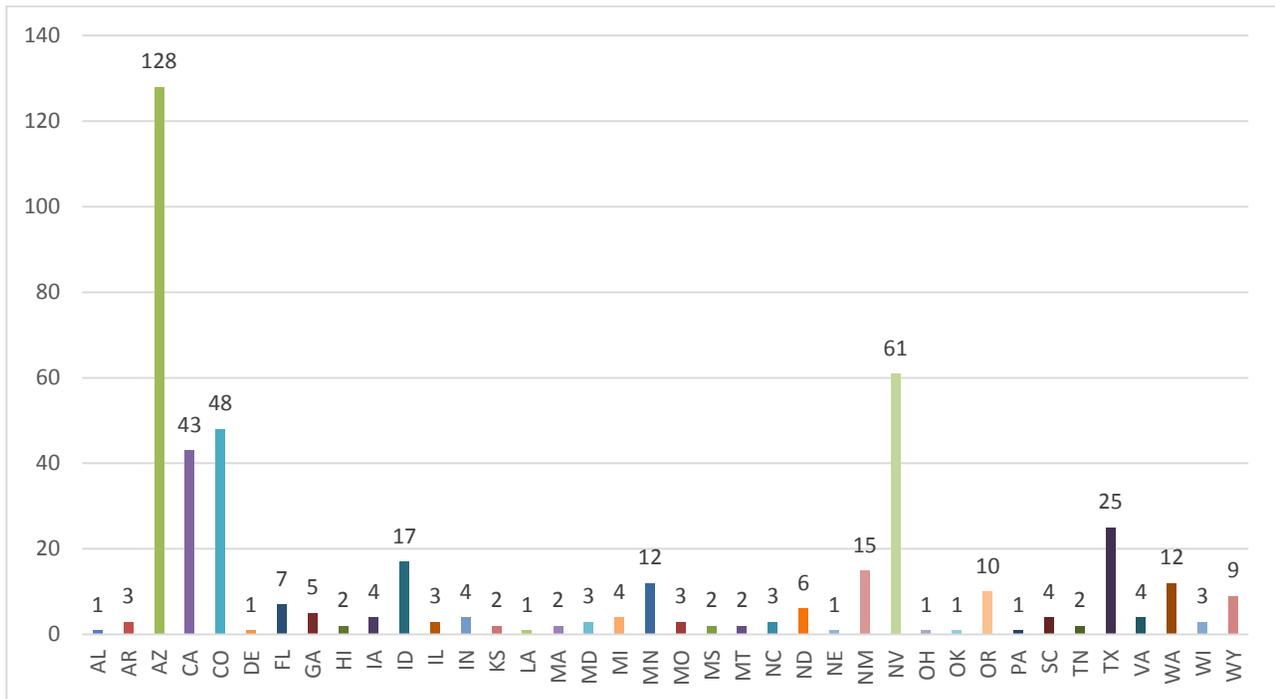
SNAP recipients in 636 cases used their EBT card exclusively outside of Utah for more than six consecutive months. Assuming policy was followed in every instance, with few exceptions, all of these cases should have had at least one recertification during that six month period in which they claimed to meet the Utah residency requirements.²⁸ The vast majority of these cases have gone uninvestigated and were not considered for investigation referral.

According to DWS policy, with few exceptions, DWS is required to verify *all* eligibility requirements²⁹ every six months; however, recertification does not appear to always involve a review of transaction history, and the Investigations Unit does not appear to analyze or investigate cases wherein recipients use their EBT cards exclusively in another state. Figure 2.1 shows the particular states wherein SNAP recipients exclusively used their EBT card.

²⁸ With few exceptions, federal regulations require residency verification for SNAP recipients. 7 C.F.R. 273.2 (f)(1)(vi). In addition to other requirements, DWS Policy 216 requires that SNAP recipients "must be living in Utah voluntarily and not for a temporary purpose. There is no requirement for a fixed place of residence. The customer needs only to say he/she intends to become a Utah resident."

²⁹ "ALL factors of eligibility must be reviewed to determine if the household is still eligible, and that the assistance amounts are correct." (DWS Policy 735; original emphasis) Federal regulation states, "Changes reported during the certification period shall be subject to the same verification procedures as apply at initial certification . . ." 7 C.F.R. 273.2(f)(8)(ii).

Figure 2.2 States Wherein Recipients Exclusively Made Purchases Out of Utah



Source: OSA Analysis of SNAP Transactions

As shown above, recipients of 455 SNAP cases used their EBT card exclusively in one other state, other than Utah, for six months or longer. It appears likely that recipients for these 455 cases actually reside in the state wherein they exclusively made purchases for six months or longer. The other 181 recipients who used their cards exclusively outside of Utah made purchases in more than one state.

Federal regulations allow SNAP recipients to use their EBT card out of state;³⁰ however, program recipients must live in the state in which they apply for benefits.³¹ With few exceptions, DWS eligibility specialists are required to re-certify a recipient’s eligibility—including the residency requirements³²—every six months.³³ Intentionally making “a false or misleading statement” or intentionally misrepresenting, concealing, or withholding facts constitutes an Intentional Program Violation (IPV)³⁴ punishable by increasingly severe suspensions from the SNAP program.³⁵ More specifically,

³⁰ “The term ‘interoperability’ means the EBT system must enable benefits issued in the form of an EBT card to be redeemed in any State.” 7 C.F.R. § 274.8(b)(10).

³¹ “A household shall live in the State in which it files an application for participation.” 7 C.F.R. § 273.3(a).

³² “ALL factors of eligibility must be reviewed to determine if the household is still eligible, and that the assistance amounts are correct.” DWS Policy 735 (original emphasis). DWS considers Utah residency requirements as general eligibility program requirements for SNAP. DWS Policies and 200 and 216.

³³ Only 18 months (78.21 weeks) of transactions were reviewed for this report. It is possible recipients in some of these cases made purchases exclusively outside of Utah for more than the months reviewed.

³⁴ 7 C.F.R. § 273.16(c).

³⁵ 7 C.F.R. § 273.16(b)(1).

[A]n individual found to have made a fraudulent statement or representation with respect to the identity or place of residence of the individual in order to receive multiple food stamp benefits simultaneously shall be ineligible to participate in [SNAP] for a period of 10 years.³⁶

DWS currently uses reactive controls to identify SNAP recipients who do not live in Utah. Such controls include mail communication that is returned and reports from neighbors. While these controls are valuable and allowed DWS to identify SNAP recipients who do not meet the residency requirements, the controls rely on reactive measures. Using data analytics to detect exclusive purchase patterns outside of Utah will enable DWS to proactively identify and investigate potential card misuse.

The Investigations Unit flagged only 12 cases on the alert reports of the 636 cases using their cards exclusively out of state for investigation, and only five of the 12 cases flagged were eventually investigated. Furthermore, only three of the five cases were an investigator-generated referral; the other two referrals came from sources outside the Investigations Unit. We are concerned that the Investigations Unit, by use of the alert reports, (1) identified less than two percent of the 636 cases in which the recipients exclusively used their EBT cards out of state for six months or longer, and (2) referred less than 0.5 percent of the 636 cases to the Overpayments Unit.

Recipients in 148 cases used their EBT cards exclusively outside of Utah for at least one year. Figure 2.2 shows eight examples of SNAP recipients who claim Utah residency, but who used their EBT cards exclusively outside of Utah for more than one year.

³⁶ 7 C.F.R. § 273.16(b)(5).

Figure 2.2 Examples of Exclusive Out-of-State EBT Card Usage

Case	Address	Weeks of Exclusive Out-of-State Transactions	Total SNAP Expenditures	States EBT Card Used	Flagged on Alert Report	Investigated
A	Riverton, UT	74	\$25,140.29	Texas, Arizona, Colorado, New Mexico	No	No
B	Moab, UT	77	\$10,536.69	Oklahoma	No	No
C	Washington, UT	77	\$3,132.56	Florida	No	Yes
D	SLC, UT	77	\$2,324.52	South Carolina	No	No
E	Clearfield, UT	75	\$3,436.04	Iowa, Missouri, Illinois, Texas, Arkansas	No	Yes
F	West Valley, UT	78	\$6,349.74	California	No	No
G	St George, UT	61	\$2,876.62	Hawaii	No	Yes
H	St George, UT	60	\$6,862.28	Nevada	No	No*

**This case was investigated almost two years after the recipient applied for SNAP benefits in Nevada, while also receiving SNAP benefits in Utah. Source: OSA Analysis of SNAP Transactions*

None of these eight cases executed transactions in Utah during the weeks designated in Figure 2.2. This period of exclusive out-of-state use calls into question their Utah residency. As of June 30, 2015, the Investigations Unit did not flag any of these cases on its alert reports, although three of the cases were subsequently investigated. Greater use of data analytics would have enabled DWS to proactively identify these cases and take corrective action more quickly.

Exclusive Out-of-State EBT Card Usage Lowers Ability to Prevent SNAP Benefit Misuse

In addition to creating an unnecessary administrative burden on the state, two of the eight SNAP recipients reviewed in-depth also claimed SNAP benefits in other states while simultaneously receiving SNAP benefits from Utah. DWS should review all 636 cases to determine if other recipients are simultaneously receiving SNAP benefits from other states.

While it may be explainable for a SNAP recipient who lives near the border of another state to use the EBT in that nearby state, 455 Utah SNAP recipients made purchases *exclusively* in one of 38 other states for six months or longer. Recipients for an additional 181 cases made purchases in multiple states without making one purchase in Utah for at least six months. It is likely that Utah SNAP recipients living near the border would use their EBT card at least one time in the state; however, none of the recipients of the 636 cases identified used their card one time in Utah for a period of at least six months. We do not believe that recipients should be excused from scrutiny simply for living near the border.

Recipients of only two (cases G and H) of the eight cases from the examples listed in Figure 2.2 claimed to live in cities (St. George) near the state borderline. However, recipients in one of those cases used their EBT card exclusively in Hawaii, while the other recipients used their EBT card almost exclusively in Las Vegas, Nevada. It is unlikely that these recipients bypass all options in St. George and travel more than 100 miles from their claimed residence to purchase all of their food for more than one year.

Case A: Recipients Made \$25,000 in Purchases Outside of Utah for at Least 17 months. It appears that the Case A recipients resided in Texas during this time, but also made purchases in Arizona, Colorado, North Dakota, and New Mexico. The case was re-certified in April 2015, after a DWS eligibility worker claimed to have verified the recipients' residency in Riverton, Utah, even though the recipients had not made any purchases in Utah for almost 18 months. Although 55 of this case's transactions were identified in the Investigations Unit's alert report as out-of-state transactions, this case was never investigated.

Case B: Recipients Made Transactions Exclusively in Oklahoma, Despite Claiming to Reside in Moab, Utah. Case B recipients spent almost \$11,000 in 203 transactions exclusively in Oklahoma from January 2014 to June 2015. Additional concerning information includes the following:

- The recipient was found to have simultaneously received SNAP benefits from both Utah and Colorado in 2013.
- The recipient has received Medicaid from Oklahoma since March 2014.
- DWS sent a replacement card to the recipient's sister in another state in April 2015.

This recipient's SNAP case was closed in 2015 after the recipient failed to respond to re-certification requests. This case was never flagged by the Investigations Unit and had not been investigated as of June 30, 2015, despite abnormal patterns that appear to indicate the recipient was not a Utah resident and may have misused SNAP benefits.

Case C: Recipients Made Transactions Exclusively in Florida. During a recertification interview in April 2015, the recipient explained that he travels to see his mother in Florida. The eligibility specialist then looked at his transactions and confirmed that he had used his EBT card in Florida and initiated an investigation.

While making purchases outside of Utah is not necessarily a violation of SNAP regulations, intentionally making "a false or misleading statement" or intentionally misrepresenting, concealing or withholding facts constitutes an Intentional Program Violation (IPV)³⁷ punishable by increasingly severe suspensions from the SNAP program.³⁸ In addition, "an individual found to have made a fraudulent statement or representation with respect to the identity or place of residence of the individual in order to receive multiple food stamp benefits simultaneously shall

³⁷ 7 C.F.R. § 273.16(c)(1).

³⁸ 7 C.F.R. § 273.16(b)(1).

be ineligible to participate in [SNAP] for a period of 10 years.”³⁹ In addition, recipients falsely claiming Utah residency may be at a higher risk for program fraud, waste, and abuse. For example, the recipient mentioned above may not have been eligible for SNAP depending on his mother’s assets and income.

Case D: Recipients Used their EBT Cards Exclusively in South Carolina in addition to Paying South Carolina Hospital Bills. In October 2015, an eligibility specialist conducted an ex-parte review in which the recipient claimed he was still a resident of Utah. Additionally, the review found that there was no need for an asset change reverification. However, the case notes stated that the client had:

- Used his EBT card exclusively in South Carolina for at least 18 months.
- Paid hospital bills to a South Carolina hospital.
- Changed his mailing address for the first time since 2000, but did not also change his physical address.

Although 24 of this case’s out-of-state transactions were included in the monthly alert reports, this case has neither been investigated nor flagged for concerning purchasing patterns. As of November 2015, this case was still active in Utah.

Case E: An Investigator Identified Exclusive Out-of-State Purchases Three Years After Recipients Stopped Making Purchases in Utah. Prior to being referred for investigation, an eligibility specialist discovered that one of this case’s recipients seemingly made transactions exclusively outside of Utah for three years. During the investigation it became known that the recipients were employed in Missouri. Additionally, 114 out-of-state transactions were identified in the alert reports, but the case was never flagged. However, because each monthly alert report reflects at most a three month span of out-of-state transactions, the alert report may not enable the Investigations Unit to identify the full extent of the concern.

Case F: Although the Recipient “Verified” Utah Residency by Phone Interviews, the Recipient Used EBT Card Exclusively in California for Nearly 18 Months. Beginning in 2013, this recipient still claimed Utah residency despite declaring that all the child support payments were being paid from California. Additionally, this recipient made transactions only in California for nearly 18 months. Case F has never been investigated even though 277 of the out-of-state transactions were included in the alert reports. This case was active in Utah as of November 2015.

Case G: A Homeless Man Claims to be a Utah Resident but Uses His EBT Card Exclusively in Hawaii for Over a Year. During the recipient’s review in July 2015, an eligibility specialist noticed that the recipient had made transactions in Hawaii for the last 18 months. When confronted with this information, the recipient denied the accusation and claimed that he had been out of state only a few weeks. According to the investigation notes, when asked why he had been using his

³⁹ 7 C.F.R. § 273.16(b)(5).

EBT card solely in Hawaii, he claimed that he worked for a “company that would fly him wherever and would pay for [his] hotel room and one meal a day, but [he would] never earn any money.”

Despite the investigation uncovering evidence of over a year of exclusive purchases in Hawaii, these out-of-state transactions were classified as an “Inadvertent Household Error” (IHE) due to “insufficient evidence.” Had this case been classified as an IPV instead, the state could have retained a higher percent of the overpayment collection and the recipient may have been disqualified from participating in SNAP for up to 10 years.

Case H: Recipient Received Dual Benefits in Both Nevada and Utah Since 2013. The recipient in Case H has used his EBT card exclusively out of state for 60 weeks and had never been flagged on the alert reports or investigated as of June 30, 2015. However, in August 2015, this recipient was identified as living and receiving benefits in Nevada. In addition to using the EBT card exclusively outside of Utah with nearly all transactions in Nevada, the recipient had two children born in Nevada in 2014 and 2015. The investigation found that the recipient was receiving dual benefits in Nevada (applied in December 2013) and Utah (applied in September 2013).

In order to prevent future SNAP fraud, waste, and abuse, the Investigations Unit should review SNAP recipients who make the majority of their purchases outside of Utah to ensure they are not falsifying their residency.

Investigations Unit Alert Reports do not Identify High Risk Purchase Behavior for Out-of-State Purchases

The Investigations Unit’s alert reports do not identify cases in which recipients make purchases exclusively outside of Utah for an extended period of time. Instead, the alert reports only identify cases in which a SNAP recipient makes two or more out-of-state transactions one month prior to the recertification month, during the recertification month, and during the month following the recertification month. This control appears to be ineffective.

Based on the criteria for the alert reports, recipients residing in border cities and towns who occasionally make purchases in a border state may be identified on an alert report every month while the higher risk cases identified in this audit report are overlooked. Identifying recipients who make the majority of their purchases outside of the state would help the Investigations Unit to identify recipients who may be misusing their SNAP benefits.

Additionally, the alert reports identified only 30 percent of the total out-of-state transactions from January 2014 to July 2015. The Investigations Unit should review algorithms designed to detect out-of-state purchases to ensure that they identify SNAP recipients that do not reside in Utah.

Finding 2 Recommendations

1. We recommend that DWS review all 636 cases identified as making purchases exclusively outside of Utah to determine if the recipients are simultaneously receiving SNAP benefits from other states.
2. We recommend that the DWS Investigations Unit identify and review SNAP recipients who make the majority of their purchases outside of the state to verify residency requirements and ensure appropriate use of SNAP benefits.
3. We recommend that DWS, upon recertification, ensure that SNAP recipients are not enrolled in the program in other states.
4. We recommend that the DWS Investigations Unit review algorithms designed to detect out-of-state purchases to ensure that it identifies SNAP recipients that do not appear to reside in Utah.

Finding 3

DWS Could Limit EBT Card Trafficking⁴⁰ by Conforming to Federal Requirements

The Department of Workforce Services (DWS) Investigations Unit does not adequately identify Supplemental Nutrition Assistance Program (SNAP) benefit trafficking risks or prioritize high risk trafficking cases for investigation. The Investigations Unit does not identify the magnitude of electronic benefit transaction (EBT) card replacement requests, possibly overlooking cases in which recipients regularly request excessive replacement cards in a 12-month period. Some recipients continue to receive SNAP benefits despite potentially misusing their EBT cards, and, in one case, confessing to selling EBT cards for drugs.

Complying with the federal Food and Nutrition Service (FNS) requirements would help DWS to (1) notify SNAP recipients with questionable behavior that they will be closely monitored, (2) identify recipients who continue to demonstrate behavior consistent with EBT card trafficking, and (3) prioritize cases with the highest risk of program abuse.

FNS Requires DWS to Monitor EBT Replacement Card Requests to Minimize Card Trafficking

In late 2013, FNS issued a rule requiring state agencies that administer the SNAP program to monitor all EBT replacement card requests and to issue a notice to clients that have requested four replacement cards in a 12-month period.⁴¹ The final regulation requires that:

The State agency shall monitor all client requests for EBT card replacements and send a notice, upon the fourth request in a 12-month period, alerting the household that their account is being monitored for potential, suspicious activity. If another replacement card is subsequently requested and trafficking is suspected, the State agency shall refer that case to the State's fraud investigation unit.⁴²

⁴⁰ "Trafficking" includes, but is not limited to, "The buying, selling, stealing, or otherwise effecting an exchange of SNAP benefits ... for cash or consideration other than eligible food, either directly, indirectly, in complicity or collusion with others, or acting alone" or "[p]urchasing a product with SNAP benefits that has a container requiring a return deposit with the intent of obtaining cash by discarding the product and returning the container for the deposit amount, intentionally discarding the product, and intentionally returning the container for the deposit amount." 7 C.F.R. § 271.2(1), (3).

⁴¹ Supplemental Nutrition Assistance Program: Trafficking Controls and Fraud Investigations, 78 Fed. Reg. 51649, 51649-51650 (Aug. 21, 2013) (to be codified at 7 C.F.R. pts. 271 & 274).

⁴² 7 C.F.R. § 274.6(b)(6).

In an affirmation of this rule, FNS stated:

FNS believes that all State agencies should be monitoring card replacement activity and that the requirement to issue an excessive replacement card notice provides an important tool for State agencies to use in monitoring and preventing trafficking of EBT cards. Based on current data, the number of clients requesting five or more cards has decreased nationally since many States adopted this practice.⁴³

In response to comments regarding the final rule, FNS clarified that, “The 12-month timeframe refers to any four cards replacements (sic) that fall within the past 12-month period.”⁴⁴ Thus, state agencies must “send warning notices to clients who request four cards within the past twelve months” and “should continue to monitor and re-notify clients who request additional EBT cards beyond a 12-month period.”⁴⁵ If trafficking is suspected, cases must be referred to the state’s fraud investigation unit.⁴⁶ In every case, if the state agency suspects that the reason for the multiple replacement cards stems from the client’s lack of understanding, staff “must educate the client on how to manage the card, rather than refer the case for investigation.”⁴⁷

Furthermore, FNS addressed suggestions “that States should be allowed to implement their own systems for monitoring and managing excessive EBT card request (sic) and set their own standards for calculating excessive requests for replacement cards.”⁴⁸ In response, FNS declared:

Motivated by the need to come up with a consistent national policy, FNS used statistical analysis of SNAP EBT transaction records to arrive at the decision to send a warning notice after four EBT card requests within 12 months. EBT card transaction activity indicates that, after the fourth replacement card, a household’s shopping behavior is three times more likely to be flagged as potential trafficking by FNS’ fraud detection system. States have the flexibility to set their own policies for EBT card requests beyond this threshold. States may also initiate the process sooner than the threshold if a household is suspected of committing fraud.⁴⁹

If trafficking is suspected, DWS is required to refer a case for investigation for each card requested in excess of four replacement cards in any 12-month period. DWS policy reiterates these federal requirements in stipulating that “[i]ndividual circumstances will be reviewed to monitor for potential Food Stamp trafficking.”⁵⁰ Despite regulation and policy it appears that DWS does not sufficiently review cases in the depth and detail necessary to make a determination of potential trafficking.

⁴³ Supplemental Nutrition Assistance Program: Trafficking Controls and Fraud Investigations, 79 Fed. Reg. 22766, 22766 (Apr. 24, 2014) (codified at 7 C.F.R. pt. 274).

⁴⁴ *Id.*

⁴⁵ *Id.*

⁴⁶ *Id.*

⁴⁷ *Id.*

⁴⁸ *Id.* at 22767.

⁴⁹ *Id.* at 22767.

⁵⁰ DWS policy 641-3D.

Notices Should Inform Recipients that They Will be Monitored for Trafficking. In affirming the final rule, FNS argued that cases with four or more replacement cards in a 12-month period have a higher likelihood of having shopping behavior flagged as potential trafficking.⁵¹ They also found that sending notices decreases the number of EBT replacement cards requested subsequent to the notice.⁵² Consequently, FNS affirmed that state agencies argued send notices to participants with four or more replacement cards in a 12-month period informing them that they will be monitored for trafficking.⁵³

DWS Referred Only 13 Percent of Potential Trafficking Cases for Investigation

As of June 30, 2015, DWS had sent five or more EBT replacement cards⁵⁴ in at least one 12-month period to recipients in 875 cases. Almost 60 percent of these SNAP cases were active during June 2015. Due to the nuances of the alert reports, only 13 of these cases received three exceptions and only four of those cases were investigated. Even though the alert reports flagged only 13 cases to be considered for investigation, DWS eventually investigated 112 of the 875 cases for various reasons (i.e., the investigation referrals originated from various sources). According to FNS regulation, if trafficking is suspected, DWS is required to refer for investigation each of the 875 cases upon a request for another card subsequent to the fourth replacement card in a 12-month period.⁵⁵

An incomplete alert report may be one reason that the Investigations Unit did not identify within the alert reports the majority of the cases that should have been considered for investigation. It appears the Investigations Unit flagged only 1.5 percent of these cases through its alert reports, and these cases do not appear to be the most egregious of the 875 total cases. Figure 3.1 shows that most SNAP recipients who requested excessive replacement cards were not investigated.

⁵¹ Supplemental Nutrition Assistance Program: Trafficking Controls and Fraud Investigations, 79 Fed. Reg. 22766, 22767 (Apr. 24, 2014) (codified at 7 C.F.R. pt. 274).

⁵² “Based on current data, the number of clients requesting five or more cards has decreased nationally since many States adopted this practice.” Supplemental Nutrition Assistance Program: Trafficking Controls and Fraud Investigations, 79 Fed. Reg. 22766, 22766 (Apr. 24, 2014) (codified at 7 C.F.R. pt. 274).

⁵³ “State agencies must monitor card replacement requests, and send warning notices to clients who request four cards within the past twelve months.” Supplemental Nutrition Assistance Program: Trafficking Controls and Fraud Investigations, 79 Fed. Reg. 22766, 22766 (Apr. 24, 2014) (codified at 7 C.F.R. pt. 274).

⁵⁴ Throughout this finding, the term “excessive” is used to describe any cards received in excess of four replacement cards in a 12-month period.

⁵⁵ 7 C.F.R. § 274.6(b)(6); see DWS policy 641-3D.

Figure 3.1 Cases Flagged and Investigated for Possible Trafficking

# of Excessive Cards	# of Cases	Flagged on Alert Report	% of Total Flagged	Total Investigated	% Investigated
1	409	5	1.2%	44	10.8%
2	192	2	1.0%	18	9.4%
3	99	3	3.0%	14	14.1%
4	62	0	0.0%	14	22.6%
5	36	1	2.8%	6	16.7%
6	17	0	0.0%	2	11.8%
7	15	1	6.7%	3	20.0%
8	11	0	0.0%	2	18.2%
9	9	0	0.0%	5	55.6%
10	4	0	0.0%	1	25.0%
11	10	0	0.0%	2	20.0%
12	2	0	0.0%	0	0.0%
13	1	0	0.0%	0	0.0%
14	1	0	0.0%	0	0.0%
15	-	-	-	-	-
16	3	0	0.0%	0	0.0%
17	2	1	50.0%	0	0.0%
18	1	0	0.0%	0	0.0%
19	-	-	-	-	-
20	1	0	0.0%	1	100.0%
TOTAL	875	13	1.5%	112	12.8%

Source: OSA Analysis of EBT Card Replacements

Only 1.5 percent of the recipients who requested more than four replacement cards in a 12-month period were flagged in the monthly alert reports that are intended to identify suspicious recipient behavior. Only one of the 25 cases with 10 or more excessive cards was flagged in the alert reports.

DWS Should Investigate Recipients Who Request Excessive Replacement Cards

DWS did not investigate 87 percent of cases that received more than four replacement cards in 12 months. The vast majority of these cases have neither been flagged nor investigated despite earning exceptions on the alert reports multiple times for excessive replacement EBT cards. Figure 3.2 highlights seven of these cases.

Figure 3.2 Case Examples with a Significant Number of Excessive Cards

Case	Total Replacement Cards	Excessive Replacement Cards	# of Notices	Inclusion on Alert Report	Flagged on Alert Report	Investigations
A	18	11	3	0	0	1
B	22	17	3	0	1 ⁵⁶	0
C	24	20	3	2	0	1
D	15	9	1	0	0	0
E	12	7	0	0	0	0
F	18	14	1	1	0	0
G	13	5	0	0	0	0

Source: OSA Analysis of EBT Card Replacements

Each of the recipients in these cases received several excessive replacement EBT cards that were sent during the 18 months reviewed, though only two were ever investigated. Though some recipients may have a justifiable reason for needing new EBT cards so frequently, we are concerned that DWS has not investigated five of these cases.

Case Notes Report that the Recipient for Case A Admitted to Selling His SNAP Benefits in Exchange for Drugs. This recipient received 18 total replacement EBT cards sent during the period from January 2013 to June 2015. At one point, this recipient received 13 EBT card replacements in a 12-month period, but was never flagged on the alert reports, which should identify concerning recipient trends. Additionally, had trafficking been suspected in each instance, 11 of this recipient’s EBT card replacements should have triggered investigation referrals,⁵⁷ but the recipient was never flagged in the alert reports we reviewed. Notably, this recipient requested the majority of his excessive EBT card replacements in the first six months of 2015.

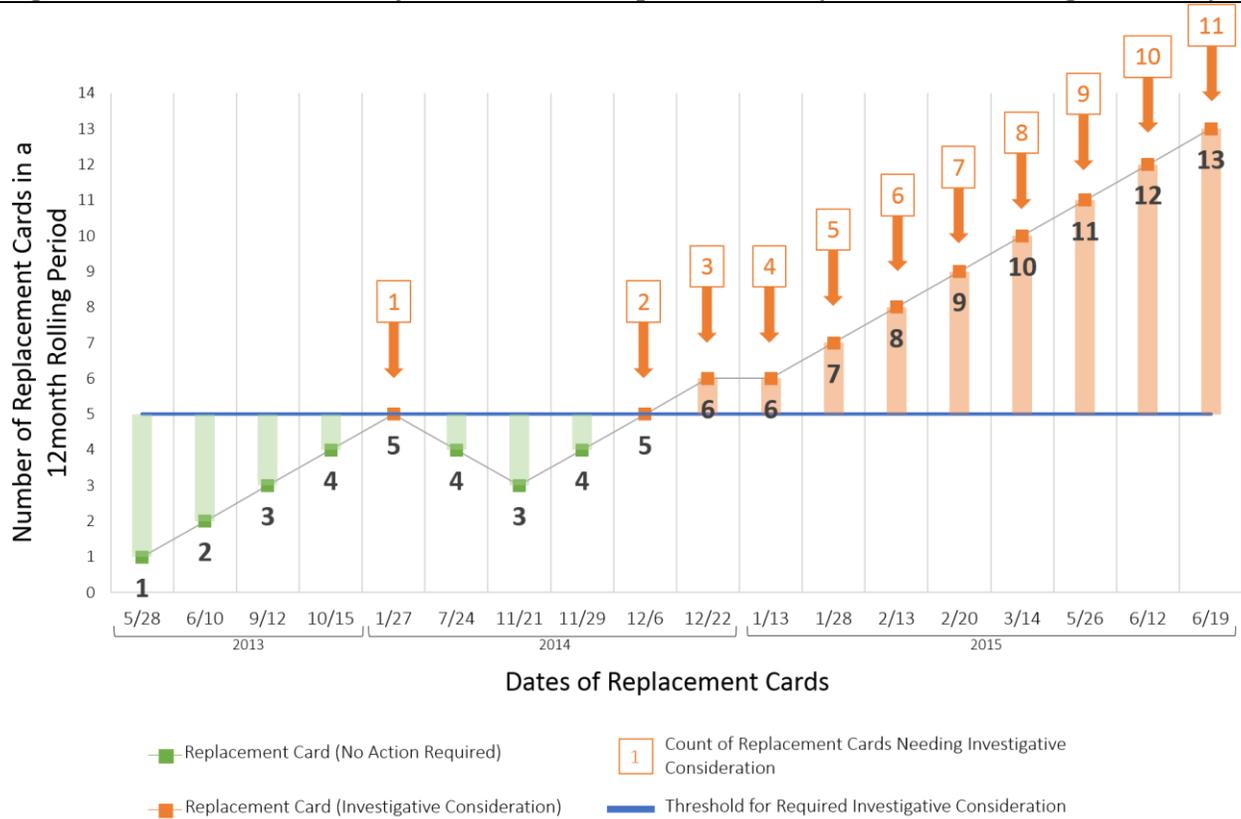
According to case notes, the recipient for this case was finally referred for investigation in September 2015 only after he asked to close his account and notified an eligibility specialist that he had been selling his SNAP benefits for methamphetamine. The case worker closed the account and then referred the case for investigation. Seven days later, however, the case was reopened after the recipient called again saying that he needed his benefits restored. The recipient was still receiving SNAP benefits as of November 2015, and recently requested another replacement EBT

⁵⁶ This case was flagged on a fraud alert report for reasons other than replacement cards.

⁵⁷ See 7 C.F.R. § 274.6(b)(6).

card. Figure 3.3 shows the history of replacement cards from January 2013 to June 2015 issued to the recipient in Case A.

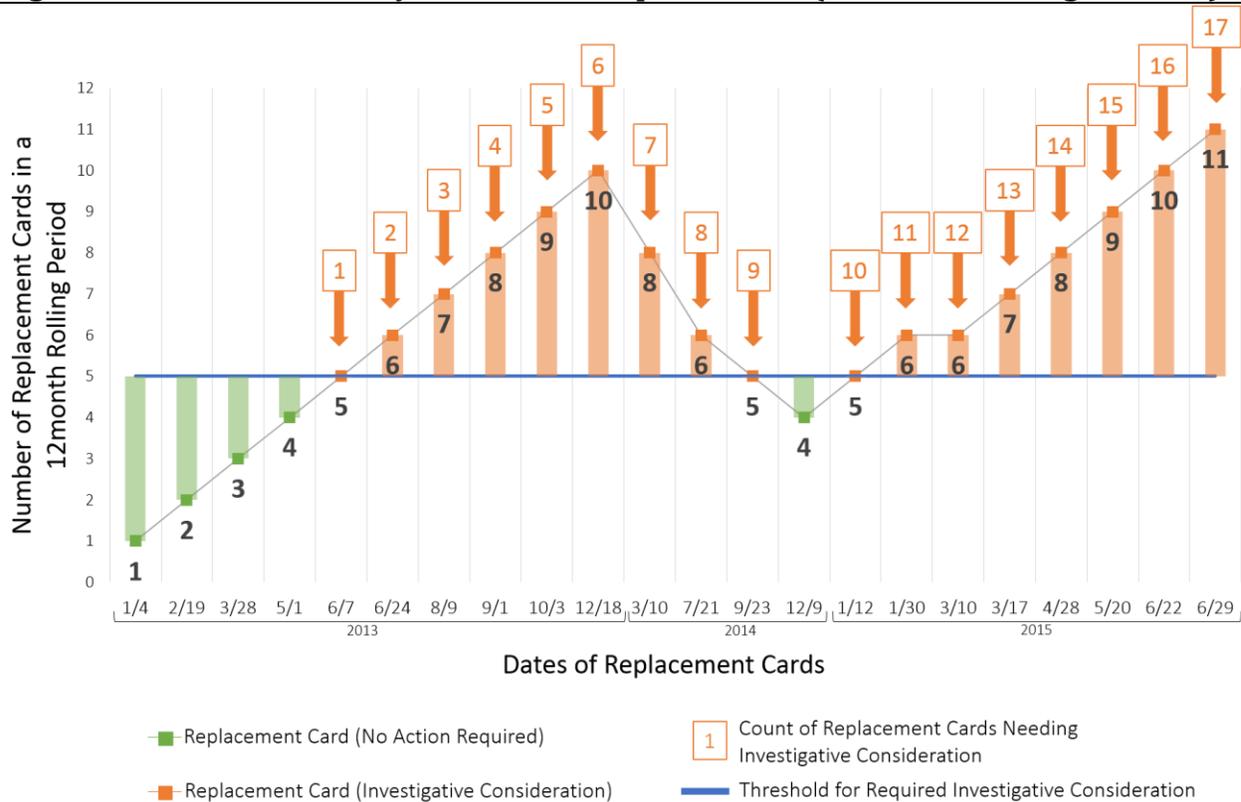
Figure 3.3 Case A History of EBT Card Replacements (12-Month Rolling Window)



Source: OSA Analysis of Case A EBT Card Replacements

DWS has not Investigated the Recipient in Case B that Received 22 Replacement EBT Cards Sent in 18 Months. This recipient has never been flagged on the alert reports, which are designed to identify suspicious trends. Figure 3.4 demonstrates the recent replacement EBT card history for this SNAP recipient.

Figure 3.4 Case B History of EBT Card Replacements (12-Month Rolling Window)

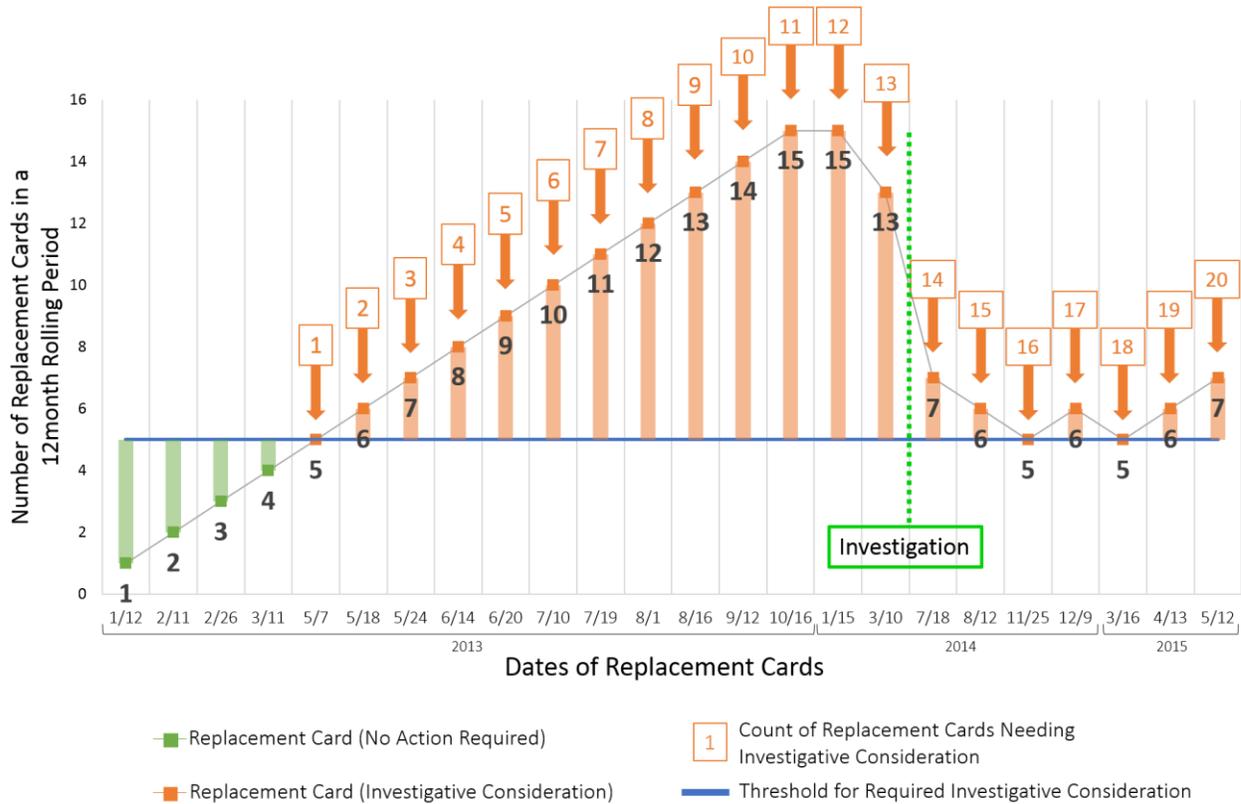


Source: OSA Analysis of Case B EBT Card Replacements

The Recipient in Case C Received 24 Replacement EBT Cards Sent in 18 Months. This recipient was investigated only after receiving his 17th replacement EBT card sent in 14 months. Though identified in the alert report, investigators likely could not have determined the total number of replacement EBT cards requested by this recipient from the alert report because the alert report does not disclose historical trends. Additionally, this recipient was never flagged as a risk on the alert reports because he was not identified for at least three of the six suspicious behaviors used to determine risk on the alert reports.

During the investigation, the recipient claimed to have lost a particular EBT card due to homelessness. This recipient received 17 card replacements before the investigation in April 2014 and 7 cards after the investigation between April 2014 and June 2015. Figure 3.5 shows the history of replacement EBT cards sent to this recipient.

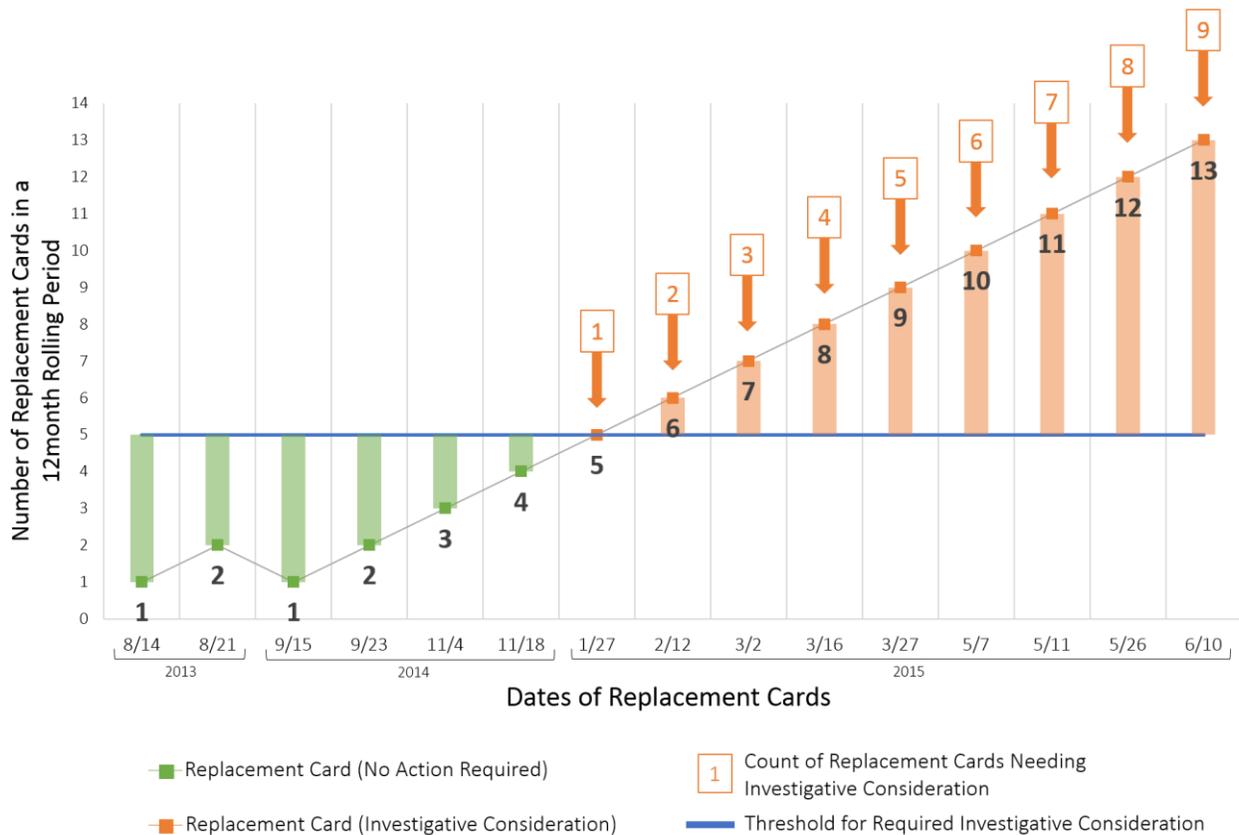
Figure 3.5 Case C History of EBT Card Replacements (12-Month Rolling Window)



Source: OSA Analysis of Case C EBT Card Replacements

An Error in the Alert Report Allowed the Recipient in Case D to Avoid Scrutiny. This recipient received nine excessive cards sent from January 2015 through June 2015, but was not identified or flagged on the alert reports. There is no evidence in the case notes that DWS had any indication that this case had so many EBT card replacements. The case was recently closed without an investigation after DWS learned that the recipient had been incarcerated. Figure 3.6 shows the history of the Case D recipient’s EBT card replacements.

Figure 3.6 Case D History of EBT Card Replacements (12-Month Rolling Window)



Source: OSA Analysis of Case D EBT Card Replacements

Case E, Case F, and Case G Were Never Flagged, Despite Excessive EBT Card Replacements.

Recipients in cases E, F, and G received 12 or more replacement EBT cards sent during the 18-month period tested, but were never flagged as risks on the alert reports and were never considered for investigation. While these recipients may not have necessarily trafficked their EBT cards, DWS would benefit from investigating potential reasons for frequently needing replacement cards.

Each of these cases demonstrates a concern for how DWS prioritizes cases to refer for investigation. In addition to potentially not complying with FNS requirements, ignoring signs of potential EBT card trafficking may allow fraudulent behavior to perpetuate. DWS should, at minimum, send notices to recipients who request four replacement EBT cards in a 12-month period, as required by FNS, to notify recipients that they are being monitored for potential trafficking.⁵⁸ Additionally, DWS should revise the alert reports to identify the magnitude of EBT cards replacements for recipients who have trends potentially consistent with trafficking.

⁵⁸ 7 C.F.R. § 274.6(b)(6).

Despite Federal Requirements, DWS Did Not Send Required Notices to Over 1,000 Cases

As previously mentioned, FNS requires DWS to notify recipients who request four replacement cards in 12 months that they may be monitored for benefit trafficking.⁵⁹ However, we identified 1,399 of the 2,172 cases (64 percent) that met this criteria did not receive the required notice after the fourth card replacement.

Of the 1,399 cases whose recipients should have been notified of potential monitoring, 1,010 were not sent a single notice from January 2014 through August 2015.⁶⁰ The 389 cases that did receive a letter actually received it prior to requesting their fourth replacement EBT card but did not receive the required letter after at least one instance of a fourth card request in a 12-month period.

Notifying recipients that DWS will monitor their EBT card usage more closely after the fourth replacement can deter recipients from misusing or trafficking their benefits.⁶¹ As required by federal regulation, DWS should notify all recipients who may be misusing the SNAP benefits that they will be closely monitored.⁶²

Hundreds of Additional Notices Were Sent that Could Not be Clearly Linked to a Particular Replacement Card. DWS sent 970 notices to SNAP recipients notifying them that they were going to be monitored for benefit trafficking even though the recipients had not received four replacement EBT cards sent in a 12-month period. Additionally, although no criteria exists that dictates a specific timeframe in which notices are required to be sent following a fourth card replacement, DWS sent 559 notices with indeterminable and/or inconsistent timing. For instance, one notice was sent 9 months after a fourth replacement EBT card and before any other subsequent card. Since warning notices are intended to deter potential trafficking, it is likely that notices will have a greater effect if sent sooner rather than later following a fourth card replacement.

Other notices were sent subsequent to sending a fourth replacement EBT card, but because there were other subsequent replacement EBT cards before the notice was sent, it is impossible to confirm to which replacement card each notice corresponds. DWS should correct automated system errors so that replacement card notices are sent only after the fourth card replacement in a 12-month period or when trafficking is suspected.

⁵⁹ 7 C.F.R. § 274.6(b)(6).

⁶⁰ Although we reviewed all replacement cards issued from January 1, 2014 through June 30, 2015, we counted all notices sent from January 1, 2014 through August 31, 2015 to account for notices sent in response to cards replaced through June 2015.

⁶¹ Supplemental Nutrition Assistance Program: Trafficking Controls and Fraud Investigations, 79 Fed. Reg. 22766, 22766 (Apr. 24, 2014) (codified at 7 C.F.R. pt. 274).

⁶² 7 C.F.R. § 274.6(b)(6).

Withholding Replacement Cards May Decrease the Risk of Trafficking EBT Cards

Federal regulation allows states to withhold EBT cards beyond a designated replacement card threshold⁶³ until the participant makes contact with the state describing why they need a new card.⁶⁴ If a state chooses to withhold EBT cards and a recipient has reached the threshold number of cards, the state agency must first send a notice informing the recipient that the next EBT card requested will be withheld.⁶⁵ FNS explained two primary purposes for allowing the states this option:

This section of the final rule, allowing State agencies to withhold the EBT card until contact is made, is an agency option designed to provide States with a tool to assist in identifying and disqualifying those who are committing [intentional program violations] against SNAP, as well as to educate those who do not understand how to properly use their EBT card. . . . This option to withhold the card is a tool for State agencies to monitor the integrity of the Program and FNS expects State agencies will follow all existing requirements and regulations if they choose to exercise this option. . . .⁶⁶

By withholding the EBT card, FNS believes it provides the state agency with the necessary tools to obtain sufficient information from a household in order to determine the nature of the excessive card replacement requests. This information allows the State agency to better determine whether the request is legitimate and indicates a need to educate the household on how to better manage their EBT card, or that an explanation is suspicious and warrants a referral for investigation.⁶⁷

We recommend that DWS consider adopting this federally allowable option to withhold excessive EBT replacement cards until the participants make contact with DWS and verbally explain why they need a new card.

⁶³ Unless the state agency suspects trafficking, the threshold must be not be less than four cards requested in the 12 months prior to the request. 7 C.F.R. § 274.6(b)(5).

⁶⁴ *Id.* A state agency that exercises this option to withhold the replacement card, in accordance with 7 C.F.R. § 274.6(b)(5), “shall be exempt from sending the Excessive Replacement Card Notice” according to the requirements of 7 C.F.R. § 274.6(b)(6) “as long as the State agency has chosen to use the minimum threshold, which requires sending the first warning notice on the fourth card replacement request within 12 months. If the State agency chooses to use a threshold higher than the fourth card replacement request, the State agency must send the Excessive Replacement Card Notice on the fourth card request in accordance with [7 C.F.R. § 274.6(b)(6)].” 7 C.F.R. § 274.6(b)(6)(i).

⁶⁵ 7 C.F.R. § 274.6(b)(5)(i).

⁶⁶ Supplemental Nutrition Assistance Program: Trafficking Controls and Fraud Investigations; Extension of Comment Period, 78 Fed. Reg. 65515, 65518 (Nov. 1, 2013) (to be codified at 7 C.F.R. pts. 271 & 274).

⁶⁷ Supplemental Nutrition Assistance Program: Trafficking Controls and Fraud Investigations; Extension of Comment Period, 78 Fed. Reg. 65515, 65519 (Nov. 1, 2013) (to be codified at 7 C.F.R. pts. 271 & 274).

DWS' Excessive Replacement EBT Card Notices Do not Contain all Federally Required Components

According to federal regulation, excessive EBT card replacement notices must include, at a minimum:

- Clear and simple language
- Compliance with language requirements described at § 272.4(b)
- The number of cards requested over what period of time
- An explanation that transactions of the cardholder's account are being monitored for potential trafficking activity
- A statement explaining what is considered misuse or fraudulent use of benefits and the possibility of referral to the State's fraud investigation unit for suspicious activity
- Contact information, including a telephone number, for any questions or concerns regarding the notice⁶⁸

DWS complies with nearly all points of the notice requirements but does not accurately state the number of EBT cards requested over the period of time to which the notice refers. Instead of citing the actual number of cards, each notice states, "You have ordered four or more cards in the past twelve months." While DWS does mention that the case has had four or more cards in the past twelve months, they neither state the exact numbers of cards nor dates that accurately state the timeframe within which the cards were counted.⁶⁹

Lastly, the notice may give the impression that the list of misuses of food stamps is comprehensive. This could lead participants to feel other types of trafficking behavior are appropriate because they are not listed in the notice. Federal regulations list several other types of violations as trafficking.⁷⁰ We recommend that DWS consider revising the wording of the notices to (1) note how many cards the participant has requested, (2) state the actual time period that the notice is referring, and (3) make the list of trafficking and misuse violations non-exclusive.

⁶⁸ 7 C.F.R. § 274.6(b)(6)(ii).

⁶⁹ Notices are not sent in the same month as the corresponding replacement card; however, the notice states, "in the past twelve months" referring to the month the notice was received and not the month that the replacement card was sent.

⁷⁰ "Trafficking" includes, but is not limited to, "The buying, selling, stealing, or otherwise effecting an exchange of SNAP benefits ... for cash or consideration other than eligible food, either directly, indirectly, in complicity or collusion with others, or acting alone" or "[p]urchasing a product with SNAP benefits that has a container requiring a return deposit with the intent of obtaining cash by discarding the product and returning the container for the deposit amount, intentionally discarding the product, and intentionally returning the container for the deposit amount." 7 C.F.R. § 271.2(1), (3).

Finding 3 Recommendations

1. We recommend that DWS send FNS-required notices to recipients who request more than four replacement EBT cards in a 12-month period to notify recipients that they are being monitored for potential trafficking.
2. We recommend that DWS revise algorithms to identify the historical frequency of EBT card replacements for recipients who have trends and behaviors consistent with benefit trafficking.
3. We recommend that DWS correct automated system errors so that replacement EBT card notices are sent only after the fourth card replacement in 12 months or when trafficking is suspected.
4. We recommend that DWS consider withholding excessive replacement EBT cards until the participants make contact with DWS and verbally explain why they need a new card, as allowed by the U.S. *Code of Federal Regulations*.
5. We recommend that DWS consider revising the notices sent to SNAP recipients requesting four or more replacement EBT cards to better reflect:
 - a. The exact number of cards the participant has requested.
 - b. The actual time period that the notice is referencing.
 - c. A more inclusive list of potential trafficking behaviors.

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Finding 4 Investigating Rapid Successive Transactions Could Limit SNAP Fraud

The Department of Workforce Services (DWS) Investigations Unit does not adequately identify high risk Supplemental Nutrition Assistance Program (SNAP) recipients that use their electronic benefits transfer (EBT) card multiple times in short time periods. Such trends are an indication of potential benefits abuse and should be considered, among other risks, when prioritizing cases to investigate. Identifying irregular usage patterns and recipient behavior could help DWS to identify potential EBT card misuse, in addition to potential collaboration with merchants. The majority of rapid successive transactions⁷¹ were processed by only two percent of merchants.

Rapid Successive Transactions with the Same Merchant Within a Short Time may Signify Fraud

DWS investigated only 15 of the 1,342 SNAP recipients who made four or more rapid successive transactions within five minutes of each other from January 2014 to July 2015. While not all instances of rapid successive transactions necessarily indicate fraudulent behavior, DWS would benefit from investigating irregular patterns of successive purchases within a short time and with the same merchant.

Suspicious patterns may include multiple purchases that total an even dollar amount, rapid successive transactions made with the same merchant, or frequent successive purchases by one recipient. Such behavior may indicate a higher risk for recipient fraud and should be identified and investigated by DWS.

As mentioned in Finding 1, DWS compiles a monthly Fraud Alert Report (alert report) for the Investigations Unit that identifies SNAP recipients who made multiple transactions within five minutes. However, this report neither considers the number of transactions made during the time period, nor does the report consider the amounts of the transactions. Without this information, the Investigations Unit cannot prioritize which cases may be higher risk than other cases, limiting the Investigations Unit's ability to adequately prioritize referrals.

DWS Investigated Few SNAP Recipients who Made Four or More Rapid Successive Transactions

DWS should reevaluate the method it uses to flag and investigate SNAP recipients who make rapid successive transactions. The current method does not consider the number of transactions made in rapid succession, the frequency of instances rapid successions occurred, nor the

⁷¹ For purposes of this finding, "rapid successive transactions" refers to multiple transactions made by the same SNAP recipient with the same merchant within five minutes of the prior transaction.

individual case history for rapid successive transactions. Without considering these three factors, DWS appears to miss several high risk cases.

Though not all instances of rapid successive transactions necessarily warrant an investigation, DWS does not consider many high-risk behaviors. Figure 4.1 summarizes the cases investigated by DWS and the number of transactions within five minutes of each other with the same merchant.

Figure 4.1 **Flagged Cases with Rapid Successive Transactions Referred to Investigations From (January 2014 through July 2015)**

Transactions in Rapid Succession	# of Cases	Cases Referred to Investigators
2	82,765	18
3	9,487	3
4+	1,342	0
Total	93,594	21

Source: OSA Analysis of SNAP Transactions

Of cases flagged in the alert reports, the Investigations Unit investigated none of the 1,342 cases in which a recipient made four or more rapid successive transactions within five minutes of each other with the same merchant, even though such behavior may indicate potential fraud.

DWS Fraud Alert Reports Do Not Account for the Severity of Rapid Successive Transactions

As mentioned in Finding 1, the Investigations Unit uses six key indicators to determine which cases to prioritize for investigations. Based on this approach, the Investigations Unit does not always devote resources to the highest risk behaviors. For example, in July 2015, the Investigations Unit flagged a case as having rapid successive transactions, two out-of-state purchases, and the depletion of the case’s monthly balance. The out-of-state purchases were small dollar amounts and on the same day. Figure 4.2 shows how the above mentioned case (Case A) was shown on the June 2015 alert report and compares it with other cases. Only Case A was flagged by the Investigations Unit as suspicious.

Figure 4.2 Example of Cases in Which a Recipient Made Multiple Rapid Successive Transactions

Multiple Transactions	Date	Transaction #1	Transaction #2	Flagged?
Case A	4/16/2015	\$2.81	\$3.34	Yes
Case B	4/7/2015	\$509.54	\$512.54	No
Case C	4/24/2015	\$0.93	\$1,783.56	No
Case D	4/15/2015	\$22.05	\$143.37	No
	4/15/2015	\$11.98	\$262.33	
	4/15/2015	\$11.72	\$22.05	
	4/15/2015	\$3.23	\$20.00	
	4/15/2015	\$3.23	\$3.23	
	4/15/2015	\$2.32	\$9.65	
	4/15/2015	\$2.30	\$2.32	
	4/15/2015	\$2.30	\$20.22	
	4/15/2015	\$0.14	\$11.98	

Source: OSA Analysis of SNAP Transactions

Because Case A had three exceptions—based on the Investigations Unit’s methodology—Case A was the only case considered for investigation. This case never had an instance of rapid successive transactions prior or subsequent to this instance during the period tested. Additionally, the amounts of the transactions are small enough as to be considered inconsequential.

In contrast, the transactions for the other three cases seem to be higher risk. For example, recipients for Case B and Case C made rapid successive transactions that totaled more than \$1,000, while the recipient for Case D made 11 rapid successive transactions. None of these three cases had any other exceptions defined by the Investigations Unit, so they were not considered for an investigation. The Investigations Unit should consider the number of rapid successive transactions made in short intervals and the amounts of the transactions when prioritizing which cases to investigate.

DWS Could Identify Potential Fraud by Investigating Multiple Transaction Amounts that Equal Even Dollar Amounts

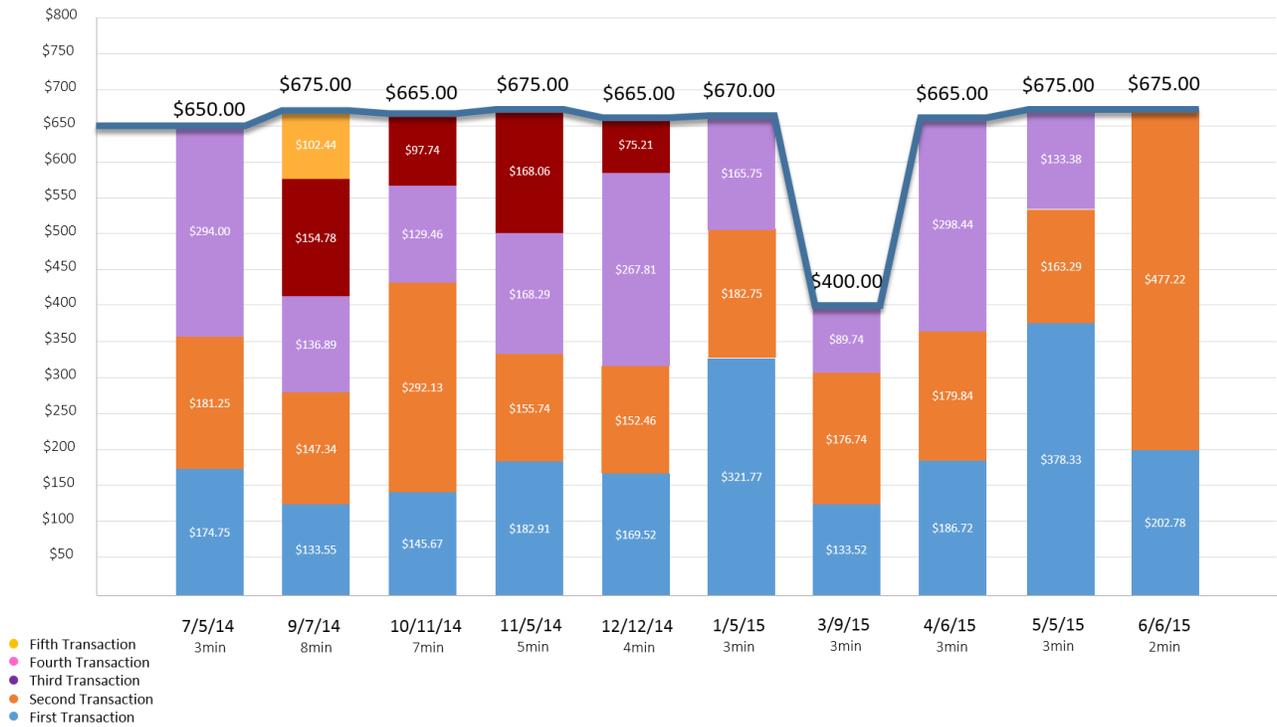
Multiple successive rapid transactions with a single merchant that total even dollar amounts may indicate fraudulent behavior. However, the Investigations Unit does not currently appear to consider this metric when identifying and prioritizing cases for investigation.

Figure 4.3 shows an example of abnormal behavior that should be considered for investigation. This SNAP recipient made two to five rapid successive transactions in each of the 10 months noted in Figure 4.3 with the same merchant⁷² shortly after receiving the monthly SNAP allocation.

⁷² The first of the transactions in Figure 4.3 was at a different location of the same retailer.

In all 10 instances, the sum total of the transactions in each transaction streak was an even dollar amount ranging from \$400 to \$675.

Figure 4.3 Multiple Rapid Successive Transactions that Totaled Even Dollar Amounts for One SNAP Recipient



Source: OSA Analysis of SNAP Transactions

Each of this recipient’s transactions appears to be normal transactions in isolation, but a trend emerges when analyzing the sum of the transaction streak. The Investigations Unit should conduct similar analysis to detect potentially fraudulent behavior.

Analyzing the Sum Totals for Large Multiple Rapid Successive Transactions May Indicate Fraud and Should be Considered for Investigation In addition to identifying transaction streaks that sum to an even dollar amount, we identified transaction streaks with the same merchant that totaled abnormally large amounts. For example, one SNAP recipient made two transactions with the same merchant within four minutes totaling \$2,130.45. This case has never been flagged on an alert report or referred for investigation. The Investigations Unit should consider reviewing cases in which the recipients make multiple rapid successive transactions that total abnormally high amounts.

DWS Could Increase Test Effectiveness by Calculating The Total Number of Transactions in a Rolling Period

Currently, DWS identifies each case that has had two transactions within five minutes, but they do not identify the total number of transactions the SNAP recipient makes in a rapid succession or how much was spent over the entire transaction streak. By calculating a rolling five minute period, we identified 10,829 cases that have had at least one instance of executing three or more transactions with each transaction occurring within five minutes of the previous transaction. Because DWS identifies only those cases which had at least one instance of two transactions within five minutes, the Investigations Unit overlooks many of the higher risk cases.

The following cases highlight this concern:

- A SNAP recipient made 11 separate transactions with the same merchant over 16-minute period totaling \$490.70. However, the Investigations Unit captured seven separate instances of two transactions executed within five minutes from the same merchant in the corresponding alert report, rather than 11 transactions in a 16-minute period. Therefore, the Investigations Unit likely did not know the full extent of the abnormal behavior when prioritizing cases for investigations.
- A SNAP recipient made 23 separate transactions with the same merchant over a 26-minute period totaling \$91.00. This case was investigated in April 2015 because all the transactions were made in Louisiana. However, there was neither an indication in the investigation notes that the investigations team knew anything about the multiple transactions nor was the case ever flagged on the alert reports.
- A SNAP recipient made 15 separate transactions with the same merchant in a 32-minute period totaling \$441.87. Despite this abnormal behavior, the Investigations Unit did not consider this case for review.

While it is not clear if these cases are necessarily instances of SNAP misuse, this behavior is unusual and warrants consideration for further investigation. Considering the total number of multiple rapid successive transactions in a given interval—such as five minutes—would help the Investigations Unit prioritize cases for further review.

DWS' Current Prioritization Process Does Not Identify All Abnormal Recipient Purchasing Behavior

TIME	AMOUNT
18:46	① \$ 298.02
18:47	② \$ 296.98
18:48	
18:49	③ \$ 295.52
18:50	
18:51	④ \$ 282.54
18:52	⑤ \$ 289.04 ⑥ \$ 290.04
18:53	⑦ \$ 287.68 ⑧ \$ 288.04
18:54	⑨ \$ 286.34
18:55	⑩ \$ 281.68 ⑪ \$ 283.36
18:56	⑫ \$ 274.70
18:57	
18:58	⑬ \$ 264.72
18:59	⑭ \$ 260.84
19:00	
19:01	⑮ \$ 258.56
19:02	⑯ \$ 254.89
19:03	⑰ \$ 251.11
19:04	
19:05	⑱ \$ 247.73 ⑲ \$ 250.11
19:06	
19:07	⑳ \$ 244.76
19:08	㉑ \$ 241.38
19:09	
19:10	
19:11	㉒ \$ 241.38
19:38	㉓ \$ 294.20

● Insufficient Funds

● Rejected

● Accepted

The Investigations Unit does not add up the total amount of all the rapid successive transactions, missing the cases with high sum total, high amounts, or unusual dollar total amounts. Other irregular recipient behavior—such as multiple transactions attempted in a short time—also goes generally undetected.

The case to the left illustrates one such abnormal transaction pattern that could indicate actual or attempted benefits misuse. While several potential reasons may exist for abnormal card usage behavior, the Investigations Unit does not necessarily review abnormal patterns to determine if there was fraudulent or abusive activity.

For example, the recipient in the case to the left attempted to use the EBT card 21 times in 25 minutes with an additional transaction 27 minutes later. The first transaction was for \$298.02 and the last failed attempt was for \$241.38 with each intervening transaction being only a few dollars different from the transaction before. This case had an accepted transaction of \$294.20 twenty-seven minutes after the end of the transaction streak.

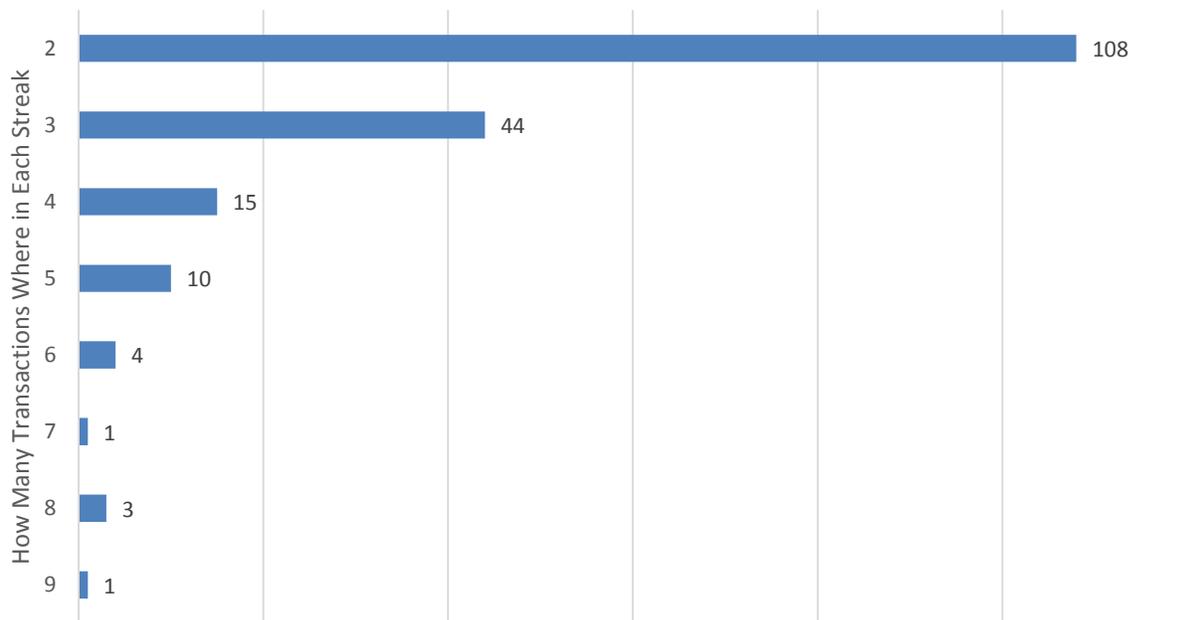
While many reasons may exist for such behavior, the current risk assessment used by the Investigations Unit may not identify this case as potentially abusive behavior. The Investigations Unit should identify and prioritize cases with abnormal usage patterns to ensure SNAP benefits are used properly.

Irregular and Chronic Multiple Successive Transactions Behavior Could Signify Fraud

The alert reports review each month in isolation rather than finding cases with long-term trends or patterns. Consequently, the Investigations Unit may not know how many times each case has had a streak of transactions in rapid succession or how many months each case has participated in this type of behavior.

For instance, the Investigations Unit never identified one case whose recipient had 186 separate instances of two or more transactions in a five-minute rolling period over 18 months. Each of these instances varies in the number of transactions that occurred in rapid succession ranging from two transactions to nine transactions within a rolling five minutes. Figure 4.4 shows the number of times multiple transactions were made in rapid succession and how many transactions were in each streak.

Figure 4.4 Instances of Rapid Successive Transactions Made by Recipients of one SNAP Case Over 18 Months



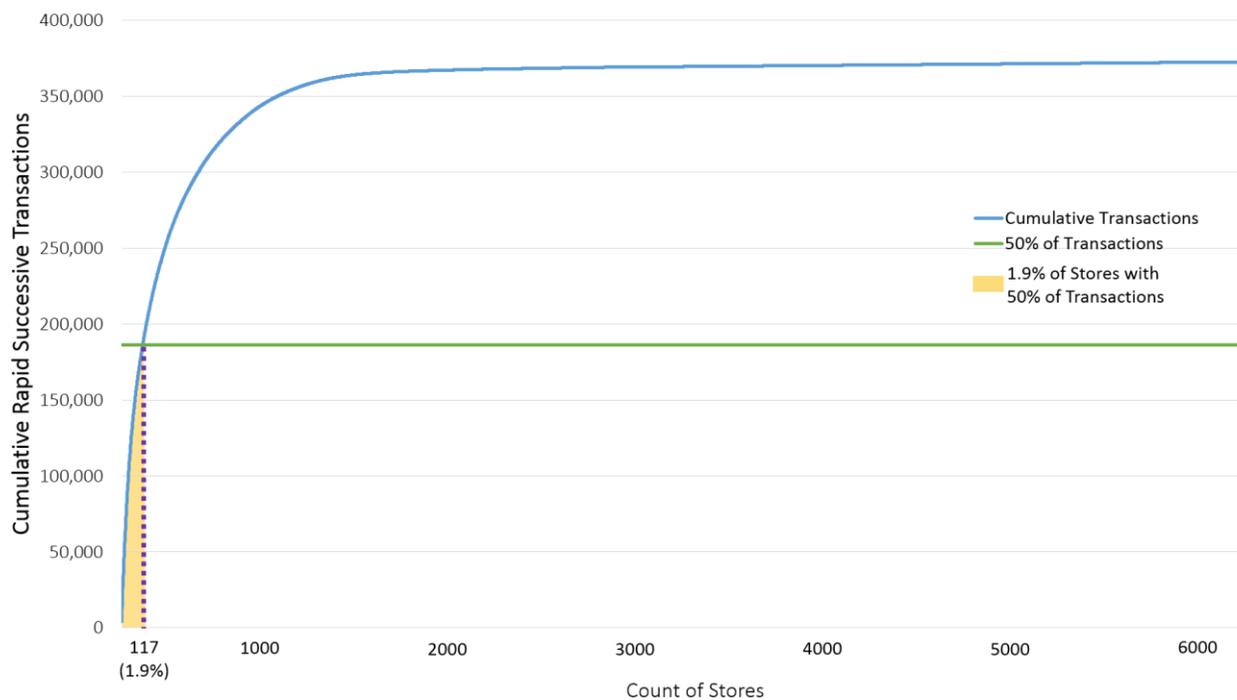
Source: OSA Analysis of SNAP Transactions

In total, this case’s recipients spent more than \$10,000 in rapid successive transactions over an 18-month time period. Other cases illustrate similar concerns, but were not detected using the Investigations Unit’s risk assessment process and have not been reviewed. Each case demonstrates characteristics of questionable behavior that should be prioritized for review.

Identifying Suspicious Retailer Behavior Could Limit SNAP Fraud

Two percent of retailers account for more than 50 percent of total rapid successive transactions, while one percent of retailers account for more than 50 percent of transaction amounts. DWS works with the United States Department of Agriculture (USDA) Office of Inspector General and the Utah Office of the Attorney General to investigate allegations of retailer fraud, waste, and abuse. Greater use of analytics by DWS to detect recipient benefit misuse could potentially identify suspicious retailer behavior, such as those behaviors cited in this report. Figure 4.5 shows the small percentage of merchants that account for the majority of rapid successive transactions.

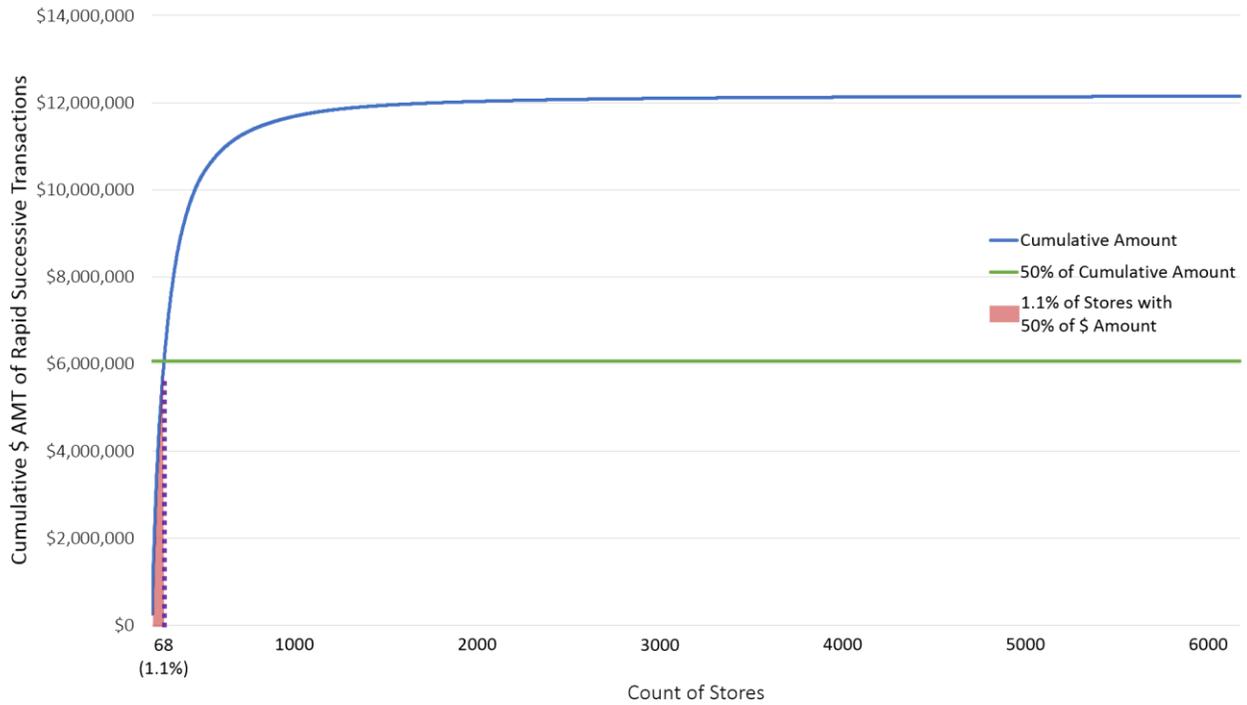
Figure 4.5 Cumulative Rapid Successive Transactions By Merchant



Source: OSA Analysis of SNAP Transactions

Only 117 of more than 6,000 SNAP merchants accounted for more than 50 percent of all rapid successive transactions. DWS should use analytics to determine which merchants with excessive rapid successive transactions should be referred to the state’s Office of the Attorney General or the USDA Office of Inspector General to review for possible merchant fraud.

Figure 4.6 Cumulative Rapid Successive Amounts By Merchant



Sixty-eight of the more than 6,000 SNAP merchants received half of the total dollar amounts through rapid successive transactions. Coordinating efforts with the appropriate state or federal investigative team will help to minimize opportunities for recipient and retailer fraud, waste, and abuse. DWS should use the multiple transaction analysis and trends to identify potential indications of retailer fraud, waste, and abuse.

Finding 4 Recommendations

1. We recommend that the DWS Investigations Unit consider the following, with respect to rapid successive transactions, when prioritizing cases to investigate:
 - a. The number of rapid successive transactions made in short intervals.
 - b. The amounts of the transactions.
 - c. The sum total of rapid successive transactions.
 - d. Abnormal purchase patterns and trends.
2. We recommend that DWS explore electronic capabilities to detect rapid successive transactions and other abnormal recipient behavior in real-time.
3. We recommend that DWS coordinate with the state's Office of the Attorney General or the USDA Office of Inspector General to prioritize for investigation merchants who (1) receive excessive rapid successive transactions and (2) receive high transaction totals through rapid successive transactions.

Finding 5

DWS Does not Identify and Investigate Some High Risk Even Dollar Transactions

The Department of Workforce Services (DWS) could potentially detect Supplemental Nutrition Assistance Program (SNAP) abuse by prioritizing suspicious even dollar transactions to investigate. The Investigations Unit reviews only SNAP recipients who make at least two even dollar transactions over \$50 in multiples of \$10 in the same month and only if the recipients demonstrate other suspicious behavior in the same month. It appears this methodology overlooks recipients with more suspicious purchase patterns. Additionally, the current tests do not identify many of the transactions they are designed to detect. DWS could better detect potential SNAP abuse by considering habitual multiple and large even dollar transactions.

DWS Considers Limited Multiple Even Dollar Transactions Executed in the Same Month a Risk Behavior

The DWS Investigations Unit considers the execution of multiple even dollar transactions in the same month as one of six risk factors in determining whether to investigate a recipient for potential electronic benefit transaction (EBT) card misuse. Out of all EBT purchases⁷³ executed from January 1, 2014 through June 30, 2015, less than one percent were qualified⁷⁴ even dollar purchases. Thus, it appears that the execution of multiple even dollar transactions constitutes an unusual transaction behavior.

Specifically with regard to even dollar transactions, DWS identifies all recipients that execute two or more even dollar transactions in the same month that are both at least \$50 in value and equal to a multiple of \$10. Overall, for transactions executed from January 1, 2014 through June 30, 2015, DWS identified 1,916 even dollar transactions in its alert reports executed by 680 unique cases—less than 10 percent of which were actually investigated.⁷⁵ This assessment represents not only a limited investigation rate, but also a narrow scope of review that may inadequately capture other high risk even dollar purchase behavior.

⁷³ As defined by EBT transaction data codes, our analysis excluded “cash out” transactions to avoid counting cash benefits that are withdrawn in even dollar amounts.

⁷⁴ See Figure 5.1 for an explanation regarding the even dollar purchase categories tested.

⁷⁵ Only investigations with a referral date from 1/1/14 through 9/30/15 were considered for purchases executed from 1/1/14 through 6/30/15.

DWS Did not Investigate Thousands of Even Dollar Transactions In its Alert Reports, Some of Which Appear High Risk

While DWS captures transactions for all cases that execute at least two transactions in the same month of \$50 or more that are multiples of \$10, recipients with purchases that do not fit this limited criteria may not receive sufficient scrutiny. We identified three additional categories of purchase behaviors that could escape detection under the current criteria. In addition to the criteria specified below, the crucial difference is that each category *may* or *may not* have purchase amounts that are multiples of 10. Figure 5.1, below, outlines the criteria and grand total for each category, along with an example that in each case totals \$125 in even dollar purchases to better highlight the distinctions between each category.

Figure 5.1 Even Dollar Purchase Categories⁷⁶

Category	Criteria	Hypothetical Example	Case Count	Purchase Count	Purchase Amount
A	At least two even dollar purchases in the same month of \$50 or more	1/XX/15: \$56.00 1/XX/15: \$69.00	2,875	7,571	\$873,546
B	At least two even dollar purchases in the same month of less than \$50 but of at least \$10	1/XX/15: \$46.00 1/XX/15: \$37.00 1/XX/15: \$30.00 1/XX/15: \$12.00	23,413	95,220	\$1,868,243
C	At least one even dollar purchase of \$100 or more*	1/XX/15: \$125.00	20,082	27,372	\$4,386,600

* Note: No purchases that depleted the entire EBT balance of a card in a single transaction were included in the Category C analysis.
Source: OSA Analysis

Similar to other risks identified in prior findings, DWS should consider (1) the frequency of even dollar transactions, (2) the amount of even dollar transactions, and (3) the transaction history of recipients who make suspicious transactions.

The Investigations Unit Algorithms Miss Most Even Dollar Transactions They Are Designed to Identify

Our analysis of the EBT transaction data found 2,875 cases that executed at least two even dollar transactions in the same month of \$50 or more *without* any restriction to purchases equaling a multiple of ten (i.e. “Category A” purchases). While not all of the even dollar purchases associated with these recipients are necessarily fraudulent, these figures highlight a potential deficiency in the current method of identifying potentially high risk purchases. Figure 5.2 indicates the

⁷⁶ To prevent double counting cases, each of the three categories outlined above are mutually exclusive. Thus, an individual case included in Category A is not counted toward Category B or Category C and vice versa.

difference in even dollar transactions identified in the alert reports and the even dollar transactions identified in our analysis.

Figure 5.2 Difference in Identifying Even Dollar Purchases

Metric	DWS Fraud Alert Reports	SAO Analysis: Category A
Number of Purchases	1,196	7,571
Percentage of Purchases that are Multiples of Ten	100.00%	44.89%
Number of Cases	680	2,875

Source: OSA Analysis of SNAP Purchases

Less than one percent of the 2,875 cases that executed Category A purchases were investigated, as demonstrated in Figure 5.3. In addition, the cases investigated engaged in the fewest total number of Category A purchases over the period from January 1, 2014 through June 30, 2015. Of the 20 cases investigated, only one referral originated with an investigator while 12 cases were referred to the Overpayments Unit by a DWS eligibility specialist.

Figure 5.3 Multiple Even Dollar Transactions Greater than \$50 (January 2014 through June 2015)

# of Even Dollar Purchases	# of Cases	Cases Referred to Investigators
2-5	2,719	20
6-10	126	0
11-15	13	0
>15	17	0
Total	2,875	20

Source: OSA Analysis of SNAP Purchases

As demonstrated in the figure above, cases that executed the highest number of Category A purchases appear to escape investigative scrutiny. Due both to the coding used to assemble the alert reports and a review of actual cases investigated, it appears that the Investigations Unit weighs all cases equally in terms of even dollar purchases.

This discrepancy is further highlighted by the fact that neither the cases with the ten highest even dollar purchase amounts nor the ten highest number of even dollar purchases were investigated—although most had purchases captured within the monthly alert reports. Figure 5.4, below, highlights the summary purchase data for the highest cases by purchase count and amount, respectively.

Figure 5.4 Category A Example: Highest Cases by Purchase Count and Amount (January 2014 through June 2015)

Even Dollar Count (Percent of Total EBT Count)	Even Dollar Amount (Percent of Total EBT Amount)	Even Dollar Purchases Captured in Alert Reports	Even Dollar Exceptions Earned in Alert Reports	Flagged in Any Alert Report?	Investigated?
39 (37.14%)	\$3,072.00 (49.79%)	10	2	No	No
14 (11.02%)	\$8,060.00 (14.50%)	2	0	No	No

Source: OSA Analysis of SNAP Purchases

Recipients of the case that executed 39 even dollar purchases at the same store totaling over \$3,000 in Figure 5.4 were not investigated even though DWS captured 10 even dollar transactions in the alert reports and the case earned exceptions for multiple even dollar purchases in two separate alert reports. However, it appears that because this case was never flagged on any alert report, it was not considered for investigation. Like most other cases listed in Figure 5.3 that went uninvestigated, a failure to earn at least three exceptions on an alert report appears to preclude a case from an investigation referral unless the case is otherwise referred by some other party such as an eligibility specialist or taxpayer.

Yet, as mentioned earlier, even seemingly higher risk cases flagged in the alert reports are not always investigated. In fact, DWS flagged only eight of the 2,875 Category A cases, none of which were investigated. These eight cases executed 25 even dollar purchases totaling nearly \$3,000. It is unclear whether the alert reports contribute to a determination of which cases are investigated or not.

For example, only three of the 20 cases that executed multiple even dollar transactions that were investigated included any mention in the investigation referral notes of potential food stamp trafficking. And yet, it was taxpayers—not investigators—that initiated each of these investigation referrals.

Furthermore, neither the top 10 cases by percent of total purchases nor percent of total purchase dollar amount were referred for investigation. For example, one case that ranked in the top 10 cases by percent of total purchases in even dollar purchases was neither investigated nor even included in the monthly fraud alert reports, despite suspicious behavior. Over a seven month period, this individual spent over \$1,100 in even dollar purchases at the same store. Figure 5.5 below highlights this individual’s even dollar purchase history.

Figure 5.5 Suspicious Patterns Undetected by the Investigations Unit

Purchase Date	Purchase Time	Purchase Amount	Store
12/15/2014	12:23:00	\$ 50.00	A
12/22/2014	12:06:00	\$ 100.00	A
1/12/2015	12:29:00	\$ 70.00	A
1/19/2015	12:12:00	\$ 60.00	A
1/26/2015	12:16:00	\$ 64.00	A
3/2/2015	11:49:00	\$ 70.00	A
3/11/2015	12:06:00	\$ 118.00	A
3/23/2015	12:40:00	\$ 50.00	A
3/30/2015	11:56:00	\$ 50.00	A
4/6/2015	12:00:00	\$ 50.00	A
4/13/2015	12:15:00	\$ 50.00	A
4/30/2015	17:15:00	\$ 50.00	A
5/12/2015	12:12:00	\$ 50.00	A
5/19/2015	12:10:00	\$ 50.00	A
5/27/2015	11:33:00	\$ 50.00	A
6/2/2015	11:14:00	\$ 94.00	A
6/15/2015	11:20:00	\$ 50.00	A
6/29/2015	16:11:00	\$ 75.00	A

Source: OSA Analysis of SNAP Purchases

The even dollar purchases listed in Figure 5.5 amount to 75 percent of this individual’s total EBT purchases over the period of time. In addition, although DWS captured 12 of this case’s even dollar purchases within its monthly alert reports, this case never earned enough monthly exceptions in the alert report to warrant consideration for an investigation referral. Consequently, this case was never investigated. Considering limited investigator time and resources, we recommend that the DWS Investigations Unit better prioritize which cases to investigate by weighing cases in terms of severity.

The Investigations Unit Does not Consider Even Dollar Transactions of Less Than \$50

Our analysis of the EBT transaction data found 23,413 cases that executed at least two even dollar transactions in the same month of less than \$50 but of at least \$10⁷⁷ *without* any restriction to purchases equaling a multiple of \$10 (i.e. “Category B” purchases). These cases totaled over \$1.8 million in purchases. While it is unlikely that only two Category B purchases of small dollar amounts are fraudulent, recipients with large total amounts and/or numbers of such purchases may represent a group of high risk cases that are not captured in the current alert reports.

⁷⁷ We set a minimum transaction amount of \$10 to avoid capturing frequent low even dollar purchases.

As shown in Figure 5.6, only one of the 23,413 cases that executed Category B purchases was investigated. This case was one of 12,989 cases that had only two such purchases in the same month during the period from January 1, 2014 through June 30, 2015. Over ten thousand other cases had anywhere from three to 133 Category B purchases, yet were not investigated.

Figure 5.6 Multiple Even Dollar Transactions Between \$10 and \$50 (January 2014 through June 2015)

# of Even Dollar Purchases	# of Cases	Cases Referred to Investigators
2 - 5	18,904	1
6 - 10	3,136	0
11 - 20	1,102	0
21 - 30	195	0
>30	76	0
Total	23,413	1

Source: OSA Analysis of SNAP Purchases

Similar to Category A, neither cases with the 10 highest even dollar purchase amounts nor the 10 highest number of even dollar purchases were referred for investigation. Furthermore, none of the top 10 cases by percent of total purchases or percent of total purchase dollar amount were referred for investigation.

For example, one of the top cases in terms of dollar amount and percentage of even dollar transactions was neither investigated nor included in the monthly fraud alert reports. Recipients in this case executed 41 even dollar transactions totaling over \$1,100 at three different locations of the same major retailer. Figure 5.7 highlights this individual’s even dollar purchase history.

Figure 5.7 Category B Example:

Even Dollar Count (Percent of Total EBT Count)	Even Dollar Amount (Percent of Total EBT Amount)	Even Dollar Purchases Identified in Alert Reports	Even Dollar Exceptions Identified in Alert Reports	Flagged in Alert Report?	Investigated?
41 (82.00%)	\$1,120.00 (73.49%)	0	0	No	No

Source: OSA Analysis of SNAP Purchases

Since the individual above never executed two or more even dollar purchases of at least \$50 in a given month, DWS never captured this recipient’s transactions in any alert reports despite the fact that the recipients’ total an even dollar purchase amount was comparable to that of the individual flagged in Figure 5.5, above.

The Investigations Unit Should Review and Prioritize Large Even Dollar Transactions

Our analysis of the EBT transaction data found 20,082 cases that executed at least one purchase in the same month of \$100 or more *without* any restriction to purchases equaling a multiple of ten (i.e. “Category C” purchases).⁷⁸ While not all of the even dollar purchases associated with these cases are necessarily fraudulent, recipients who consistently make single even dollar purchases of large amounts per month may escape detection under the current investigative framework.

Only four of the 20,082 cases that executed Category C purchases were ever investigated, as demonstrated in Figure 5.8. These purchases totaled over \$4.3 million, which is far in excess of the total amount for Category A purchases (see Figure 5.5). In addition, the recipients investigated are all cases that engaged in the fewest total number of Category C purchases over the period from January 1, 2014 through June 30, 2015.

Figure 5.8 Singular Even Dollar Transactions Greater than \$100 (January 2014 through June 2015)

Qualified Even Dollar Purchases	# of Cases	Cases Referred to Investigators
2 - 5	19,908	4
6 - 10	157	0
>10	17	0
Total	20,082	4

Source: OSA Analysis of SNAP Purchases

Only two of the four investigated cases listed in Figure 5.8 mentioned even dollar transactions and/or SNAP trafficking in the investigation referral notes. Recipients of each of the 20,082 cases made at least one single purchase of \$100.00 or more during the period reviewed. However, no recipients that made four or more singular even dollar transactions greater than \$100 were investigated. For example, the top case by total amount in this category recorded \$4,510 in 11 even dollar purchases with the same merchant and neither received any mention in the fraud alert reports nor was investigated. This case’s purchase history is outlined in Figure 5.9.

⁷⁸ No purchases that depleted the EBT balance in a single transaction were counted in this analysis.

Figure 5.9 Category C Example: Purchases by one Recipient

Purchase Date	Purchase Time	Purchase Amount	Store
3/5/2014	20:23:00	\$ (400.00)	B
6/5/2014	19:35:00	\$ (400.00)	B
7/5/2014	13:01:00	\$ (400.00)	B
8/5/2014	19:24:00	\$ (400.00)	B
9/5/2014	19:57:00	\$ (400.00)	B
10/5/2014	12:43:00	\$ (480.00)	B
11/5/2014	19:30:00	\$ (300.00)	B
12/5/2014	19:16:00	\$ (400.00)	B
2/5/2015	19:11:00	\$ (480.00)	B
3/5/2015	18:06:00	\$ (450.00)	B
4/11/2015	17:09:00	\$ (400.00)	B

Source: OSA Analysis of SNAP Purchases

Cases such as those outlined in Figure 5.8 appear to be of greater risk than cases presently investigated. The odds of reaching such a large even dollar amount on nearly a monthly basis at the same store are likely extremely low.

It appears that the DWS Investigations Unit weighs cases with even dollar purchases equally without regard for the total number or the total dollar amount of each case's even dollar purchases. Given the limited time and resources available to conduct SNAP investigations, we recommend that DWS focus on recipients that appear to have the greatest likelihood of fraud and/or impact in terms of volume and amount of even dollar purchases.

In addition, given that the current evaluation criteria for even dollar transactions within the DWS Fraud Alert Reports is limited to cases that execute two or more even dollar transactions of \$50 or more that are multiples of 10, we recommend that DWS consider revising the criteria to be more inclusive of other potential risk groups based on transactions such as those highlighted in categories A, B, and C above.

Finding 5 Recommendations

1. We recommend that DWS weigh even dollar transactions by number of purchases and total purchase amount to focus investigative efforts on recipients of the highest risk.
2. We recommend that DWS expand the criteria by which it evaluates even dollar transactions to include recipients who:
 - a. Make multiple even dollar transactions of any amount.
 - b. Make even dollar transactions exceeding a given threshold.
 - c. Have a history of even dollar transactions of any amount.

Appendix A **Audit Scope, Methodology, and Limitations**

A Performance Audit of Data Analytics Techniques to Detect Supplemental Nutrition Assistance Program (SNAP) Abuse was conducted in an effort to evaluate proactive controls intended to prevent program misuse. The scope of the audit, which was narrowed based on a risk assessment conducted as part of the initial phases of the audit, included reviewing the use of data analytics to identify potential program misuse. Specific indicators of program misuse reviewed include:

- Out-of-state transactions
- Excessive EBT card replacements
- Multiple transactions within five minutes
- Even dollar transactions

In addition, we reviewed DWS compliance with federal requirements regarding the delivery of warning notices to individuals that have requested and received four EBT replacement cards in a rolling 12-month period. We also reviewed DWS' retention of collected fraud dollars.

Audit work for this audit—which occurred from June 2015 to November 2015—included but was not limited to the following:

- A review of applicable federal and state statute, administrative rules, and program policies and procedures.
- Conversations with DWS staff and management regarding policy and practice
- Review of concerns detected in other states.
- Analysis of electronic benefits transaction (EBT) data for all SNAP transactions executed from January 1, 2014 through June 30, 2015.
- Analysis of DWS SNAP investigations referred from January 1, 2014 through September 30, 2015.
- Analysis of eREP case information and data associated with transactions executed from January 1, 2014 through June 30, 2015.
- Analysis of various electronic reports created by DWS.
- Analysis of DWS fraud alert reports accounting for even dollar, multiple, and out-of-state⁷⁹ transactions in addition to cases flagged for receiving excessive EBT card replacements from January 1, 2014 through June 30, 2015.
- Analysis of all EBT replacement cards sent from January 1, 2013 through June 30, 2015.
- Analysis of all excessive card request notices sent from January 1, 2014 through August 30, 2015.

⁷⁹ According to the methodology outlined in the DWS fraud alert reports, a case earns an out-of-state exception if it executes two or more out-of-state transactions one month prior to review, during the review month, and the month following the review month. Thus, an out-of-state exception is contingent on transactions executed over a three-month period. Our analysis included cases that had out-of-state transactions in January 2014 but whose inclusion within the alert reports was partially contingent upon transactions executed in November and/or December 2013. While these 2013 transactions were not included in our analysis, it was impossible to separate any associated cases from our analysis without distorting the "Exception Overlay" sheet calculations in the alert reports. However, this conservative approach serves to include a greater number of cases flagged or for whom transactions were captured than otherwise would be the case.

- Analysis of Department of Health Office of Vital Records and Statistics (OVRS) death certificate data for the three most recent fiscal years (FY 2013 through 2015).
- Analysis of Food and Nutrition Service (FNS) State Activity Reports from 2004 through 2014.

During the audit, we became aware of certain limitations, irregularities, and inconsistencies within the eREP data. In order to minimize the impact of these issues as they exist within eREP, we requested and received the following data generated by DWS but not validated by our office:

- All SNAP benefit recipients associated with any case that received SNAP benefits at any point during the month of June 2015.
- All SNAP investigations with a referral date from January 1, 2014 through September 30, 2015.

With regard to EBT transaction data, we accessed DWS' database of vendor-provided EBT transaction records—which is the same database from which the alert reports are assembled. Although we could not validate the accuracy of this database, and in some instances found duplicate transactions (see Finding 1), we took the following steps to ensure that our analysis reflected the data in the most conservative and accurate manner possible:

- **We combined all transactions executed within the same minute.** Combining transactions executed in the same minute served to mitigate the effect of EBT benefit allocation on a first in, first out (FIFO) basis. DWS' banking vendor refers to each monthly SNAP benefit allotment as a "grant," the funds for which are drawn down on a FIFO basis. Thus, while raw transaction data may appear as separate transactions executed in the same minute when drawing upon grants for different months, we combined all transaction data within the same minute to portray a more accurate picture of the true transaction amount.
- **We adhered as closely as possible to the criteria used in DWS fraud alert reports.** With the exception of combining transactions executed in the same minute and adjustments reflected in our even dollar purchase analysis (see Finding 5), we followed the structured query language (SQL) code outlined in the alert reports. For example, the SQL code restricted the analysis to debits only, which precluded accounting for transactions reversed for any number of reasons.

Due to the sensitive nature of personal information, all Social Security numbers were deleted upon completion of our audit and are not retained in our working papers. Additionally, some of the reported transaction numbers cited in the report may be immaterially inflated due to duplicate transactions contained in the DWS alert reports. However, the transaction numbers cited in the report accurately reflect the number of transactions reported across all alert reports.

We conducted this 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 to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Department of Workforce Services Response

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State of Utah

GARY R. HERBERT
Governor

SPENCER J. COX
Lieutenant Governor

**Department of
Workforce Services**

JON S. PIERPONT
Executive Director

CASEY R. CAMERON
Deputy Director

GREG PARAS
Deputy Director

December 23, 2015

Mr. John Dougall
Utah State Auditor
State Capitol Complex, Suite E310
P.O. Box 142310
Salt Lake City, UT 84114-2310

Re: Response to A Performance Audit of Data Analytics Techniques to Detect SNAP Abuse

Dear Mr. Dougall,

I want to thank you and your staff for the analysis of the State of Utah's administration of the Supplemental Nutrition Assistance Program (also known as the Food Stamp program). Workforce Services is committed to continuous improvement of all our programs, including the methods we use to detect and prevent misuse of food stamps. I appreciate the professionalism and timeliness of the state auditors throughout this process.

We already employ a variety of tools to ensure efficient and appropriate use of taxpayer dollars for the food stamp program. The most effective way to prevent food stamp fraud or misuse is to ensure only eligible individuals are approved. Utah's current accuracy rate for food stamp eligibility is 97 percent, higher than the national average. Before issuing food stamps to anyone, we run more than twenty electronic interfaces that verify citizenship, verify identity, and check multiple sources of income and assets. Preventing ineligible people from ever receiving food stamps is the most effective way to prevent fraud, waste, and abuse.

We have an investigations unit that receives referrals from eligibility specialists, taxpayers, and employees from other state divisions and agencies. The unit screens the referral for appropriateness and assigns it to an investigator. Investigations can occur before or after certification. The investigations unit also assists our overpayment specialists in obtaining documentation necessary to establish an overpayment claim. The unit also receives alert reports monthly which identify unusual transaction and EBT activity. These reports are reviewed and investigations may be initiated based upon a pattern of unusual activity.

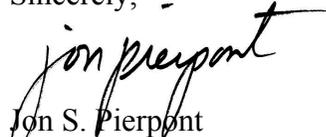
Though food stamp misuse is fortunately not a widespread problem in Utah, we are continuously reviewing our processes to mitigate any potential for fraud to occur. We are evaluating the recommendations in the audit to see how enhancements to our data analytics can supplement the current work of the investigations unit.

I would like to reiterate our appreciation for the good work of the Office of the Utah State Auditor in helping Workforce Services further refine methods to protect food stamp funds

against any misuse. We are committed to wise stewardship of this program, as evidenced by our prioritization of accurate eligibility, referrals and investigations into potential misuse, and integration of helpful data analytics.

We look forward to continued efficient administration of this program on behalf of the people of Utah.

Sincerely, -



Jon S. Pierpont
Executive Director
Department of Workforce Services

Agency responses to each recommendation are attached

DWS Responses to Audit Recommendations

Finding 1 Recommendations

1 – We recommend that DWS strengthen the data analytics used to identify and prioritize high-risk recipient behavior to guide proactive investigations.

DWS appreciates the recognition from the auditor that other efforts made to maintain the integrity of the Food Stamp program are important. Prioritizing referrals from other sources such as taxpayers, eligibility workers, and other governmental agencies will remain a top priority for the department; however, DWS does agree that data analytics can be valuable in identifying potential program misuse. DWS will use the audit recommendations to evaluate its current use of data analytics in an effort to further enhance the goal of minimizing program misuse.

2 – We recommend that DWS ensure that transaction data is captured, reflected, and analyzed accurately in the alert reports to make investigation determinations.

DWS agrees with this recommendation and will ensure that existing data analytics reports already used by the department, as well as any enhancements made to these reports based on the audit's recommendations, are both accurate and aid in the investigative process.

3 – We recommend that DWS consider the magnitude of transactions and the historical behavior of SNAP recipients when prioritizing cases to refer for investigations.

DWS is open to enhancing its currently used data algorithms and is always committed to the adoption of effective predictive analytics. In December 2015, Food and Nutrition Services (FNS) reached out to DWS and asked if the department would be willing to participate in a Predictive Analytics Model Project. DWS has agreed to work with a chosen FNS contractor to better identify potential recipient trafficking and will also discuss the incorporation of the auditor's feedback when designing and implementing the project.

4 – We recommend that DWS Investigations Unit combine transactions within the same minute that draw from separate grants in order to more accurately identify potential misuse of SNAP benefits.

DWS agrees and will make the recommended change to its existing data analytics report.

Finding 2 Recommendations

1 - We recommend that DWS review all 636 cases identified as making purchases exclusively outside of Utah to determine if the recipients are simultaneously receiving SNAP benefits from other states.

DWS appreciates the coordination with the auditor in quickly providing the department with the list of cases and has begun the review process. DWS has found that 63% of the cases had already been closed using our existing process. Of those that continue to receive benefits, 41% live on a border town and 6% have been investigated. However, using this list, we have opened an investigation for the remaining 157 cases to determine if misuse of benefits is occurring.

2 – We recommend that DWS Investigations Unit identify and review SNAP recipients who make the majority of their purchases outside of the state to verify residency requirements and ensure appropriate use of SNAP benefits.

DWS agrees with this recommendation. While DWS has been successful in identifying many individuals that have moved out of state with its existing process, the recommended enhancements to the monitoring of EBT transactions out of the state will likely improve this process.

3 – We recommend that DWS, upon recertification, ensure that SNAP recipients are not enrolled in the program in other states.

DWS agrees with this recommendation and already requires the use of the Public Assistance Reporting Information System (PARIS) interface at each application and recertification.

4 – We recommend that the DWS Investigations Unit review algorithms designed to detect out-of-state purchases to ensure that it identifies SNAP recipients that do not appear to reside in Utah.

DWS agrees with this recommendation. While DWS already uses algorithms to identify out-of-state purchases, DWS will review its current analytics to enhance and improve the process factoring in the recommendations from the auditor's office.

Finding 3 Recommendations

1 – We recommend that DWS send FNS-required notices to recipients who request more than four replacement EBT cards in a 12-month period to notify recipients that they are being monitored for potential trafficking.

DWS agrees with this finding. While the notice is being sent properly in some instances, it is not being sent correctly in all instances. DWS appreciates the coordination with the auditor in providing the list of cases that have been identified as not having received a notice. DWS is using the list to identify and correct any system related issues to ensure the notice is generated properly in all instances.

2 – We recommend that DWS revise algorithms to identify the historical frequency of EBT card replacements for recipients who have trends and behaviors consistent with benefit trafficking.

DWS agrees with this feedback. In December 2015, Food and Nutrition Services (FNS) reached out to DWS and asked if the department would be willing to participate in a Predictive Analytics Model Project. DWS has agreed to work with an FNS contractor to better identify potential recipient trafficking and will discuss effective algorithms used to monitor EBT replacement behaviors.

3 – We recommend that DWS correct automated system errors so that replacement EBT card notices are only sent after the fourth card replacement in 12 months or when trafficking is suspected.

DWS again appreciates the coordination with the auditor in providing the list of cases with potential notice issues. DWS is using the list to identify and correct any system related issues to ensure the notice is generated properly.

4 – We recommend that DWS consider withholding excessive replacement EBT cards until the participants make contact with DWS and verbally explain why they need a new card, as allowed by the U.S. Code of Federal Regulations.

DWS will consider and evaluate this recommendation and appreciates the auditor's recognition that requests for replacement cards may be justifiable and individuals with high volume requests may not necessarily be involved in trafficking. With the department's continued use of existing

algorithms, enhancements to these algorithms based on the auditor's feedback, and the participation in the Predictive Analytics Model Project, DWS is committed to regularly evaluate and implement the most effective process to minimize potential trafficking.

5 – We recommend that DWS consider revising the notices sent to SNAP recipients requesting four or more replacement EBT cards to better reflect:

- a) The exact number of cards the participant has requested
- b) The actual time period that the notice is referencing
- c) A more inclusive list of potential trafficking behaviors

DWS will evaluate the system's capability to make recommended notice changes proposed in a. and b. DWS will implement the recommended changes in c.

Finding 4 Recommendations

1 – We recommend that the DWS Investigations Unit consider the following, with respect to rapid successive transactions, when prioritizing cases to investigate:

- a) The number of rapid successive transactions made in short intervals
- b) The amount of the transactions
- c) The sum total of rapid successive transactions
- d) Abnormal purchase patterns and trends

DWS appreciates the auditor's recognition of the department's current use of data analytics in identifying rapid successive transactions and the acknowledgement that not all instances of rapid transactions warrant an investigation. DWS agrees and will evaluate its existing algorithms to look at enhancing them with these recommendations.

2 – We recommend that DWS explore electronic capabilities to detect rapid successive transactions and other abnormal recipient behavior in real-time.

In working with FNS in the Predictive Analytics Model Project, DWS agrees to explore such electronic capabilities.

3 – We recommend that DWS coordinate with the state's Office of the Attorney General or the USDA Office of Inspector General to prioritize for investigation merchants who (1) receive excessive rapid successive transactions (2) receive high transaction totals through rapid successive transactions.

DWS agrees with this recommendation and will continue its coordination with both the state's Office of the Attorney General and the USDA Office of Inspector General.

Finding 5 Recommendations

1 – We recommend that DWS weigh even dollar transactions by number of purchases and total purchase amount to focus investigative efforts on recipients of the highest risk.

DWS appreciates the auditor's recognition of the department's current use of the even dollar transactions data analytics and agrees with the auditor that not all even dollar purchases are necessarily fraudulent; rather identify potential high risk purchases. DWS agrees and will look

at enhancing its current algorithms and evaluate the effectiveness of such changes to minimizing program misuse.

2 – We recommend that DWS expand the criteria by which it evaluates even dollar transactions to include recipients who:

- a) Make multiple even dollar transactions of any amount
- b) Make even dollar transactions exceeding a given threshold.
- c) Have a history of even dollar transactions of any amount.

DWS will expand the criteria used in its existing algorithms, and with the application of additional filters will evaluate if expanded criteria aids in better identifying and minimizing potential program misuse.

Please note that the department will be changing EBT vendors in October 2016. While DWS will actively pursue the implementation of these recommendations, a change in EBT vendor has the possibility of interrupting progress or delaying implementation plans.