



Dave Yost • Auditor of State

January 10, 2012

Michael Colbert, Director
Ohio Department of Job & Family Services
30 East Broad Street, 37th Floor
Columbus, OH 43215

Director Colbert:

Due to recent reports and information received regarding the alleged diversion of Supplemental Nutrition Assistance Program Cluster (SNAP; formerly known as Food Stamps) benefits to individuals other than the authorized recipients of these benefits, our Office has conducted an evaluation of this issue. Our procedures focused on the processes and systems of the Ohio Department of Job & Family Services (ODJFS) and selected County Departments of Job & Family Services (CDJFS or county departments) related to the reissuance of electronic benefit transfer (EBT) cards. This letter contains the results of that work. We offer the results of these procedures now so management can take immediate action to correct these issues and make any necessary improvements to its policies and procedures to reduce the likelihood of fraud related to SNAP benefit card reissuances.

Federal regulations require the State to properly determine eligibility for SNAP benefits and to investigate any case of alleged intentional program violations. Through its subrecipient agreements with the 88 counties, ODJFS has transferred certain aspects of the process for complying with these requirements to the county departments. However, ODJFS remains ultimately responsible for the State's overall compliance. For state fiscal years 2010 and 2011, ODJFS issued approximately \$2.6 and \$2.9 billion in benefits, respectively, through more than 1.5 million active EBT cards. Over 330,000 of these cards were reissued to recipients in each of these fiscal years; however, information was not available to identify the value of any benefits transferred to these reissued cards. Our evaluation identified the following with regard to EBT card reissuances:

- ODJFS has contracted with a service organization to issue/reissue EBT cards based on information provided by CRIS-E, the State's eligibility computer system, and to report certain information to ODJFS on a regular basis. However, no statistics or other information regarding percentage of cards reissued, timing of reissuance, the amount of benefits transferred to new cards, or recipients with multiple reissuances in one month or for consecutive months have been requested from the service organization to assist in the Department's ability to properly monitor EBT card activities.
- The service organization does provide a monthly Card Issuance Tracking Report which lists any recipient who has received 10 or more reissuances since the inception of the EBT card system in March of 2006. ODJFS receives this report, does a cursory review to identify any obvious errors, and then makes these reports available to the counties via the EPPIC system. Each CDJFS is responsible for obtaining these reports and following up on the items identified. However:
 - ODJFS has not developed any standard policies or procedures for the counties to follow in evaluating and documenting their evaluation of these cases.

- No documentation is required to be included in CRIS-E to identify the recipients requiring follow-up, to indicate what follow-up was performed, or note the results of that follow-up for the recipients included on the Card Issuance Tracking Report. Although there are requirements in the Ohio Administrative Code for general documentation in case files and for claims against assistance groups for (un)intentional overpayments identified, there are no requirements regarding monitoring and documentation of follow-up on potential fraud cases identified. In addition, as indicated in the county testing section below, county departments do not consistently document their procedures and results related to follow-up performed, if any.
- ODJFS does not directly monitor the counties' activities to ensure appropriate follow-up was conducted for the recipients identified on the Card Issuance Tracking Report or to verify that benefits were properly adjusted, if necessary.
- Approximately 20% of the 1.5 million total active cards (as of August 2011 but is also representative of prior fiscal year data) were reissued in both fiscal years 2010 and 2011.

SFY	EBT Cards Reissued	
2010	Returned	9,516
	Lost	187,685
	Replaced	35,915
	Stolen	53,029
	Damaged	<u>25,500</u>
	Total	311,645
2011	Returned	9,475
	Lost	218,464
	Replaced	23,399
	Stolen	57,643
	Damaged	<u>30,498</u>
	Total	339,479

- The Card Issuance Tracking Report (from March 2006 to August 2011) contained 17,008 recipient cases with 10 or more reissued cards, as detailed below. Nearly 230,000 cards were reissued to these 17,008 recipients. There were approximately 1.5 million active cards as of August 2011. We attempted to obtain documentation related to selected cases from these reissued cards, as indicated in the county testing section below.

Card Count Group	# of Recipients	Percent of Count
10 - 16	14,166	83.29%
17 - 22	2,002	11.77%
23 - 29	601	3.53%
30 - 35	143	0.84%
36 - 42	64	0.38%
43 - 48	23	0.14%
49 - 55	5	0.03%
56 - 61	2	0.01%
62 - 68	1	0.01%
69 - 75	1	0.01%
Totals	17,008	100%

- Knowledge and procedures related to EBT card reissuances and fraud are not consistent among the counties. In addition, varying degrees of monitoring occurred at the county departments, ranging from none and/or solely relying on external tips to more sophisticated processes. It appeared that in some instances, the CDJFS was limited in their ability to monitor potential fraud due to staff and/or funding reductions while some maintained their fraud units regardless of budget concerns. We inquired with county departments about their knowledge of the Card Issuance Tracking Report; how the report/EPPIC is used to identify, monitor, and combat fraud; if (complaints about) potentially fraudulent cases are referred to internal and/or external investigators; and, if there were written policies and procedures to outline their process for monitoring, identifying, and combating fraud. Of the ten county departments (five metro and five others) interviewed:
 - Four were not aware of the existence of the Card Issuance Tracking Report.
 - Five did not utilize the Card Issuance Tracking Report.
 - Five forward the information from the Card Issuance Tracking Report to an internal investigator or case worker.
 - All forwarded information from tips on potentially fraudulent cases to external parties (i.e., local law enforcement, local prosecuting attorney, and Ohio Department of Public Safety) for further investigation.
 - None had written policies and procedures to outline the processes and requirements for monitoring, identifying, and combating fraud related to the EBT Card system.

- County departments are not consistently following up on cases identified on the Card Issuance Tracking Report and/or maintaining documentation of their follow-up. We identified the recipient that had the highest number of EBT card reissuances since March 2006 (from the table above) for each of the ten county departments tested and requested information or documentation of their follow-up on the case. The results were as follows:

County	# Reissued to Selected Recipient	County Information Provided
Hamilton	75	County was aware of issue and provided details and reasons as to so many reissuances; however, they did not maintain notes in CRIS-e or other documentation.
Franklin	63	County department did not perform any monitoring or follow-up on the case until after our audit inquiries. An overpayment was identified; the investigation is ongoing.
Lucas	56	County department did not perform any monitoring or follow-up on the case to identify potential fraud.
Cuyahoga	47	County department did not perform any monitoring or follow-up on the case to identify potential fraud.
Montgomery	47	County department did not perform any monitoring or follow-up on the case to identify potential fraud.
Richland	29	County department did not perform any monitoring or follow-up on the case to identify potential fraud.
Columbiana	27	County department did not perform any monitoring or follow-up on the case to identify potential fraud.
Sandusky	26	County department did not perform any monitoring or follow-up on the case to identify potential fraud.
Athens	24	County department did not perform any monitoring or follow-up on the case to identify potential fraud.
Crawford	19	County provided case notes on the selected case which indicated follow-up with income verifications, misuse of card by another person in the household, and dependents in the assistance group.

Under these conditions, the risk that SNAP benefits are being misused or diverted to individuals other than the authorized recipient of these benefits is greatly increased. To help mitigate these risks, we recommend ODJFS:

- Request the service organization provide statistical and other data, including the reissuance date, for EBT card reissuances which would allow ODJFS and the county departments to more readily identify individuals who should be investigated for possible noncompliance with program requirements. Such information should include, but not be limited to, percentage of cards reissued, date of last reissuance, amount of benefits transferred to new cards, and recipients with multiple reissuances in one month or for consecutive months. Appropriate follow-up should be conducted to evaluate any recipient who is identified as a risk, based on the analysis of this information.
- Develop formal, written policies and procedures for evaluating each recipient identified for follow-up. These policies and procedures should document the roles and responsibilities of both ODJFS and CDJFS personnel and require standard documentation be included in the case file and/or CRIS-E system for each issue investigated, including any impact on eligibility or benefits. As part of this process, ODJFS should evaluate the current Ohio Revised Code and Ohio Administrative Code and update as necessary to ensure the requirements related to follow-up on EBT card reissuances and other fraud activities are properly addressed.
- Release guidelines/best practices for counties regarding the monitoring of re-issuances and EBT card fraud as well as training on how to create and use EPPIC reports to identify and address potential fraud.
- Develop a monitoring system to evaluate compliance with the established policies, procedures, and documentation requirements at both the state and county levels. Such a system could utilize CRIS-E system alerts or other automated tools to identify, track, and evaluate progress on recipient follow-up.
- Coordinate with the federal awarding agency and the Ohio General Assembly to increase penalties for those who commit fraud against the program and to develop penalties for those who abuse the card reissuance process. These parties should also coordinate and implement additional verification controls for re-issuing EBT cards and monitor the use of EBT cards at retail locations to prevent fraud. A key element of these additional controls should include effective communication with local law enforcement about prosecuted fraud cases so that appropriate follow through and monitoring of the respective recipient's account/activity can occur in a timely manner.
- Work with the county departments to identify and understand their needs, then request the service organization improve the functionality of the Card Issuance Tracking Report so county departments can better sort through and manipulate the data to identify trends in card reissuances that could potentially identify fraud. At a minimum, this should include a flag to identify when a recipient with more than 10 reissuances is added to the report for the first time, as well as a column to identify the number of reissuances within a certain period (i.e., calendar year or state fiscal year). This would allow each CDJFS to better identify new recipients added, recipients that have remained stagnant in reissuances, recipients that have left the program, or recipients that have multiple reissuances within a period indicating potential fraud from this cumulative and often very lengthy report.
- Develop a mechanism for county departments to cross reference data in the various IT systems that ODJFS uses to administer the public assistance programs to help identify potential fraudulent activity across all programs.

We will continue to evaluate these issues and determine their impact on the State of Ohio Single Audit and the Department's management letter. If you have any questions regarding the matters included in this correspondence, please contact Cynthia Klatt at (614) 466-3402.

Sincerely,

A handwritten signature in blue ink that reads "Dave Yost". The signature is fluid and cursive, with the first name "Dave" and the last name "Yost" clearly legible.

Dave Yost
Auditor of State

cc: Cynthia Klatt, Chief Auditor – State Region