

OVERVIEW

Audit of the Department of Human Services' Electronic Benefit Transfer (EBT) Program

Report No. 03-11, August 2003

Summary

The State Auditor initiated this audit to assess the Department of Human Services' effectiveness in administering its Electronic Benefit Transfer (EBT) program and ensuring the adequate protection of state assets from loss and abuse. The audit was conducted pursuant to Section 23-4, Hawaii Revised Statutes, which requires the Auditor to conduct postaudits of the transactions, programs, and performance of the State and its political subdivisions.

An EBT system is an electronic means for a government agency to distribute needs-tested benefits. Recipients access their benefits through automated teller machines or point-of-sale terminals using magnetic striped cards similar to bank debit cards. The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 required all states to implement statewide EBT systems to distribute food stamp benefits by October 1, 2002. The Department of Human Services contracted with Citicorp and implemented its EBT system in August 1998. The EBT system distributes financial benefits associated with the department's Benefit, Employment and Support Services Division's programs, which include Food Stamp; Temporary Assistance to Needy Families; Temporary Assistance to Other Needy Families; General Assistance; Aid to the Aged, Blind, and Disabled; Child Care; First-To-Work; and Employment and Training.

Individuals must apply at the division's operational line units to participate in the department's public assistance programs. Eligibility workers interview and verify information provided by applicants, update the division's computer systems, authorize benefits, and issue EBT cards. As cardholders use benefits, the contractor's EBT system authorizes, monitors, and tracks each transaction and transfers necessary funds.

Previous audits found deficiencies in the department's management controls over its food stamp and financial assistance programs resulting in overpayments and inaccurate computerized data. Our current audit found that the department continues to struggle with implementing proper controls resulting in decreased payment accuracy ratings, loss of enhanced federal funding, increased risk of unauthorized benefits, and limits to the effectiveness of the EBT program.

We found that the department ineffectively uses its quality assurance programs, which consists of management evaluation and quality control reviews. Management evaluation reviews ensure that federal law and department policies are followed. Quality control reviews verify case accuracy and calculate error rates that affect the department's eligibility to receive enhanced federal funding. From 1998 to 2000, management evaluation reviewers visited 19 units and found only one unit supervisor in compliance with the department's policy for reviewing case files. The department's quality control review for federal fiscal year (FFY) 2001-02 showed several units



with error rates above 20 percent, which ultimately affects the department's eligibility to receive a share of millions in federal enhanced funding.

The department failed to hold managers accountable for not conducting case reviews as recommended by management evaluation reviews. From July 2002, the department conducted 22 supervisory reviews when there should have been 42 reviews. In addition, the department does not adequately follow up on review findings and recommendations.

We also found ineffective case management tools or tools that were ineffectively used. Eligibility workers were not properly maintaining the department's "alert" function. The alert system notifies workers to perform necessary case management activities. We examined a recent report and found many units with workers that averaged over 100 overdue alerts. In addition, the department has failed to develop an adequate checklist to manage cases.

We also found a lack of control over the EBT card inventory leaving the system vulnerable to potential fraud, waste, and abuse. Clerks have access to EBT cards and case files allowing them to use participants' benefits with minimal detection. The department also distributes EBT cards before confirming a participant's eligibility. This practice is wasteful and increases difficulties in inventorying cards.

The department also inadequately monitors the EBT contractor. The department does not regularly receive and review a list of authorized users and verify user access to the EBT system. We found 56 users who had not accessed the system for over nine months and should have been deleted. We also found 64 discrepancies between the department's security officer's list of users and the contractor's list of users.

Recommendations and Response

We recommended that the department improve its management controls by holding its managers accountable for complying with management review recommendations, developing follow-up procedures for quality assurance programs, ensuring that control and access to EBT cards are appropriate, and improving its monitoring of the EBT contractor.

The department agreed with our findings and recommendations to hold its supervisors accountable, develop follow-up procedures for quality assurance programs, and improve its monitoring of the EBT contractor. However, the department disagreed with our recommendations to improve its controls by using checklists and the HAWI-generated form letter, and implementing more procedures over EBT card access. The department also submitted clarifying information that, in some cases, fall outside the timeframe of our audit and were therefore presented to us only after-the-fact.

Marion M. Higa
State Auditor
State of Hawaii

Office of the Auditor
465 South King Street, Room 500
Honolulu, Hawaii 96813
(808) 587-0800
FAX (808) 587-0830