

**PROCEDURAL REVIEW
DATA ANALYSIS**

Analysis focused on identifying ineligible participants and indicators of participant fraud among SNAP and TANF program participants

Summary

The purpose of this review was to analyze eligibility data obtained from the Department of Economic Security, Division of Benefits and Medical Eligibility's Supplemental Nutrition Assistance Program (SNAP) and the Temporary Assistance for Needy Families (TANF) program. Auditors compared this data to various external information sources to identify potentially ineligible recipients and recommend ways to help prevent improper benefit payments. Auditors also analyzed SNAP and the TANF program Electronic Benefit Transfer (EBT) card data for indicators of participant fraud.

Auditors' analysis, using calendar year 2012 data, found that the Division generally had effective procedures in place and performed data matches and analysis to help ensure it made proper benefit payments. However, auditors identified areas for improvement.

The Division agrees with the recommendations and will evaluate the cost and benefit to the State of implementing solutions to mitigate the identified issues.

The Department of Economic Security, Division of Benefits and Medical Eligibility (Division), is responsible for determining eligibility for SNAP and the TANF program by following eligibility requirements established by the federal government, state law, and state administrative rule. In calendar year 2012, the Division authorized benefits totaling \$1.75 billion. This analysis assessed if there were areas for improvement in the Division's procedures that would help identify and reduce payments to ineligible participants and identify participant fraud.

Division authorized \$1.75 billion in benefits under SNAP and TANF in 2012—

In calendar year 2012, the Division authorized SNAP benefits to an average of 484,010 households per month and authorized TANF program benefits to an average of 17,729 households per month. However, approximately 93 percent of the households receiving TANF program benefits also received SNAP benefits and are included in the average monthly households for both

programs. Table 1 shows the average monthly number of households and household member participants served and the total amount authorized for calendar year 2012 under the two programs.

**Table 1: Average monthly number of households, members served, and total amounts the Division authorized under SNAP and the TANF program
Calendar year 2012**

Program	Average monthly households	Average monthly household members	Total amount authorized
SNAP	484,010	1,122,239	\$1,698,947,193
TANF	17,729	40,421	51,856,746
Total			\$1,750,803,939

Source: Auditor General staff analysis of calendar year 2012 monthly Statistical Bulletins prepared by the Department of Economic Security, and calendar year 2012 Department of Economic Security eligibility data.

- Supplemental Nutrition Assistance Program**—This program, formerly known as the Food Stamp Program, provides monthly assistance to low-income individuals for food purchases. It is administered through a federal-state partnership in which the federal government pays the full cost of recipient benefits and half of the state program's administrative costs. In 2012, the average benefit that the Division authorized to all households under SNAP was \$278 per month, or \$3,336 annually. SNAP benefits are calculated on a household basis and are not intended to cover all of a household's food needs, but rather to help recipients meet their nutritional needs. Benefits are distributed through the State's EBT cards. EBT cards are similar to debit cards, which allow recipients to access their benefits at participating retail stores.

Under federal law, eligibility for SNAP is based primarily on whether household income and assets fall below certain thresholds. In general, a family of four cannot earn more than 130 percent of the federal poverty level and cannot have assets, including savings accounts, cash on hand, checking accounts, and money market accounts, that exceed \$2,000 in total. However, these thresholds can vary depending on factors such as the household members' ages and whether household members are disabled. In addition, participants must be residents of the state authorizing



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benefits and must not be incarcerated in a correctional institution when receiving benefits.

- **Temporary Assistance for Needy Families program**—This program provides cash assistance and employment services to low-income families with dependent children and to children with no family (child only). Designed to promote personal responsibility and accountability, the program aims to reduce the number of families living in poverty through employment services and community resources. To qualify for the TANF program, families are considered needy if they earn less than 130 percent of the monthly federal poverty level. In general, for calendar year 2012 for a two-parent family with two children, the maximum allowable monthly income was \$2,498. Other thresholds apply for child-only cases.

Similar to SNAP benefits, TANF program cash benefits are calculated on a household basis and are distributed through the State's EBT cards. In 2012, the Division authorized an average benefit of \$214 per month to all households under TANF, or \$2,568 annually. Most families in the TANF program must participate in Arizona's Jobs Program, an employment and training program that helps them prepare for and find work and may also help with housing, childcare, alcohol or drug addictions, domestic violence, and other factors that affect family stability. In addition, participants must be a resident of the state authorizing benefits and must not be incarcerated in a correctional institution when receiving benefits.

Analysis done to identify ineligible participants and indicators of fraud—This analysis focused on identifying ineligible participants and indicators of participant fraud by analyzing SNAP and TANF program data and comparing it with external information. Specifically, auditors matched and compared information about Arizona's calendar year 2012 SNAP and TANF program participants with external information to identify whether benefits were provided to Department of Corrections (DOC) inmates, participants with invalid social security numbers, and deceased participants. Auditors also analyzed SNAP and TANF program data to determine whether any households received any unusually large benefit authorizations during the calendar year. In addition, auditors obtained the State's EBT card data and performed analysis to identify indicators of participant fraud, such as making large dollar purchases or purchasing outside of Arizona. Auditors also analyzed whether there were unusual businesses accepting TANF program EBT cards. Finally, overall, auditors evaluated whether there were areas for improvement in the Division's eligibility determination procedures.

Division authorized SNAP and/or TANF program benefits to some DOC inmates

Although the Division has a process in place to help ensure individuals incarcerated in facilities run by Maricopa County are not obtaining SNAP and/or TANF program benefits, the Division lacks a process to ensure it is not authorizing benefits to DOC inmates. This has resulted in some SNAP and/or TANF benefits paid to DOC inmates. Participants who receive SNAP and/or TANF program benefits must not be incarcerated in a correctional institution. The Division has procedures to cross-match participants to inmate listings provided by Maricopa County. From the cross-match with Maricopa County inmate data-bases, the Division creates a report listing potentially incarcerated participants on a quarterly basis. The system automatically sends a notification alert to a potentially incarcerated participant's eligibility interviewer, who is responsible for that participant's household case. The eligibility interviewer then sends a letter to the household requesting confirmation or denial of the participant's incarceration. The household has 10 business days to respond to the letter. If the participant denies incarceration, the Division will work to resolve the discrepancy and will take no overpayment action until the issue is resolved. If there is no response or a confirmation response is received, the incarcerated participant is disqualified from receiving benefits, and the household's benefits are adjusted. If the Division identified an overpayment during the participant's incarceration, it will follow policies and procedures to reduce benefits or recover the overpayment.

Although the Division cross-matches its participants to inmate listings provided by Maricopa County, it does not use DOC data or data from other Arizona counties for similar matches. Therefore, auditors evaluated whether any DOC inmates received SNAP and/or TANF program benefits during calendar year 2012. Auditors compared the social security numbers, birthdates, and first and last names for Arizona's calendar year 2012 SNAP and TANF program participants to the 2012 DOC inmate records and identified 13,920 participants whose information matched that of DOC inmates.¹ Of the 13,920 matched participants, auditors randomly

¹ Inmates self-report the DOC data, including the inmate name, birthdate, and social security number, during the intake processing, and the DOC does not verify it, so a match may not indicate participant fraud.

selected 25 case files and found that the Division had authorized SNAP and/or TANF program benefits payments to some inmates at the time of their incarceration. Specifically, the review revealed the following:

- One participant received benefits for 48 days totaling \$200 during incarceration at the DOC, and the Division stopped the participant's benefits when it received notification of an active warrant for the participant from the Department of Economic Security's Office of Special Investigations. However, the Division did not attempt to recover the overpayments.
- Three participants appeared to have received SNAP and/or TANF program benefits during some or all of their incarceration at the DOC. Since the Division had not matched against DOC data, it did not identify these potentially incarcerated participants. However, auditors were unable to determine if the participants were inmates or may have been a victim of identity theft by an inmate.
- Twenty-one participants were identified in a household receiving SNAP and/or TANF program benefits, but the matched participants received benefits only during the time when they were not incarcerated.

Recommendations

To help ensure SNAP and/or TANF program benefits are not authorized to incarcerated individuals, the Division should develop and implement a process to work with the DOC and the other counties to obtain incarceration information and match that information against its SNAP and TANF program participant data. When it determines it is paying benefits to incarcerated individuals, it should cease paying of those benefits. Further, when the Division discovers overpayments it should follow its procedures to recover the overpaid amount.

Division procedures did not always prevent benefit authorizations to deceased participants or charges on deceased participants' EBT cards

The Division's procedures did not always prevent SNAP and/or TANF program benefit authorizations to deceased participants or charges incurred on deceased participants' assigned EBT cards after their dates of death. All participants receiving SNAP and TANF benefits must have their benefits relinquished upon death. To help ensure deceased participants were not receiving benefits, the Division has procedures in place to compare SNAP and TANF data to the Arizona Department of Health Services (ADHS), Office of Vital Records', monthly death database. Monthly, the Division's eligibility system cross-matches eligible participants to the ADHS' vital records file containing registered deaths for the prior month. If a match is identified, the eligibility system automatically sends a notification letter to the household and creates an alert for the Division's eligibility interviewer responsible for the household's case. The eligibility interviewer has 10 business days to remove the deceased participant and reevaluate the household's benefits.

Using data obtained from the ADHS' death database, auditors compared the social security numbers for all SNAP and TANF participants to the record of all deaths reported in Arizona from 1969 through December 31, 2012.¹ The comparison identified benefit authorizations that were potentially made after the ADHS' recorded date of death for 9,711 participants. Auditors randomly selected 60 of these matched participants; 27 were from sole-participant households and 33 were from multi-participant households. Of the 60 participants selected, auditors examined their files and found that 11 participants were authorized benefits after their date of death, and 7 participants had charges incurred on their assigned EBT cards after their dates of death. Specifically, the review revealed the following:

- **Participants were authorized benefits after their dates of death**—Of the 11 participants who were authorized benefits after their dates of death, auditors found that 2 participants were in a multi-participant household, and the Division took between 64 and 152 days to detect that the participant was deceased. Once the death was detected, the Division properly reduced the household's future benefits. The remaining 9 deceased participants were the sole participants in the household, and the Division authorized benefits totaling \$3,153 after the dates of death because it did not detect that the participants were deceased. However, because the participants did not initiate a benefit renewal, the Division eventu-

¹ Each state maintains its own vital records. The ADHS, Office of Vital Records is responsible for maintaining death records for Arizona. The Office of Vital Records officially began recording death events in July, 1909. However, its death database tables only contain data from 1969 to present.

ally closed these 9 cases and deactivated their EBT cards. For the 11 participants who were authorized benefits after their dates of death, auditors were unable to determine why the Division's matching process did not identify these participants. For the remaining 49 participants evaluated, the Division had not authorized benefits after the dates of death and followed its policies and procedures to cancel the deceased participants' benefits after detecting the deaths.

- **Participants' EBT cards were used after their dates of death**—Five participants from the nine sole-participant households had \$992 in charges on their EBT cards after their dates of death. According to division policy, it does not attempt to recover overpayments when the participant is deceased. In addition, two participants from multi-participant households had \$701 in charges on their EBT cards for the households after their dates of death. This occurred because multi-participant households can spend the authorized benefits of the remaining eligible household participants and, as mentioned previously, the Division does not attempt to recover the amount of benefits authorized for the deceased participant from date of death.

Recommendations

To help ensure benefits are not provided to deceased participants, the Division should evaluate its matching process to ensure that it identifies all matches and the Division should follow up on social security numbers matched with the death database in a timely manner. In addition, to help prevent the fraudulent use of benefits, the Division should promptly cancel EBT cards when the sole participant is determined to be deceased.

Division followed policies and procedures to help ensure validity of social security numbers

The Division verified the validity of social security numbers for the SNAP and/or TANF program participants or conducted additional follow-up activities once initial information indicated the numbers were invalid. All participants who receive SNAP and TANF program benefits must provide a valid social security number or be in the process of applying for a social security number. The Division has policies and procedures that require each applicant to provide valid social security documentation and has an eligibility system in place that is used to electronically verify participants' social security numbers with the federal Social Security Administration. If the Division is notified that a social security number is invalid, the responsible eligibility interviewer must follow up to determine whether the Division had the correct social security number. If a participant's social security number cannot be validated, the participant is disqualified, and the household's benefits are adjusted.

To analyze the validity of participants' social security numbers and test whether the Division's procedures were effective, auditors compared the Division's calendar year 2012 SNAP and TANF participants' records to Social Security Administration data. Auditors identified 12,071 participants who potentially had invalid social security numbers. However, because of some limitations with the data-matching process, some of these identified participants may have actually had valid numbers.¹ Auditors randomly sampled 60 of the identified participants, examined their files, and found that the Division followed its policies and procedures to ensure valid social security numbers.

¹ On June 25, 2011, the Social Security Administration started using a randomized process instead of a set composition and methodology to assign social security numbers. The match process used for this review could not be modified to address the Social Security Administration's randomized process, and therefore there may be an increased number of false positive matches.

Division accurately calculated SNAP and TANF program benefits

Auditors examined participant and benefit data for calendar year 2012, and evaluated whether the Division authorized benefit amounts to households for amounts greater than the household averages for SNAP or the TANF program. Although auditors found instances of households having yearly benefit authorizations exceeding the average amounts under SNAP, no instances of inaccurate benefit calculations were identified. Auditors did not find any households with yearly benefit authorizations greatly exceeding the average amounts for the TANF program. To help ensure SNAP and TANF program benefits are correctly determined, the Division's eligibility system calculates a household's total benefit based on a number of factors, including number of eligible household members, gross income earned by all household members, and for the TANF program, the benefit amount is determined based on standard need tables established by state law. To verify the number of household members the Division has policies and procedures to verify household living arrangements. The verification is performed at new or renewal interviews, or when a change is reported, and only when those who live in the household appear questionable. The Division uses landlords, employers, neighbors, or other collateral sources that know the names of all persons living together as primary sources to verify questionable living arrangements. When these sources are not available, the Division uses relatives, roommates, or school records to verify household living arrangements.

Based on the Division's participant and benefit data for calendar year 2012, auditors determined that the Division authorized SNAP households an average of \$278 per month, or \$3,336 annually, and TANF program households an average of \$214 per month, or \$2,568 annually. Auditors analyzed the annual benefit authorization amounts to all SNAP and TANF program households during 2012 to identify all households with annual benefit authorizations exceeding those averages. Auditors identified 66 households, primarily located in northwest Arizona, that received annual SNAP benefits greater than \$20,000, totaling \$1.7 million, and did not identify households greatly exceeding the TANF averages. Specifically, for a household to receive over \$20,000 in SNAP benefits, it would require a household size of 12 or more members. Auditors randomly selected 7 households that received over \$20,000 in SNAP benefits in calendar year 2012 for further evaluation and found that the total number of household members ranged from 14 to 32 members. The Division retained documentation denoting and verifying the number of members living in the homes and the calculation of benefits. In all instances, the Division correctly calculated the annual benefits ranging from \$20,094 to \$43,719 based on the information retained in the case files.

Auditors determined that during 2012, the annual average household benefits the Division authorized under SNAP were \$3,336 and under the TANF program were \$2,568.

No indications of participant fraud in large and out of state purchases examined

Auditors examined EBT card transactions and evaluated large purchases and purchases outside of Arizona and found no indications of fraud. Participants in SNAP and the TANF program access their benefits using the State's EBT card. TANF benefits could be accessed at any ATM or point-of-sale terminal during calendar year 2012. SNAP benefits can be accessed at any store in the United States that accepts food assistance. Retailers that accept EBT cards for SNAP must be licensed, and U.S. Department of Agriculture, Food and Nutrition Services (FNS) field offices are responsible for licensing and monitoring the retailers. In addition, the Division receives federal SNAP administrative monies, some of which it uses to conduct fraud investigations and prosecutions. The Division uses the Department of Economic Security's Office of Special Investigations (OSI) for investigating potentially fraudulent participant activities. OSI also works closely with the FNS to detect potentially fraudulent retailer activity. However, the Division has no authority over these retailers; it can only report retailer issues to FNS and help gather evidence.

To help detect fraudulent activities, the Division maintains both a telephone and Internet fraud hotline where the public can report potentially fraudulent EBT card activities. OSI reviews the hotline tips as a basis for determining which participants to investigate, but during 2012, OSI received more tips than they had investigators to process the tips. OSI investigators have resources that help in investigating hotline tips, such as

daily reports from the EBT card processor and full access to the Division's eligibility system. In addition, OSI investigators have used Facebook and Craigslist to search for participants who were attempting to illegally sell their EBT cards for cash. Once enough evidence indicating fraudulent activity is collected, the OSI can turn a case over to the Arizona Attorney General's Office for prosecution.

Once the Division authorizes the SNAP and/or TANF program benefit amount, participants can spend it at any time since the EBT card does not have an expiration date. Table 2 shows the number of EBT card transactions and the total amount spent during calendar 2012. Auditors examined EBT card transactions and evaluated large purchases and purchases outside of Arizona with the following results:

- Evaluation of large dollar purchases**—The EBT cards have an authorized benefit limit, but do not have a limit for a single purchase. As shown in Table 3, 65,767,493 transactions, or 99 percent of the single transactions, ranged from \$1 to \$500 in calendar year 2012. However, because larger dollar transactions may indicate fraud, auditors reviewed the 16 largest single transactions identified, which were between \$1,501 and \$3,043, and noted that each of these purchases appeared to be for allowable items and were for households with the number of members ranging from 14 to 32 members. Therefore, auditors determined that these larger dollar purchase transactions did not appear to indicate fraud.

- Evaluation of benefits spent outside of Arizona**—Although SNAP and TANF program household members are allowed to make purchases outside of Arizona, they must reside in Arizona. Therefore, auditors determined dollars spent outside of Arizona may indicate that participants did not actually live in Arizona and were inappropriately receiving benefits while residing in another state. As shown in Table 4, auditors determined that about \$53 million, or 3 percent of total EBT card transactions, was spent in a state other than Arizona during calendar year 2012. Of the \$53 million, \$37.9 million, or 2.2 percent of total EBT card transactions, was spent in Arizona's bordering states, including California, Colorado, New Mexico, Nevada, and Utah, and dollars spent in these bordering states were primarily from households located in cities on Arizona's outside borders. Therefore, it was reasonable for the members to have shopped in these bordering states. Lastly, \$15.1 million, or 0.9 percent of total EBT card transactions, was spent throughout the United States. For the households with transactions in these other states auditors found that nearly 89 percent of the households' total EBT card transactions for the year occurred in Arizona.

Table 2: Number of EBT card transactions and amount spent under SNAP and the TANF program Calendar year 2012

Program	EBT card transactions	Amount spent
SNAP	64,731,320	\$1,697,983,291
TANF	1,056,354	53,827,266
Total	65,787,674	\$1,751,810,557

Source: Auditor General staff analysis of calendar year 2012 Department of Economic Security EBT card data.

Table 3: Single EBT card transactions within certain dollar ranges Calendar year 2012

Transaction range	Count	Dollars
\$1 to 500	65,767,439	\$1,738,817,269
\$501 to 1,000	20,067	11,794,738
\$1,001 to 1,500	152	170,182
\$1,501 to 3,043	16	28,368
Total	65,787,674	\$1,751,810,557

Source: Auditor General staff analysis of calendar year 2012 Department of Economic Security EBT card data.

Table 4: EBT card transactions by state Calendar year 2012

State	Amount
Arizona	\$1,698,768,823
Other states:	
New Mexico	20,623,473
California	9,261,503
Nevada	3,169,997
Utah	2,740,855
Colorado	2,131,637
Other	15,114,269
Subtotal other states	53,041,734
Total	\$1,751,810,557

Source: Auditor General staff analysis of calendar year 2012 Department of Economic Security EBT card data.

Division responds to new federal legislation

On September 19, 2013, Arizona law became effective in response to new federal legislation for the TANF program. Effective February 22, 2012, federal law prohibits any TANF program EBT card transactions at liquor stores, casinos, gaming establishments, or any retail establishment that provides adult-oriented entertainment. According to the federal law, Arizona is responsible for taking the necessary actions and reporting to the Secretary of the Department of Health and Human Services on its implemented policies and practices by submitting a TANF State Plan amendment by February 22, 2014. To comply with the federal law, the Arizona Legislature passed Laws 2013, Ch. 207, §§2, 4, and 5, to set policies regarding TANF EBT card prohibitions. The Arizona law became effective on September 19, 2013, and requires that on or before February 1, 2014, liquor stores, casinos, gaming establishments, or any retail establishment that provides adult-oriented entertainment must place restrictions on their ATMs or point-of-sale terminals so they will not process TANF EBT card transactions. Vendors failing to comply with the law will be subject to a licensing action. Implementing the requirements will be an ongoing collaborative effort between the Department of Economic Security, the Department of Racing, the Department of Liquor Licenses and Control, and municipalities that license or regulate adult-oriented entertainment establishments. EBT card prohibitions at gaming facilities on tribal lands were already in effect prior to this new legislation.

Although not prohibited in calendar year 2012, auditors evaluated how many liquor stores, casinos, gaming, and adult-oriented establishments were accepting Arizona TANF EBT cards during that year. Even though the data did not provide complete vendor names, auditors found 1,447 transactions totaling \$43,092 at what appeared to be liquor stores, and did not find any vendor names indicating that TANF EBT card transactions occurred at other types of establishments prohibited in the new law.

