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House Human Services and Housing Committee

Public Assistance Program Integrity Workgroup Report

February 6, 2014

Introduction

The Public Assistance Program Integrity Workgroup was formed at the direction of Representative Andy Olson and Representative Carolyn Tomei. Meetings were held during the 2013-14 interim over a four-month period and concluded in November 2013.

The Workgroup's goal was to ensure that the state and federal resources used to fund public assistance programs are provided to Oregonians accurately and are appropriately redeemed by merchants. Research and recommendations concentrated on two of the state's primary public assistance programs administered by the Oregon Department of Human Services (DHS):

- The **Supplemental Nutrition Assistance Program (SNAP)**, formerly known as food stamps, which provides benefits to help individuals and families purchase food. In December 2013, 729,047 Oregonians participated in SNAP.
- The **Temporary Assistance for Needy Families (TANF)** program, which provides cash assistance to pay for a family's basic needs such as rent or medication, as well as family stability and employment services. In December 2013, 34,137 families participated in TANF.

Both programs use the Oregon Trail Card to deliver food and cash benefits to Oregonians who qualify for SNAP and TANF. The Oregon Department of Corrections also uses them to transfer funds to individuals upon release from the prison system. Oregon Trail Cards are Electronic Benefit Transfer (EBT) cards that work like bank debit cards. The Workgroup also spent considerable time examining the rules, processes and oversight of client and merchant use of Oregon Trail Cards.

Workgroup Objective

DHS data and the May 2013 Public Assistance Audit conducted by the Oregon Secretary of State show Oregon's fraud rate at less than one-half of one percent of the entire SNAP and TANF caseloads. The Workgroup's primary operating principle was that fraud at any level is problematic. Supporting operating principles included:

- DHS services are there to help people in need so they can get back on their feet, stabilize and thrive;
- People who are eligible are encouraged to apply;
- Program integrity is important in order to ensure that people receive services for which they are eligible;
- Improper use of services is unacceptable; appropriate, cost-effective measures are to be explored to minimize fraud; and,
- Education and training about program intent, operations and integrity should be provided to staff, partner agencies, law enforcement and the general public.

The Workgroup's objective was to review the current integrity of Oregon's SNAP and TANF public assistance programs and produce a report that included recommendations for short- and

long-term solutions. Recommendations were to be cost-effective and include policy proposals that assure program integrity and reduce fraud. Recommendations were to avoid creating barriers to receiving benefits for the Oregonians who truly need help from our public assistance programs.

Discussion Topics

The following issues were discussed by the Workgroup:

- State and federal guidelines for eligibility, use and oversight of SNAP and TANF benefits
- State and federal guidelines for Oregon Trail Cards
 - What public assistance programs use cards?
 - What constitutes appropriate use of the cards?
 - What is the merchant role?
- Processes for issuing and replacing Oregon Trail Cards
 - How does a benefit recipient receive a card?
 - How are cards replaced?
 - Limitations on replacement cards
 - Data on replacement cards
- Recommendations from the Oregon Secretary of State Public Assistance Audit of May 2013
 - Reviewing audit recommendations and progress towards addressing the recommendations
 - Connecting with the Oregon Congressional delegation and federal programs to highlight issues and suggest reform in federal laws that restrict state actions to protect program integrity.
- Education and awareness of proper use of benefits and Oregon Trail Cards
 - Policy and training for DHS field staff on how to identify and report suspected fraud
 - Outdated computer systems creating barriers in accessing information in the application process
 - How to encourage clients to protect their cards from misuse
- Fraud reporting and investigations processes
 - Fraud statistics and trends for SNAP and TANF
 - Trafficking of Oregon Trail Cards, including review a rule expanding the definition of trafficking implemented in March 2013
 - Authority, processes and consequences for fraud investigations

- Staffing and resources for DHS fraud investigations and program integrity programs
- Collaboration, communication and data-sharing between DHS and local law enforcement
 - Federal laws regarding data-sharing between DHS and law enforcement
 - Training on DHS investigations and program integrity processes for law enforcement

Recommendations

As the Oregon Trail Card plays into many of the Workgroup recommendations, two information sheets are included in this report to provide a basic understanding of how the card is used and regulated. Please see “How an Oregon Trail Card works” and “Oregon Trail Cards” in the Appendix. A summary of the recommendations also can be found in the Appendix.

The Workgroup agreed to the following:

To recommend **DHS** pursue the following strategies:

- **Improve employee awareness and accountability for preventing and reporting potential fraud.** The Workgroup found DHS training and resource materials for staff in need of clear, precise language on the role employees have in preventing and reporting suspected fraud. The agency is updating its staff manual and training curriculum, and identifying ways to raise fraud awareness through other communication channels. Adding new training opportunities on this topic may require a financial investment.
- **Improve client awareness and accountability for proper use of public assistance benefits and Oregon Trail Cards.** The DHS SNAP Policy Unit is working with 14 outreach contractors to raise awareness among clients of their responsibilities for proper use of benefits and processes for participating in the program, such as submitting an application or reporting changes. DHS, in partnership with 211Info and Partnership for a Hunger-Free Oregon, will host three regional meetings for SNAP outreach contractors in February to focus on building client awareness and getting information out through their networks. During 2014, DHS, PHFO and 211Info will work together to identify barriers and develop long-term strategies for client education throughout the state.
- **Improve collaboration and communication with law enforcement and other stakeholders.** DHS is moving forward with a Workgroup recommendation to create a special toll-free number for law enforcement to use to report suspected fraud in

public assistance programs. DHS also will create a Fraud Prevention and Investigations in Public Assistance Programs training for law enforcement. The online training will be complemented by an annual training or webinar for law enforcement focusing on fraud trends and increasing local collaboration.

Variations of materials developed for law enforcement and staff may be used to educate other stakeholders and clients to raise awareness about proper use of benefits, Oregon Trail Cards and on the fraud reporting process.

- Continue sending warning letters to clients who request four or more replacement cards in a 12-month period.** In December 2012, DHS began sending warning letters to clients who replaced Oregon Trail Cards six or more times in a 12-month period. The agency typically sends about 150 letters a month. The USDA now requires a warning letter be sent to clients who requested four or more replacement cards in a 12-month period. DHS made this change in December 2013.
- Moving the Oregon Trail Card Replacement Line from pilot to full, statewide implementation.** DHS replaces approximately 10,000 Oregon Trail Cards a month. In the past, clients could replace a card by visiting a local DHS office. In 2013, the agency began piloting a centralized process for replacing lost or stolen cards. This process involves customers requesting a replacement card by calling a toll-free phone number and receiving the replacement card by U.S. Mail within five days. The new process was designed to reduce workload in local office lobbies, decrease the number of replacement cards issued, and reduce the risk for fraud. Use of this new process became a statewide requirement on January 15, 2014. There are exceptions that allow a client’s card to be replaced in local offices in certain circumstances.

Total Cards Replaced	2013	2012
January	13,387	15,651
February	11,973	15,012
March	12,712	15,546
April	13,060	15,881
May	13,938	16,959
June	12,811	17,156

Source: Oregon Department of Human Services

- Continue to pursue policy changes and federal waivers to close the “lump sum” loophole.** The May 2013 Secretary of State’s audit on Oregon Public Assistance Programs identified a loophole that allows clients to receive large lump-sum payments and still maintain eligibility for SNAP. Examples of lump-sum payments are lottery winnings or retirement pay-outs.

DHS took a proactive step in January 2014 to make sure those who truly need food assistance get it by adding a \$25,000 asset test to its eligibility requirements. Now, when people apply or re-apply for SNAP, there is a new checkpoint for lump-sum payments that could make them ineligible for food benefits.

DHS also applied for a waiver from the federal Food and Nutrition Services to allow Oregon to require SNAP participants to immediately report substantial lump-sum payments to allow Oregon to stop benefits at that point in time. Currently, the state can only ask about financial resources and take action when the SNAP participant reapplies for food benefits every 12 months. This loophole is one that's drawn national conversation. DHS has not received a response to its waiver request yet.

To recommend **Oregon State legislators** consider taking action on the following in a future session:

- **Requiring client names to be printed on Oregon Trail Cards.** Currently, Oregon Trail Cards include a card number and space for an authorized signature. The card does not work unless the client enters the secret, four-digit Personal Identification Number (PIN) they selected. The Workgroup recommends printing names on Oregon Trail Cards as an additional security measure. At the request of the Workgroup, DHS is conducting analysis to identify options for implementing the proposed requirement, the potential impacts, and one-time and ongoing costs.
- **Addressing privacy issues that prevent the Lottery from sharing data with DHS.** The Secretary of State audit suggested data-sharing with PERS and the Lottery may help DHS identify clients receiving lump-sum payments that may make them ineligible for public assistance programs. While DHS and PERS are completing a data-sharing agreement, the Lottery is unable to do the same due to federal privacy issues surrounding the sharing of SSNs. DHS is preparing a legislative concept for 2015 to resolve this issue.
- **Supporting DHS budget proposals to increase resources for its program integrity and fraud investigations units to increase their capacity to identify and investigate fraud, and recover benefits.** At the Workgroup's request, DHS has created a proposal to increase resources for its Office of Program Accuracy and Recovery and Fraud Investigations Unit. The proposal includes additional staff for recouping overpayments, for data-mining to identify potential fraud, and for additional staff to conduct investigations. The proposal is geared to eliminate a two-year backlog in SNAP overpayments, increase the number of completed corrections matches to avoid SNAP benefits being authorized for those who are incarcerated, reduce fraud investigations backlogs and increase statewide coverage by fraud investigators.

- **Supporting DHS efforts to develop an inter-agency agreement or legislative concept, if needed, to give DHS fraud investigators access to investigative tools and databases, and internal communications systems used by law enforcement.** The access and information would increase accuracy and timeliness of DHS fraud investigations. It also would increase the safety of investigators by giving them the ability to contact law enforcement agencies in emergency situations, particularly those in remote areas, using law enforcement communications tools.

To pursue options at the federal level:

- **Request Social Security Administration policy change for publicly posting Social Security Numbers after a person's death:** Representative Tomei sent a letter to the members of Oregon's Congressional delegation requesting a change in a Social Security Administration policy for publicly posting a person's SSN upon death. Currently a person's name, SSN and other information is made available publicly on the Internet as part of the Social Security Death Index. The Workgroup believes publicly posting the SSNs of deceased Americans opens the door to fraud and abuse of state and federal public assistance programs.
- **Support DHS collaboration with the Oregon Secretary of State's Office and the USDA Office of the Inspector General to conduct data-mining activities to identify fraud among merchants accepting Oregon Trail Cards.**
- **Consider sending a letter to the Oregon Congressional Delegation requesting SNAP policy changes that would allow states to do the following:**
 - Terminate benefits when a recipient fails to respond to a request for contact from fraud investigators; and,
 - Require all lottery winnings to be reportable and counted as income in the eligibility process for public assistance benefits.

U.S. Congress is finalizing a new, five-year Farm Bill known as the Agricultural Act of 2014 (H.R. 2642). The Farm Bill has a nutrition title that includes SNAP. Several provisions in the bill address program integrity in the food assistance program and may be supportive of the recommendations in this report.

The Workgroup discussed but did not recommend the following:










- **Adding client photos to Oregon Trail Cards.** This is a high-cost option. Subsequent research found that states that had required pictures in the past have dropped the requirement due to the cost vastly outstripping any savings.
- **Prohibiting the use of TANF cash benefits to purchase pre-paid credit cards.** Unbanked clients need this option in order to pay rent and other bills where cash is not accepted.

Conclusion

By working through the many complexities surrounding SNAP and TANF, the Workgroup came to new understandings of how the programs work and where changes can be made to strengthen services and program integrity. We are pleased to see DHS moving forward on many recommendations. We are encouraged with the new collaborations between DHS, local law enforcement and nonprofits in the state. The Workgroup co-chairs and other members of the Legislature will begin preparing to introduce concepts for the 2015 session.

Oregon Trail Cards

The majority of Oregon Trail Cards are used to access benefits from the Supplemental Nutrition Assistance Program (SNAP) and the Temporary Assistance for Needy Families (TANF) program. Oregon Trail Cards also are known as Electronic Benefit Transfer (EBT) cards.

	SNAP	TANF
PURPOSE	 <p>Food assistance</p>	 <p>Cash assistance</p>
USAGE	 <p>Can be used only to purchase food items approved by the U.S. Department of Agriculture (USDA).</p>	 <p>Used at client's discretion to pay for basic needs such as rent, utilities, clothes for children, medicine. Usage is regulated by the U.S. Department of Health and Human Services.</p>
RESTRICTIONS	 <p>Can't be used to buy hot foods or non-food items such as alcohol, cigarettes, household items, pet food or medicine.</p>	 <p>Can't be used in EBT transactions in liquor stores, casinos and gambling establishments and venues where people disrobe or perform unclothed for entertainment.</p>
ACCESS	 <p>At merchants approved by the USDA to accept EBT cards. Merchants must have capacity to distinguish which products are allowable for purchase to accept EBT cards.</p>	<ul style="list-style-type: none"> At merchants approved by the USDA to accept EBT cards: After the first two cash withdrawals without a purchase, the benefits account is charged 85 cents per transaction. At ATMs: The benefits account is charged 85 cents for each withdrawal from an ATM. Some ATMs may charge other fees as well.
OVERSIGHT	 <p>Clients: The Oregon Department of Human Services is responsible for investigating misuse by clients. Violators can face a range of consequences including repayment of benefits and temporary or permanent disqualification from the program. DHS investigators work closely with local and federal law enforcement when cases call for criminal prosecution.</p>	 <p>Retailers: The USDA is responsible for investigating misuse among retailers.</p>

How an Oregon Trail Card works



CARD NUMBER

SIGNATURE BOX

Help for Retailers 1.877.789.1169 273730002/37450

AUTHORIZED SIGNATURE DO NOT WRITE PIN ON CARD
Misuse of this card is unlawful.

For account balance go to: **www.ebtEDGE.com**

For account balance or to report a lost or stolen card, call Customer Service: **1.888.997.4447**

Property of the State of Oregon
Dept. of Human Services If found, mail to: Dept. of Human Services,
P.O. Box 14850, Salem, OR 97309-0850
The USDA is an Equal Opportunity Provider and Employer.

- 1** Several programs use Oregon Trail Cards to deliver benefits to people who qualify for public assistance. The Oregon Department of Human Services uses them for food and cash benefits. The Oregon Department of Corrections uses them to transfer funds earned while incarcerated to an individual upon release.
- 2** They work just like bank debit cards. Oregon Trail Cards are Electronic Benefit Transfer (EBT) cards. Every cardholder selects a secret Personal Identification Number (PIN). The Oregon Trail Card won't work unless the correct PIN is entered at the point of sale.
- 3** Benefits aren't placed on Oregon Trail Cards. Oregon Trail Cards do not work like gift cards where money can be placed on a gift card and spent down. Oregon Trail Cards work more like bank debit cards where the card is used to withdraw cash from a bank account.
- 4** A single card can give someone access to benefits from multiple programs. Just like one bank debit card can give a person access to both their checking and savings accounts, an Oregon Trail Card can give the cardholder access to multiple benefit accounts. For example, someone receiving food and cash benefits can use the card at a grocery store to both buy food and withdraw cash in the same transaction. The funds are automatically withdrawn from the appropriate account.
- 5** When a card is lost, benefits are not replaced. A new card will give the cardholder access to the remaining balances in their benefit accounts.



Learn more about Oregon Trail Cards:

www.oregon.gov/dhs/ebt/Pages/default.aspx

Public Assistance Program Integrity Workgroup Recommendations

	Recommendations	Responsible
1	Statewide implementation of Oregon Trail Card Replacement Line	DHS
2	Send warning letters to clients who request four or more replacement cards in a 12-month period	DHS
3	Withhold Oregon Trail Cards from clients with excessive numbers of replacement card requests	DHS
4	Create a dedicated, toll-free hotline for law enforcement to report suspected fraud	DHS
5	Pursue policy changes and federal waivers to close the “lump sum” loophole	DHS, USDA
6	Improve employee awareness and accountability for preventing and reporting potential fraud	DHS
7	Improve client awareness and accountability for proper use of public assistance and Oregon Trail Cards	DHS, DHS SNAP outreach partners
8	Improve collaboration and communication with law enforcement and other stakeholders	DHS, Law Enforcement
9	Require client names be printed on Oregon Trail Cards	Legislature
10	Address privacy issues that prevent the Lottery from sharing data with DHS	Legislature
11	Support DHS budget proposals to increase resources for its program integrity and fraud investigations units	Legislature
12	Support DHS efforts to develop an inter-agency agreement or legislative concept to give DHS fraud investigators access to investigative tools, databases and internal communications systems used by local law enforcement.	Legislature, DHS, Law Enforcement
13	Request Social Security Administration policy change for publicly posting Social Security Numbers after death	Legislature, Oregon Congressional Delegation
14	Support DHS collaboration with the Oregon Secretary of State’s Office and the USDA Office of the Inspector General to conduct data-mining activities to identify fraud among merchants.	Oregon Secretary of State, DHS, USDA
15	Send letter to Oregon Congressional Delegation requesting policy changes in SNAP around benefit termination, reporting lottery winnings and disqualifications.	Legislature, Oregon Congressional Delegation