



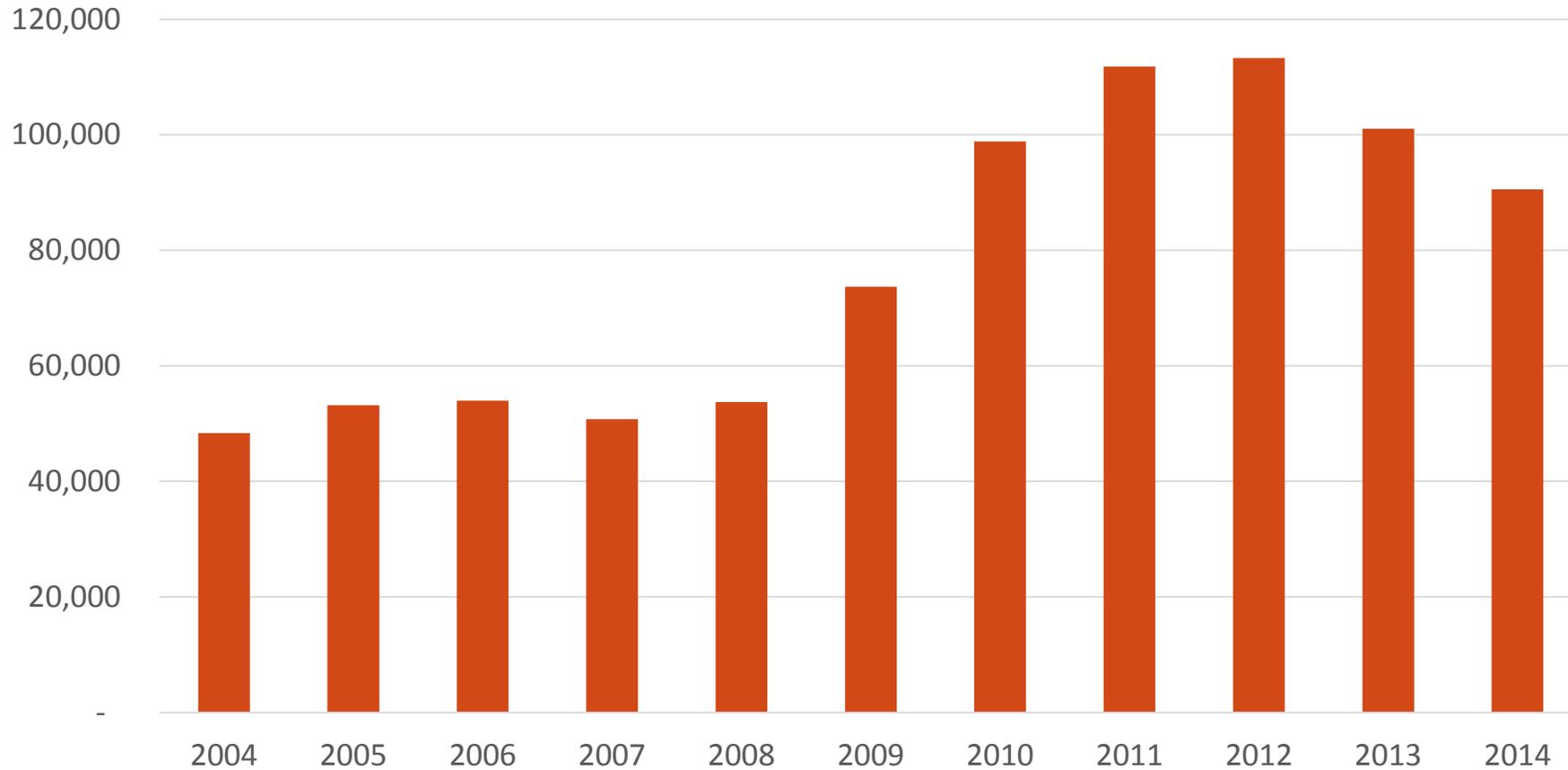
A PERFORMANCE AUDIT OF DATA ANALYTICS TECHNIQUES TO DETECT SNAP ABUSE

JANUARY 29, 2016



OFFICE OF THE
UTAH STATE AUDITOR

Utah SNAP Households



State Retention Collection

Classification of Overpayment	Retention Rate
Intentional Program Violation	35%
Inadvertent Household Error	20%
Agency Error	0%

Source: 7 C.F.R. § 273.18 (k)(1)



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

DWS Fraud Alert Report Criteria:

1. Monthly balance depletion
2. Multiple EBT card use within five minutes
3. Multiple even dollar purchases
4. Two or more out-of-state transactions
5. Carrying a month-end balance of \$5,000 or more
6. Five or more replacement cards in the previous 12 months



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

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%



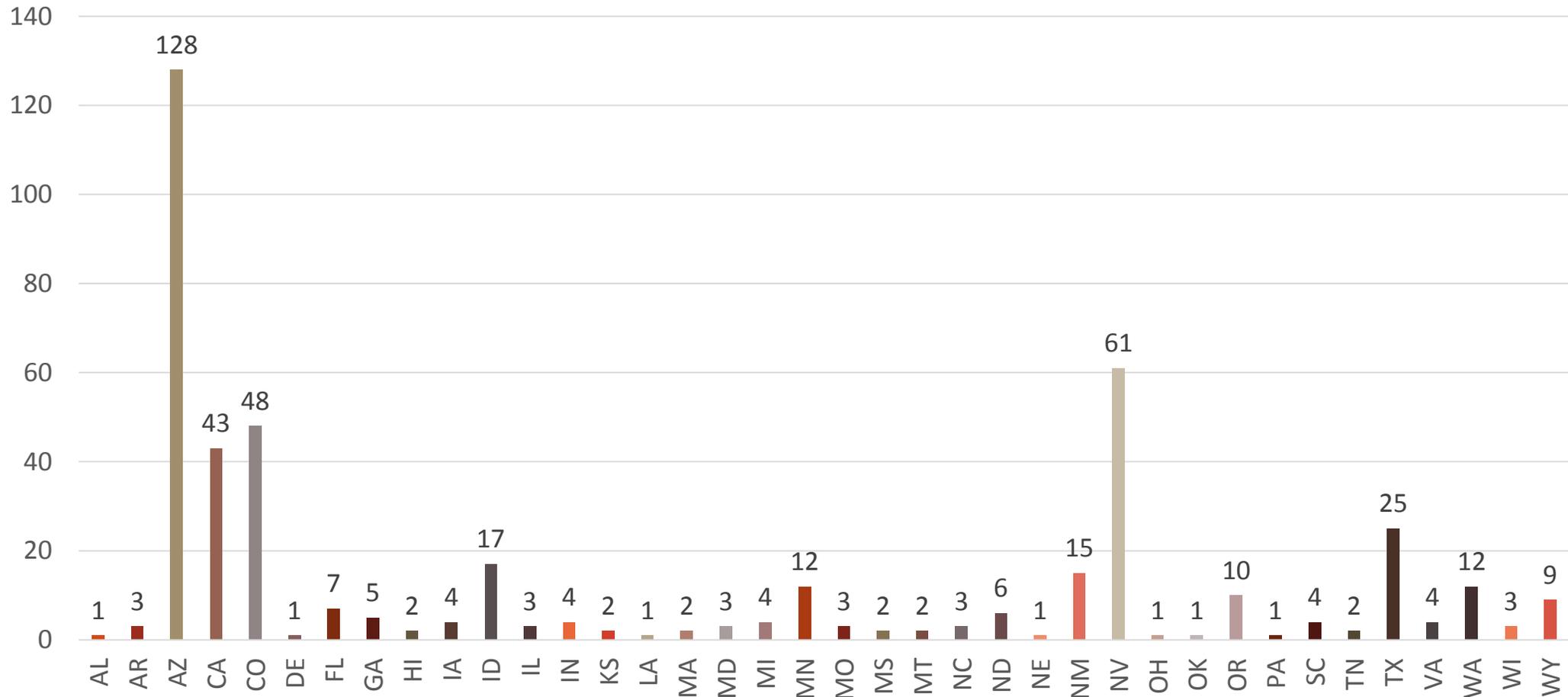
Finding 1 Recommendations

We recommend that DWS:

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



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



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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	TX, AZ, CO, NM	No	No
B	Moab, UT	77	\$10,536.69	OK	No	No
C	Washington, UT	77	\$3,132.56	FL	No	Yes
D	SLC, UT	77	\$2,324.52	SC	No	No
E	Clearfield, UT	75	\$3,436.04	IA, MO, IL, TX, AR	No	Yes
F	West Valley, UT	78	\$6,349.74	CA	No	No
G	St George, UT	61	\$2,876.62	HI	No	Yes
H	St George, UT	60	\$6,862.28	NV	No	No



Finding 2 Recommendations

We recommend that DWS:

1. 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. 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. Ensure that SNAP recipients are not enrolled in the program in other states, upon recertification.
4. 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 Trafficking by Conforming to Federal Requirements

“The State agency shall... 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.”

-7 C.F.R. § 274.6(b)(6)



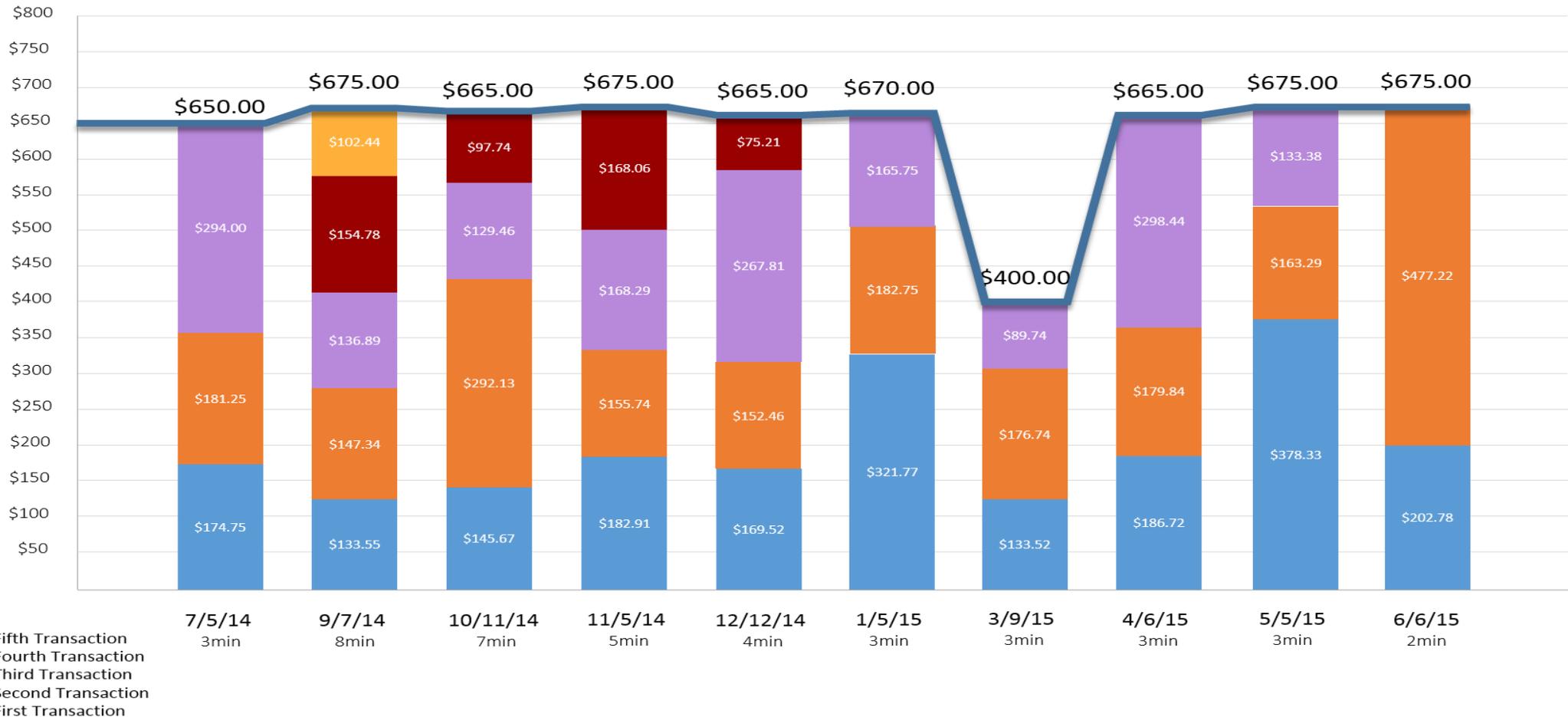
Finding 3 Recommendations

We recommend that DWS:

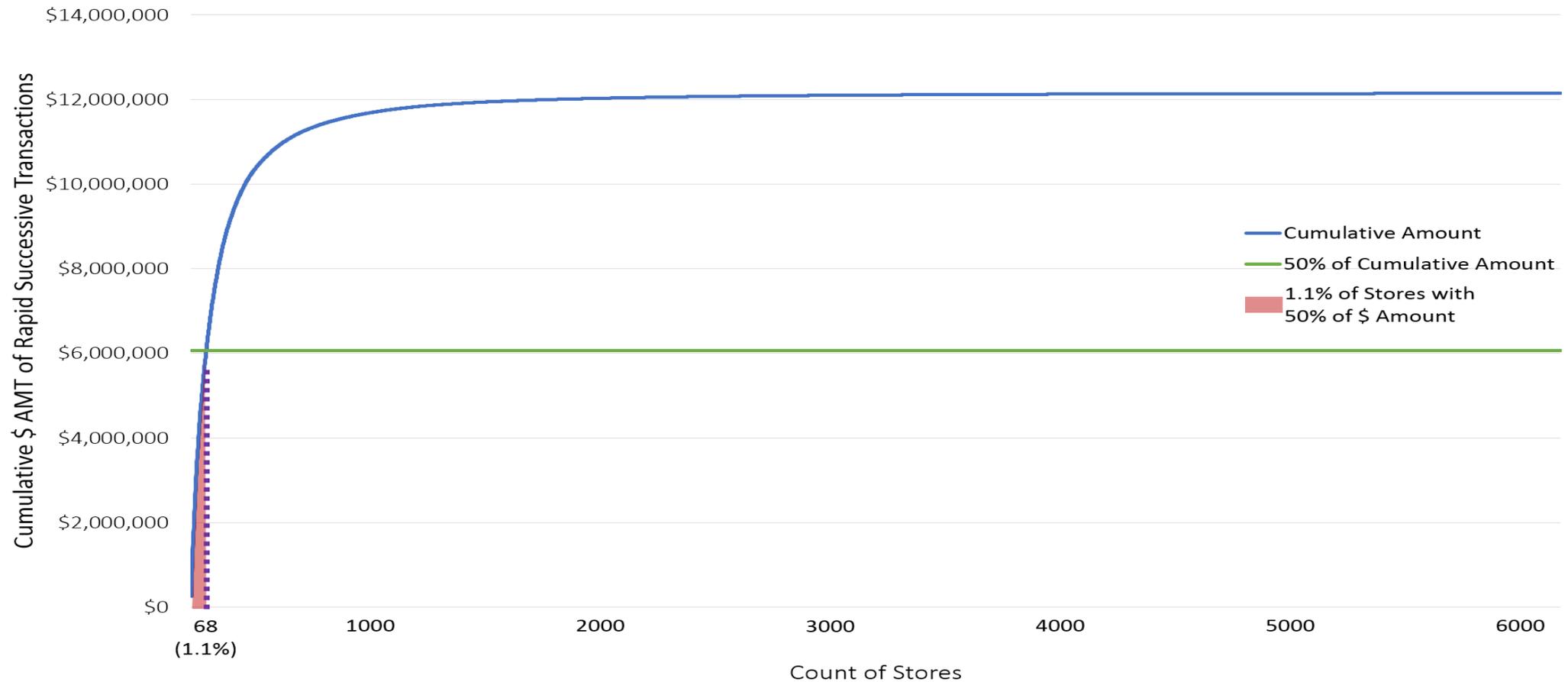
1. Send FNS-required notices to recipients who request more than four replacement EBT cards in a 12-month period to notify recipients that they are being monitored for potential trafficking.
2. Revise algorithms to identify the historical frequency of EBT card replacements for recipients who have trends and behaviors consistent with benefit trafficking.
3. 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. 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. Consider revising the notices sent to SNAP recipients requesting four or more replacement EBT cards to better reflect:
 1. The exact number of cards the participant has requested.
 2. The actual time period that the notice is referencing.
 3. A more inclusive list of potential trafficking behaviors.



Finding 4: Investigating Rapid Successive Transactions Could Limit SNAP Fraud



Finding 4: Investigating Rapid Successive Transactions Could Limit SNAP Fraud



Finding 4 Recommendations

We recommend that DWS:

1. Consider the following, with respect to rapid successive transactions, when prioritizing cases to investigate:
 1. The number of rapid successive transactions made in short intervals.
 2. The amounts of the transactions.
 3. The sum total of rapid successive transactions.
 4. Abnormal purchase patterns and trends.
2. DWS explore electronic capabilities to detect rapid successive transactions and other abnormal recipient behavior in real-time.
3. 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

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



Finding 5 Recommendations

We recommend that DWS:

1. Weigh even dollar transactions by number of purchases and total purchase amount to focus investigative efforts on recipients of the highest risk.
2. Expand the criteria by which it evaluates even dollar transactions to include recipients who:
 1. Make multiple even dollar transactions of any amount.
 2. Make even dollar transactions exceeding a given threshold.
 3. Have a history of even dollar transactions of any amount.





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