

Audit Highlights



Highlights of Legislative Auditor report on the Department of Health and Human Services, Division of Welfare and Supportive Services issued on September 19, 2012.
Report # LA12-19.

Background

The Welfare Division was created in 1937 and was renamed the Division of Welfare and Supportive Services in 2005. The Division is part of the Department of Health and Human Services. The Division's mission is to provide quality, timely, and temporary services enabling Nevada families, the disabled, and elderly to achieve their highest levels of self-sufficiency.

The Division had 1,335 legislatively approved full-time equivalent positions as of July 1, 2010, and expenditures totaling over \$496 million during fiscal year 2011. The Division's main source of funding is the federal government. The Division's administrative office is in Carson City. In addition, the Division has 13 District Offices: one each in Carson City, Elko, Ely, Fallon, Hawthorne, Reno, Pahrump, Yerington, and Henderson, and four in Las Vegas.

Purpose of Audit

The purpose of this audit was to: 1) determine if the Division's controls over benefits issued through Electronic Benefits Transfer (EBT) cards were sufficient to reduce the risks of benefits being paid to deceased clients and of unauthorized persons using those benefits, and 2) determine if payments made to the vendor for EBT account services were accurate.

Audit Recommendations

This audit report contains five recommendations to improve administrative controls over EBT cards and the EBT account services vendor. These recommendations include developing policies and procedures to help ensure benefits are not issued to deceased clients, accounts are modified to prevent the use of EBT cards after clients' deaths, and to improve controls related to the Division's monitoring of the information received from and the amount paid to the EBT vendor to help ensure reports and payments are accurate.

The Division accepted the five recommendations.

Recommendation Status

The Division's 60-day plan for corrective action is due on December 18, 2012. In addition, the six-month report on the status of audit recommendations is due on June 18, 2013.

Division of Welfare and Supportive Services

Department of Health and Human Services

Summary

The Division could improve its controls over benefits issued through the Electronic Benefits Transfer (EBT) card system to help ensure benefits are not paid to deceased clients. In some instances, the Division continued to pay benefits into EBT accounts for clients who had been deceased for months. In addition, some EBT cards continued to be used for cash or purchases for months after the clients' deaths. Problems were also noted in some EBT accounts where the Division had recorded clients' dates of death, such as accounts remaining in active status.

The Division can improve its oversight of the EBT vendor to help ensure the services and information provided are in accordance with the contract and the vendor's billings are appropriate. The vendor's reports do not always contain complete, accurate, and timely information. In addition, the vendor continued to bill for point-of-sale devices at a rate from a prior contract for 12 months after a new contract reduced the agreed-upon fee by \$10 per device.

Key Findings

The Division should consider using additional sources of information to identify when clients have died. The Division relies on the Social Security Administration, medical facilities, and family members to report when clients have died. However, other methods of obtaining information are available. For example, another state researches samples of client files. The Division could also verify the status of samples of clients selected randomly or selected based on certain criteria, like age or address changes. We matched information in the Division's Nevada Operations of Multi-Automated Data Systems (NOMADS) for about a third of the head of household clients for the Supplemental Nutrition Assistance Program (SNAP) and all head of household clients for the Temporary Assistance for Needy Families (TANF) program with a list of all persons reported to the Health Division's Office of Vital Statistics as having died in Nevada between July 1, 2007, and December 31, 2011. We found 189 persons listed on NOMADS as living who were reported to the Office of Vital Statistics as deceased on or before December 31, 2009. To analyze post-death account activity, we tested the EBT accounts for 50 of these 189 clients and found the Division paid more than \$11,500 in benefits to 27 of the 50 clients after their dates of death. The Division made deposits into these accounts up to 10 months after the clients died. Of these benefits, the EBT vendor later removed \$7,225 of unused benefits from the accounts. (page 7)

The Division's controls for preventing unauthorized persons from using benefits after the death of a client can be improved. The Division relies on the EBT vendor to remove unspent SNAP benefits from accounts after 12 months. Of the 50 deceased clients' accounts we tested, 13, or 26%, had purchases or automatic teller machine transactions after the clients' dates of death. These transactions totaled \$6,502 and took place from 13 to 247 days after the clients' dates of death. Since the EBT cards were still being used, the EBT vendor did not promptly remove the benefits remaining in the accounts at the time of death. (page 9)

We matched client information in the Division's NOMADS with information on deaths in Nevada maintained by the Office of Vital Statistics and found 178 clients with dates of death that were different in the two databases. We tested five of these clients' accounts and found all were listed by the vendor as having active accounts even though the clients' records in NOMADS showed the clients were deceased. (page 9)

The EBT services vendor's reports did not always contain complete, accurate, and timely information. We tested client information reports for 65 client files whose unused benefits were removed by the vendor or whose accounts had no activity for more than 1 year. All 65 clients' accounts were listed as active accounts on the EBT vendor's system. The Division's contract with the EBT vendor defines an active account as one where there is client-initiated activity within 360 days for SNAP accounts and 180 days for TANF accounts. The contract makes the vendor responsible for changing the card and account status from active to inactive. However, the statuses for these 65 accounts were not changed. Leaving an account status as active after a client has died increases the risk that an unauthorized person may use the benefits. (page 11)

The Division did not adequately review the invoices from the EBT vendor before paying. The Division paid invoices where the vendor used a monthly rate for point-of-sale devices from a prior contract. We estimate the Division overpaid the vendor by \$77,000. According to Division management, all monies from the overpayment were recouped from the vendor. (page 12)