



Office of Missouri State Auditor
Nicole Galloway, CPA

Temporary Assistance for Needy Families
(TANF) Data Analytics



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Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of Temporary Assistance for Needy Families (TANF) Data Analytics

Out-of-State Transactions	The Department of Social Services (DSS) did not timely implement reviews of out-of-state TANF transactions, and could improve the effectiveness of such reviews. The DSS did not implement until January 2018 a recurring data analytic review to detect and investigate recipients whose out-of-state transactions approach or exceed 90 consecutive days. The DSS is not complying with state laws requiring the department to temporarily suspend benefit payments (pending a department investigation of the recipient's residency status) to the account of any recipient who does not make a TANF transaction in-state at least once every 90 days, and send a warning to any recipient who has gone 60 days without making an in-state transaction about possible suspension of benefits.
Timeliness of Prohibited Venues Reviews	The DSS's reviews of TANF spending at prohibited venues were not always completed timely during the audit period.
Establishment of Overpayment Claims	Upon detecting an incarcerated recipient and closing his/her case, the DSS did not always timely establish claims for known overpayments.
Vendor Contract	As discussed in the Supplemental Nutrition Assistance Program (SNAP) Data Analytics audit report (No. 2018-032), the DSS has not ensured services obtained from a key contract provide sufficient benefits to justify the amount paid for the services. The contract covers administration of the TANF and SNAP programs for the state.

In the areas audited, the overall performance of this entity was **Good**.*

*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

TANF Data Analytics

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NICOLE GALLOWAY, CPA **Missouri State Auditor**

Honorable Michael L. Parson, Governor
and
Dr. Steve Corsi, Psy.D., Director
Department of Social Services
Jefferson City, Missouri

We have audited certain operations of the Department of Social Services, Temporary Assistance for Needy Families (TANF) program. This audit was conducted in fulfillment of our duties under Chapter 29, RSMo. The objectives of our audit were to:

1. Evaluate the use and effectiveness of data analytic techniques for preventing or detecting potential TANF program abuse or misuse.
2. Evaluate the department's efforts for complying with certain requirements of federal and state laws related to the TANF program.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

For the areas audited, we identified (1) the need for improvement of data analytic techniques utilized by the department to prevent and detect potential program abuse or misuse within the TANF program and (2) noncompliance with state laws.

The accompanying Management Advisory Report presents our findings arising from our audit of TANF Data Analytics.

A handwritten signature in black ink that reads "Nicole R. Galloway".

Nicole R. Galloway, CPA
State Auditor

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Introduction

Background

On August 1, 1996, the United States Congress passed the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 to create the Temporary Assistance for Needy Families (TANF) program. The TANF program is designed to provide cash benefits to eligible low-income families for the household's children such as clothing, utilities and other services. Goals of the TANF program are to provide assistance to needy families so children can be cared for at home; reduce dependency of needy parents by promoting job preparation, work, and marriage; prevent and reduce the incidence of out-of-wedlock pregnancies; and encourage the formation and maintenance of two-parent families.

The U.S. Department of Health and Human Services (HHS) provides TANF funding to the states through a block grant. In Missouri, the Department of Social Services (DSS) Family Support Division (FSD) administers the TANF program, with the assistance of the Division of Legal Services (DLS), Division of Finance and Administrative Services (DFAS), and other DSS divisions. The FSD accepts applications, determines recipient eligibility, sets the amount of the monthly benefit, and monitors to ensure recipients are meeting program requirements. The DLS investigates allegations of public benefit fraud and misuse. The DLS and DFAS both receive and review monthly reports of TANF transaction data.

In calendar years 2016 and 2017, the state provided more than \$73.7 million in benefits to Missouri residents through the TANF program. The potential for abuse and fraud may be greater in such a large program unless appropriate agency controls are in place to help minimize these risks. The TANF program has been identified as susceptible to significant improper payments,¹ but is subject to statutory limitations that prohibit the HHS from requiring states to participate in a TANF improper payment measure.² As a result, the TANF program has not reported an improper payment error rate.

Both the state and federal government share responsibility for addressing TANF recipient fraud. The DSS is responsible for detecting, investigating, and prosecuting fraud, while the HHS is responsible for guiding and monitoring state activity.

According to the U.S. Government Accountability Office (GAO), reducing improper payments, including those that are the result of fraud, is critical to safeguarding funds and helping to achieve potential cost savings. As a result,

¹ Improper payments represent benefits distributed in error due to administrative as well as recipient errors, not all of which can be attributed to fraud.

² U.S. Department of Health & Human Services, Fiscal Year 2017 Annual Performance Plan and Report, February 2016, <https://www.hhs.gov/sites/default/files/fy2017-performance-plan_remediated.pdf>, accessed September 4, 2018.



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leading practices highlighted by the GAO³ have increasingly focused on the need for program officials to take a strategic approach to managing improper payments and risks that include abuse and fraud. These leading practices can provide a guide for program managers to use when developing or enhancing efforts to combat fraud in a strategic, risk-based manner.

A critical strategic approach component involves implementing preventive and detective controls, including data analytics. Data analytics is a rapidly evolving field of information science that involves a variety of techniques to examine, analyze, and interpret large volumes of data, according to the GAO and other leading practitioners. Data analytics helps facilitate decision making by identifying patterns or trends, determining whether problems are widespread and systemic in nature, and evaluating program performance and outcomes.

Recent trends in data development and advanced analysis are creating innovation possibilities that carry the promise of far-reaching economic and societal benefits, according to the GAO. Areas such as health care and public benefit systems, may be improved or even transformed by innovations derived from new data analytics. Advanced analytics includes new tools for examining large amounts of data to uncover subtle or hidden patterns, correlations, and other insights, such as anomalies, trends, or potential abuse. The use of analytic results to improve actions or decisions is being transformed - improving decisions or actions and thereby extracting new economic and societal benefits, according to the GAO.

Eligibility

Initial eligibility and periodic recertifications are regulated by a number of complex factors that are beyond the scope of this audit. However, certain basic factors facilitate understanding the topics discussed in this report.

After a household is approved for benefits, it is required to complete an annual eligibility review (recertification). Neither initial applications nor recertifications require an in person interview.

New and recertifying households must meet certain criteria. Federal law requires a needy family must contain, at a minimum, a minor child living with a parent or caretaker relative (who acts as payee). State law requires the payees and children to be Missouri residents and U.S. citizens or qualified aliens. The DSS cannot provide assistance for a minor child who has been, or is expected by a parent or other caretaker relative, to be absent from the home for a period exceeding 90 consecutive days.

³ GAO, Report GAO-17-339SP, *Data Analytics to Address Fraud and Improper Payments*, March 2017, <<https://www.gao.gov/assets/690/683859.pdf>>, accessed September 4, 2018.



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State law also establishes financial eligibility guidelines and participation requirements. Households must have gross income under 185 percent of a TANF-specific consolidated standard (for example, \$1,832 per month for a 4-person household). The TANF limit is consistently lower than the equivalent Supplemental Nutrition Assistance Program (SNAP) limit of 130 percent of the federal poverty level (for example, \$2,665 per month for a 4-person household). As a result, households eligible for TANF benefits are often also eligible for SNAP benefits.

DSS regulations require the benefit amount be based on financial need, subject to monthly maximums based on family size. For example, the maximum monthly benefit amount for a family of four is \$342.

Since program inception, federal law generally precluded TANF recipients from receiving benefits for more than 60 total months, whether consecutive or not. Federal law also allows states to have laws reducing the number of total months. Effective January 1, 2016, Section 208.040, RSMo, reduced the limit for Missouri recipients from 60 to 45 months. As a result, in 2016, many recipients lost eligibility. Recipients meeting certain conditions such as hardship can remain eligible and receive benefits for months that are excluded from the 45-month limit.

Recipients are required to report changes in their circumstances (such as residency, income, employment, household composition, and other factors) to the DSS within 10 days. However, as observed during audit test work and explained by DSS personnel, most recipients do not report such changes to the DSS, or do not do it timely. This weakness emphasizes the importance that the DSS use data analytics to detect and prevent program abuse or misuse.

Participation

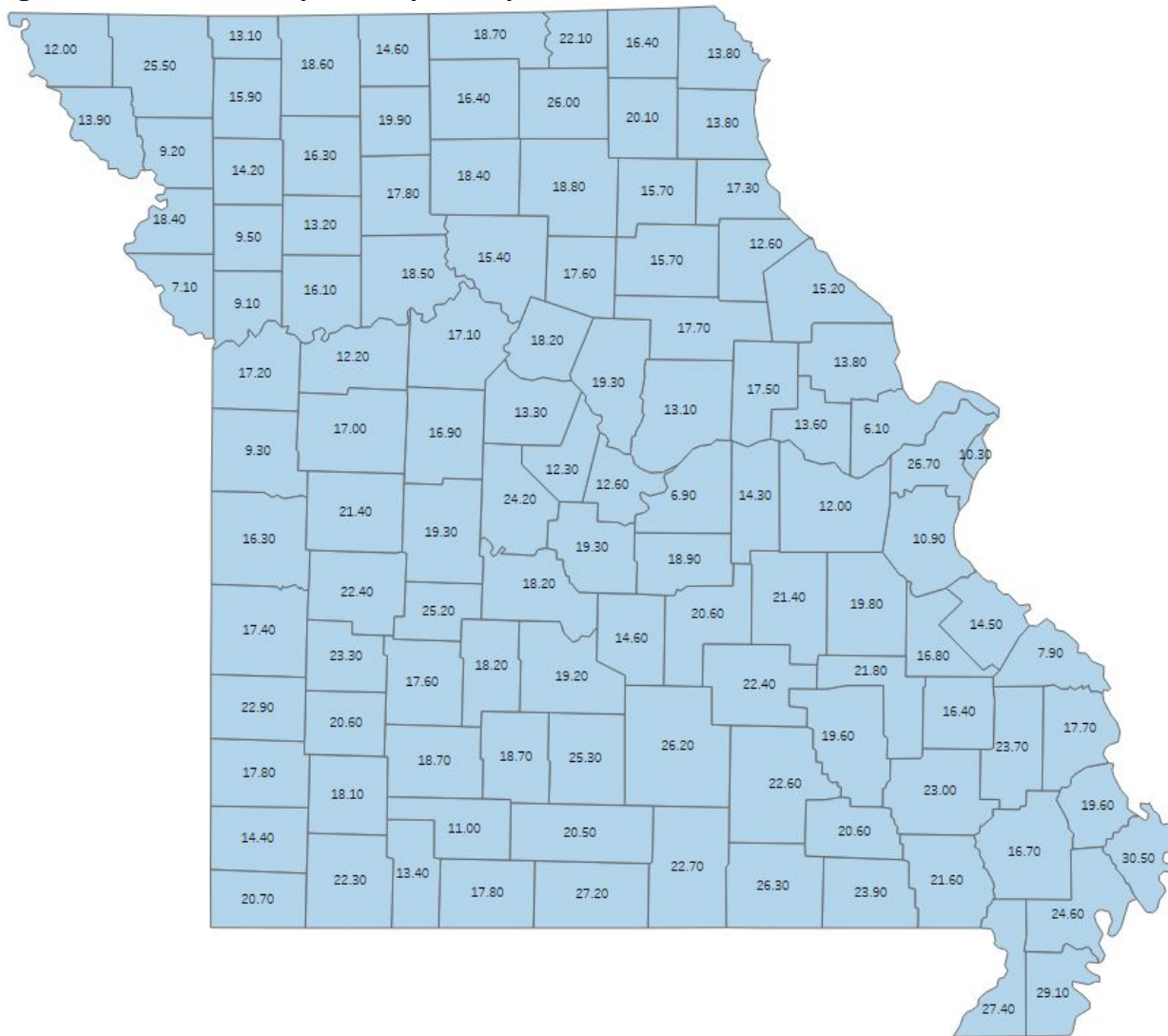
The 185 percent consolidated standard used for TANF gross income eligibility determinations is also consistently lower than 100 percent of the federal poverty level. Therefore, all TANF recipients are living below the federal poverty line.



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In Missouri, 15.3 percent of individuals lived below the poverty line in 2016 according to the 2012-2016 American Community Survey 5-Year Estimates from the U.S. Census Bureau. Figure 1 presents the percent of people, by county, living below the poverty level in 2016.⁴

Figure 1: Missouri Poverty Rates by County in 2016



Source: State Auditor's Office (SAO) analysis of U.S. census data

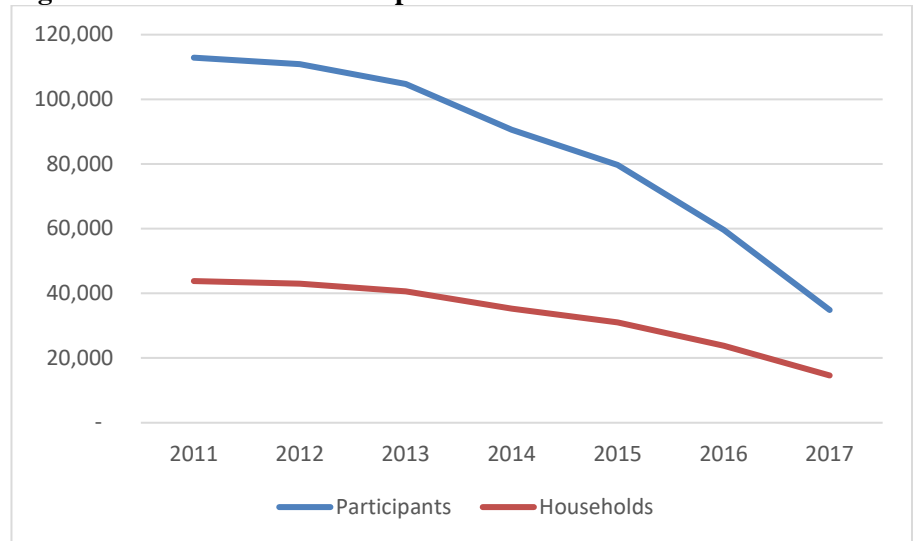
⁴ United State Census Bureau American FactFinder, 2012-2016 American Community Survey 5-Year Estimates, <https://factfinder.census.gov/bkmk/table/1.0/en/ACS/16_5YR/GCT1701.ST05/0400000US29>, accessed July 24, 2018.



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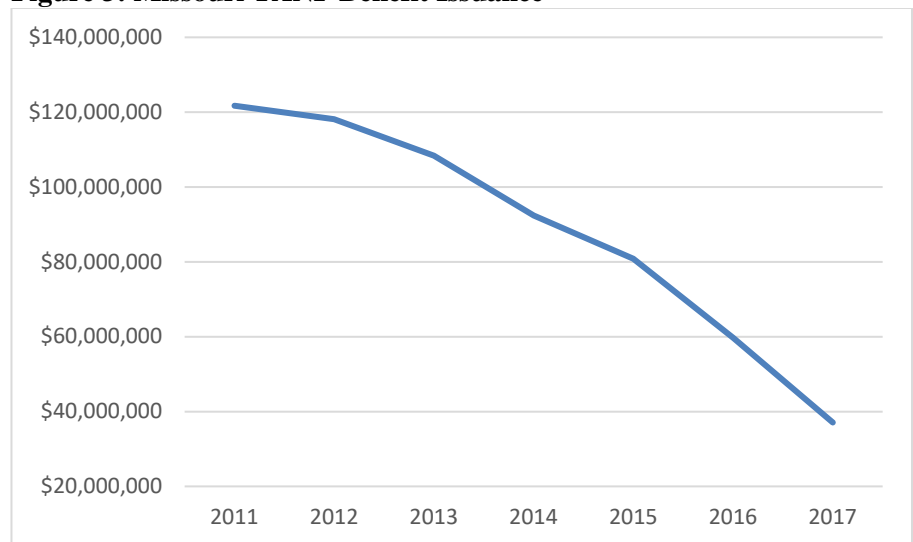
As shown in Figures 2 and 3, approximately 14,000 Missouri households, with 35,000 persons, participated in the TANF program during state fiscal year 2017, spending \$37 million in benefits.

Figure 2: Missouri TANF Recipients



Source: SAO analysis of DSS-FSD annual data reports

Figure 3: Missouri TANF Benefit Issuance



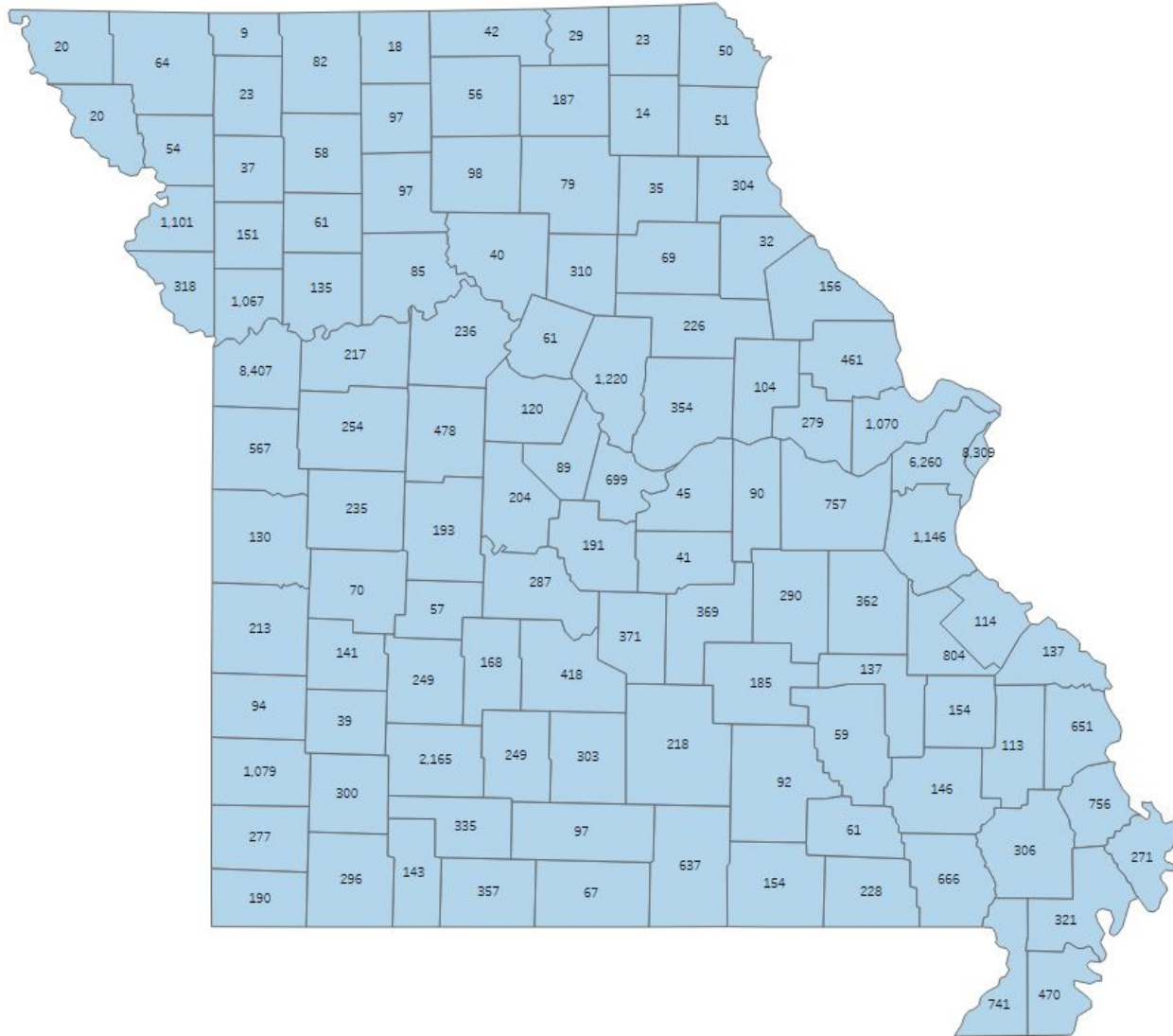
Source: SAO analysis of DSS-FSD annual data reports



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The number of TANF recipients per Missouri county in 2016 and 2017⁵ is shown in Figure 4.

Figure 4: Missouri TANF Recipients by County in 2016 and 2017



Source: SAO analysis of TANF recipient data

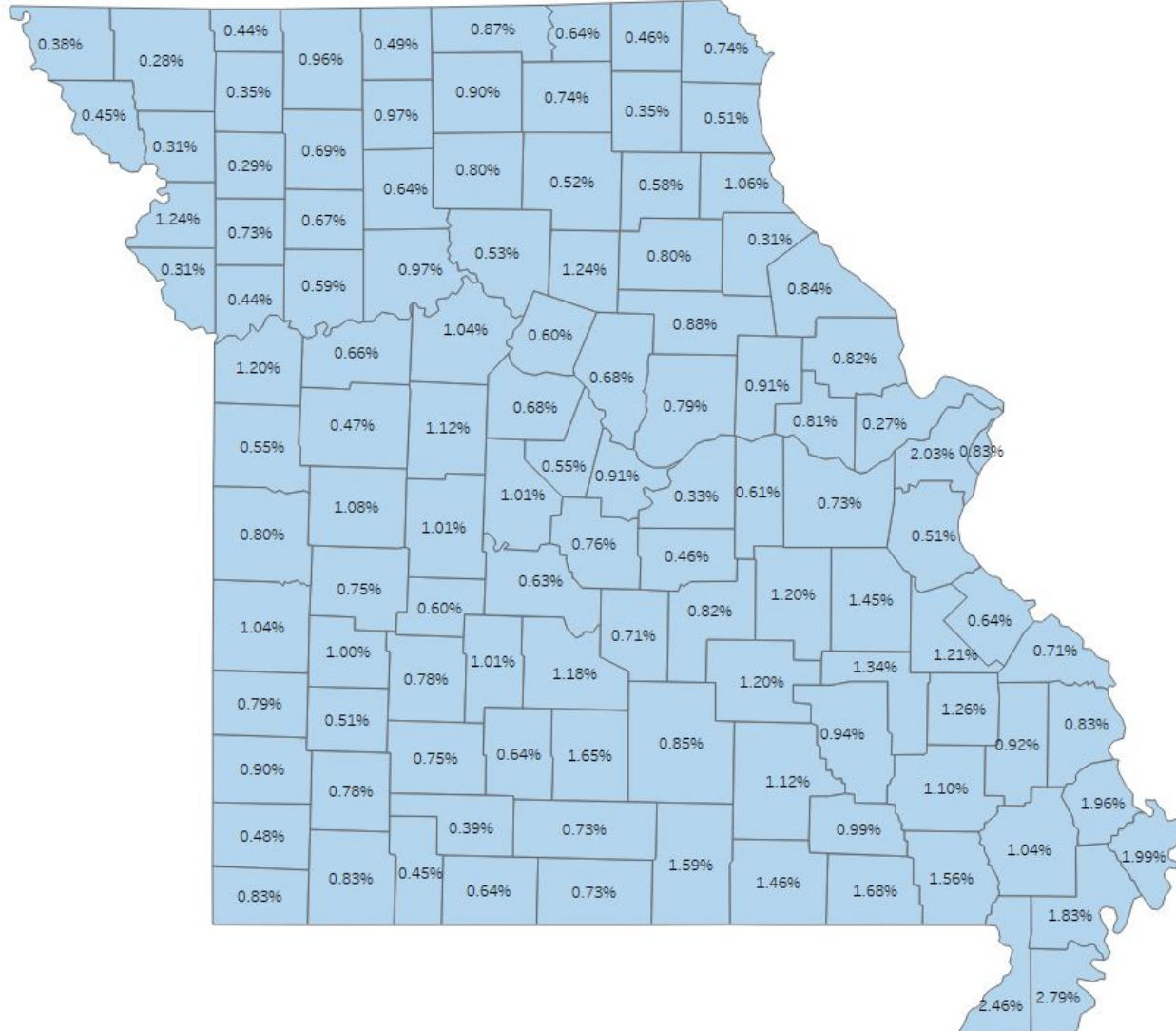
⁵ The recipient numbers and participation rates are a compilation of recipients who participated in TANF at any time during all or part of 2016 and 2017.



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In 2017, about one-half of one percent of Missouri residents participated in the TANF program. Figure 5 presents the percentage of TANF recipients, by county, for 2016 and 2017.

Figure 5: Missouri TANF Participation Rates by County in 2016 and 2017



Source: SAO analysis of TANF recipient data and U.S. census data



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The average benefit per Missouri recipient and household each state fiscal year from 2011 to 2017 is shown in Table 1.

Table 1: Missouri TANF Average Monthly Benefits

Year	Average Monthly Benefit per Recipient	Average Monthly Benefit per Household
2011	\$ 89.85	231.54
2012	88.80	229.12
2013	86.22	222.20
2014	84.95	218.23
2015	84.55	216.97
2016	83.54	209.09
2017	86.63	211.39

Source: SAO analysis of DSS-FSD annual data reports

Inappropriate transactions

Effective August 28, 2013, Section 208.024, RSMo, implemented federal requirements to prevent TANF assistance from being used in any electronic benefits transfer (EBT) transaction at any liquor store, casino, gambling casino, gaming establishment, or adult entertainment venue in which performers disrobe or perform in an unclothed state. The section further prohibited use of TANF assistance in any place for the purchase of alcoholic beverages, lottery tickets, tobacco products, or for any items primarily marketed for or used by adults 18 or older and are not in the best interests of the child or household. These changes generally reinforced existing state laws requiring TANF benefits be used for the benefit of the children in the household.

The August 28, 2013, effective date of Section 208.024, RSMo, was prior to both the December 2013 issuance of SAO Report No. 2013-143, *Temporary Assistance for Needy Families, Electronic Benefit Transfers* and a February 22, 2014, federal deadline to implement policies and practices to prevent inappropriate transactions. Near the conclusion of the previous SAO audit, the DSS was still in an early phase of developing measures to detect and prevent inappropriate transactions. Measures have since been established. By September 2013, the DSS created a recurring review to detect and follow up on inappropriate transactions. By January 2014, the DSS's contracted EBT vendor implemented a system control to preemptively block inappropriate transactions.



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Measures established by the DSS have been effective at reducing inappropriate transactions. Shown in Table 2 are the amounts and counts of inappropriate transactions detected and followed up on by the DSS each year, since the review began in September 2013.

Table 2: Unallowable Activity Detected by DSS

Year	Amount of Inappropriate Transactions	Count of Inappropriate Transactions
2013*	\$ 84,936	1,032
2014	118,436	1,609
2015	61,016	685
2016	8,149	108
2017	3,363	39

*September 2013 through December 2013 activity only.

Source: SAO analysis of DSS reviews of inappropriate transactions

The amounts and counts listed in Table 2 declined with each passing year. This trend supports the long-term success of the review, which seeks to both detect inappropriate transactions and block them from reoccurring in the future. However, this trend should not be interpreted to mean that nearly all forms of inappropriate transactions have been blocked as of 2018. This is because factors outside of the DSS's control affect department personnel's ability to reasonably detect and review inappropriate spending. The most significant factor concerns cash withdrawals.

The majority of TANF recipients receive benefits on an EBT card, which allows access to benefits by purchasing items via a point-of-sale (POS) terminal at a merchant's location or by withdrawing cash at automated teller machines (ATMs) or POS terminals. Use of the EBT card generates transaction data; however, the data only includes the total amount of the cash withdrawn. It cannot be determined where the withdrawn cash was spent, or what was purchased. For example, cash could be obtained from POS terminals or ATMs in banks or other appropriate businesses, but ultimately be used to make purchases of inappropriate products or services in other locations. Once the benefits are converted to cash, tracking usage is not possible.



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TANF benefits spending by source during the 2 years ended December 31, 2017, is shown in Table 3. Cash withdrawals at ATMs and POS terminals represent roughly 25 percent of transactions, but 60 percent of benefits spent. These percentages would likely be higher if POS cash purchases with cash back were included; however, the data for this transaction type cannot be split between cash purchase and cash back portions.

Table 3: TANF Benefits Spending by Source

Source	Type	Amount of Transactions	Count of Transactions
ATM	Cash withdrawal	\$ 45,351,406	341,201
POS	Cash purchase	13,494,062	736,575
POS	Cash purchase with cash back	15,876,507	212,530
POS	Cash withdrawal	1,424,683	15,633
FEE	Service fee	104,273	122,725
	Total	\$ 76,250,931	1,428,664

Source: SAO analysis of TANF transaction data

Regarding service fees, the DSS contracts with a vendor for EBT transaction purchasing. The EBT vendor charges each TANF recipient service fees of \$.85 (or the remaining balance if less than \$.85) per ATM withdrawal after the first ATM withdrawal of the month, and per POS cash withdrawal only transaction.

In addition, TANF recipients may choose to have benefits directly deposited into a personal bank account instead of using an EBT card. During the audit period, less than one percent of recipients received benefits totaling roughly \$949,000 via bank deposit. However, bank deposit usage does not generate transaction data, thus the DSS cannot review for inappropriate transactions (or any other potential purpose).

Out-of-state transactions

Out-of-state transactions covering an extended period of time may indicate the recipients are no longer Missouri residents. If the DSS proves non-residency, the recipients are ineligible to continue receiving TANF benefits. However, proving non-residency requires case-by-case research. A DSS report titled *Overview of Temporary Assistance for Needy Families*⁶ includes the following information regarding out-of-state usage of TANF benefits:

⁶ *Overview of Temporary Assistance for Needy Families*, August 2015, <<https://mydss.mo.gov/sites/mydss/files/temporary-assistance-overview.pdf>>, accessed January 18, 2018.



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Benefits may be used out of state; however, there are restrictions on the length of time a [Temporary Assistance] participant may be out of state using their EBT card. . . . There are possible reasons a household may be using benefits in another state: it is more convenient and/or cost effective to shop in a bordering state; military families are receiving benefits in Missouri are transferred to another state; there are events such as natural disasters, domestic violence, divorce, etc. which make it necessary to seek shelter from out-of-state family members or friends; the family moved to find employment opportunities; the family is seeking medical care or in-home care from family members, or a household member is providing temporary care for aging parents or sick family members.

While reviewing out-of-state transactions, we found several situations indicative of reasonable border state activity. Such situations featured recipients who were Missouri residents living near the border and transacting in a border state within 30 miles of their homes. Such situations are an example of how additional data analytics considerations are necessary to successfully distinguish proper and improper activity.

In January 2018, the DSS implemented a recurring data analytic review to detect and follow up on recipients whose out-of-state transactions approach or exceed 90 consecutive days.

Investigations

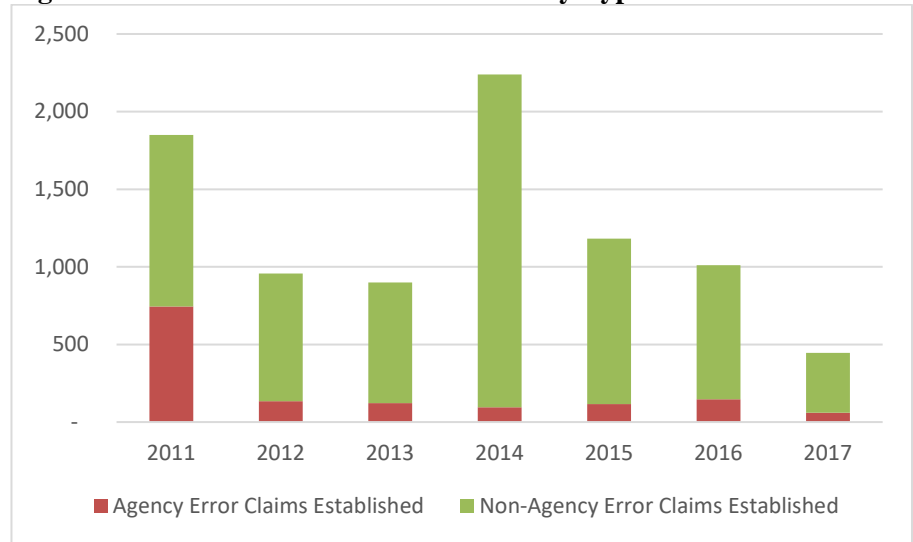
The DSS-DLS Welfare Investigation Unit (WIU) investigates fraud and abuse committed by public assistance recipients. The WIU consists of approximately 18 investigators tasked with investigating alleged program violations for all welfare programs, including potential TANF benefit fraud, waste, and abuse. After investigation, claims can be established against the recipients involved. Claims are generally categorized as either agency errors or non-agency errors (which may be intentional violations or unintentional errors on the recipient's part).



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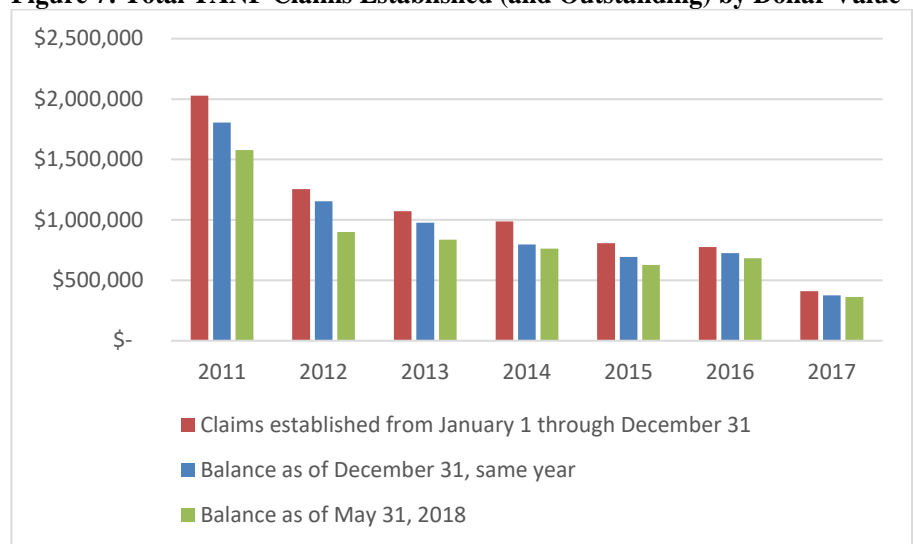
The number of TANF claims established each year between 2011 and 2017, and the dollar values of those claims, are presented in Figures 6 and 7.

Figure 6: Total TANF Claims Established by Type



Source: SAO analysis of DSS claims accounting restitution system data

Figure 7: Total TANF Claims Established (and Outstanding) by Dollar Value



Source: SAO analysis of DSS claims accounting restitution system data



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Scope and Methodology

The scope of our audit included evaluating (1) DSS management's approach to data analytics for preventing and detecting potential TANF program abuse, (2) policies and procedures, and (3) other management functions and compliance requirements in place during the period January 2016 to December 2017.

Our methodology included reviewing written policies and procedures, and interviewing various DSS personnel. We obtained an understanding of the applicable controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violation of contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We obtained data files containing TANF transactions and recipient records⁷ for the period January 2016 through December 2017 from the DSS and the Office of Administration - Information Technology Services Division (ITSD). While the DSS owns this data, it is collected and managed by the contractor that operates the TANF program for the state. The contractor provides archived transaction data to the ITSD, and additional transaction data to the DSS. In addition, we obtained from the DSS other TANF data extracted from the Family Assistance Management Information System to assess other recipient and household details. To determine the reliability of TANF data, we evaluated the materiality of the data to our audit objective and assessed the data by various means, including (1) interviewing knowledgeable DSS officials, (2) reviewing existing information about the data and the system that produced them, (3) performing certain analytic techniques, and (4) reviewing internal controls. We concluded the data were sufficiently reliable for the purposes of our audit work.

We obtained a listing of deaths recorded in the state for the period 1995 to 2017 from the Missouri Department of Health and Senior Services (DHSS). We matched these records to TANF recipient records to determine if any deceased recipient cases continued to receive and spend program benefits after the recipient's death.⁸ Although we used computer-processed data from

⁷ The recipient records included records for Electronic Benefits Transfer (EBT) cardholders and did not include records for household members who do not have an EBT card.

⁸ Acknowledgement: The data used in this document/presentation was acquired from the Missouri DHSS. The contents of this document including data analysis, interpretation or



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the DHSS for our audit work, we did not rely on the results of any processes performed by the DHSS system in arriving at our conclusions. Our conclusions were based on our review of the issues specific to the audit objectives.

We obtained a listing of individuals incarcerated by the state during the period January 2016 through December 2017 from the Missouri Department of Corrections (DOC). We matched those records to TANF recipient records to determine if incarcerated recipient cases continued to receive and spend benefits during the recipient's incarceration. Although we used computer-processed data from the DOC for our audit work, we did not rely on the results of any processes performed by the DOC system in arriving at our conclusions. Our conclusions were based on our review of the issues specific to the audit objectives.

We based our evaluation on accepted state, federal, and international standards and best practices related to information technology security controls from the following sources:

- National Institute of Standards and Technology (NIST)
- U.S. Government Accountability Office (GAO)
- ISACA (previously known as the Information Systems Audit and Control Association)

conclusions are solely the responsibility of the authors and do not represent the official views of DHSS.

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Management Advisory Report

State Auditor's Findings

1. Out-of-State Transactions

The Department of Social Services (DSS) did not timely implement reviews of out-of-state transactions, and could improve the effectiveness of such reviews. In addition, the DSS is not complying with state laws to suspend recipient benefits following consistent prolonged out-of-state activity.

1.1 Out-of-state transaction reviews

State law⁹ effective August 28, 2014, requires the DSS to temporarily suspend a recipient's participation in the Temporary Assistance for Needy Families (TANF) program if the recipient spends TANF benefits exclusively outside the state for a period of 90 consecutive days. However, the DSS did not implement until January 2018 a recurring data analytic review to detect and investigate recipients whose out-of-state transactions approach or exceed 90 consecutive days. The DSS's first review in January 2018 covered transactions occurring from October 2017 through December 2017.

Consistent or exclusive purchase patterns outside the state of Missouri may be indicative of program abuse or misuse, if investigations determine recipients no longer meet residency requirements. Similar situations were identified in SAO Report No. 2013-143, *Temporary Assistance for Needy Families, Electronic Benefit Transfers*.

We reviewed all recipient transaction records for the audit period and found 595 recipients who, at some point during the audit period, transacted exclusively outside the state for a period of more than 90 consecutive days. Of the 595 recipient cases detected, we judgmentally selected 30 for a detailed review. We identified \$10,730 in preventable payments related to 9 cases as shown in Table 4. These payments represent situations where each recipient's circumstances indicated he/she was no longer residing in Missouri by the 91st consecutive day of out-of-state activity, but the DSS did not detect such instances and continued providing benefits.

⁹ Section 208.024.3, RSMo, amendment effective August 28, 2014.



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Table 4: Preventable Payments

Recipient	Preventable Payments	Preventable Months Paid
01	\$ 5,275	20
02	1,314	5
03	702	3
04	388	1
05	936	4
06	1,088	8
07	584	3
08	171	1
09	272	2

Source: SAO analysis of TANF transaction data

All 9 cases were closed by the time of our review, and relate to transaction activity prior to October 2017. We found 5 of 9 cases were closed through reactive controls related to out-of-state activity, such as undeliverable mail and an interstate data match. While these are crucial tools, these cases could have been detected more timely, and associated payments could have been prevented, if the DSS had implemented its review earlier. Following our review, the DSS took initial steps to establish claims for all 9 cases.

The DSS's January 2018 review covered transactions occurring from October 2017 through December 2017. This review successfully detected and investigated 24 recipients. However, certain aspects of the DSS's implemented review could be improved to increase effectiveness. For example, to detect potential recipients for further review, the DSS must first manually arrange and analyze transactions, and only a limited period of data is used. This manual process could be automated to enable more effective analyses under an expanded period.

While federal regulations allow TANF recipients to use their EBT cards out-of-state, state law requires the payees and children to be Missouri residents. To help prevent TANF abuse and misuse and to target cases to review, the DSS should continue improving the effectiveness of data analytics for identifying cases where TANF recipients appear to no longer be state residents.

1.2 Not complying with state laws

The DSS is not complying with state laws¹⁰ requiring the department to temporarily suspend benefit payments (pending a department investigation of

¹⁰ Sections 208.024.3 and 208.024.4, RSMo, amendments effective August 28, 2014.



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the recipient's residency status) to the account of any recipient who does not make a TANF transaction in-state at least once every 90 days, and to send a warning to any recipient who has gone 60 days without making an in-state transaction about possible suspension of benefits.

The DSS is not complying due to department officials' interpretations of these laws. The laws cover both the TANF program and Supplemental Nutrition Assistance Program (SNAP), and the officials indicated they believe if the department is to comply with the laws, that must occur for both programs. As discussed in the SAO's audit of the SNAP program,¹¹ the DSS cannot temporarily suspend SNAP benefits, because doing so conflicts with the program's federal regulations. As a result, DSS officials indicated they are not attempting compliance for either program. In addition, existing EBT card controls only allow the DSS to suspend a recipient's card, and subsequently all TANF and SNAP benefits on the card. The DSS cannot limit suspensions to TANF or SNAP benefits only.

We contacted program officials with the U.S. Department of Health and Human Services (HHS) who explained they were not aware of any states suspending TANF benefits. They indicated the HHS does not prohibit suspending benefits, but expressed concern that depending on how the state implemented the suspensions there could be concerns with overall federal compliance. They also indicated the state laws are not clear regarding how suspensions of benefits are to be implemented.

Revising the state laws regarding temporary suspension of benefits is needed to eliminate any provisions that conflict with federal regulations and clarify issues that are unclear. This could potentially be done by requiring redetermination of a recipient's benefit eligibility when established criteria occurs.

Recommendations

The DSS:

- 1.1 Continue improving data analytic processes to more effectively identify and review recipients who spend the majority of their TANF benefits exclusively outside of the state to ensure appropriate use of TANF benefits.
- 1.2 Work with the General Assembly to revise Section 208.024, RSMo, to accomplish the intent of the law while complying with federal regulations.

¹¹ SAO, Report No. 2018-032, *Supplemental Nutrition Assistance Program (SNAP) Data Analytics Program*, issued June 2018.



Auditee's Response

1.1 *The DSS will implement a process for identifying and taking action on cases with exclusive usage out of state by sending the recipient a request for contact (RFC) and will take action to either close the case or verify the recipient is still residing within the state of Missouri. If the household does not respond to the RFC or responds but refuses to provide sufficient information to clarify its circumstances, the state agency will issue a notice of adverse action as described in 45 CFR Section 205.10(4)(i)(A). If the household responds to the RFC with sufficient information, the DSS will act on the changes.*

1.2 *The DSS continues to review processes and institute appropriate program improvements. The DSS has recently developed in-house data analytic queries and processes designed to capture EBT transaction patterns indicative of misuse.*

In addition, the DSS will review the state statute to determine if changes are needed to align the statute with the federal regulation.

2. Timeliness of Prohibited Venue Reviews

The DSS's reviews of TANF spending at prohibited venues were not always completed timely during the audit period. As a result, some venues were not blocked timely to prevent continued TANF spending.

Effective August 28, 2013, Section 208.024, RSMo, provides that TANF benefits cannot be used in certain prohibited stores including, for example, liquor stores, casinos, or gaming establishments, or in any place for the purchase of alcoholic beverages, lottery tickets, or tobacco products or for any item the DSS determines is not in the best interests of the child or household.

From September 2013 to September 2016, DSS personnel performed monthly reviews to detect and block TANF spending at prohibited venues. Venues included both stores and certain automated teller machines (ATMs).

In October 2016, the DSS suspended the reviews due to significant staff turnover and also to reassess the efficiency and effectiveness of the reviews. At that time, the DSS's goal was to complete the reviews on a quarterly basis. However, DSS personnel did not complete reviews for the four quarters from October 2016 through October 2017 until early 2018.

The reviews for those quarters detected approximately 100 prohibited venues (mostly ATMs). However, because these venues were not blocked until early 2018, TANF transactions continued at those locations.

From October 1, 2016, through December 31, 2017, approximately 1,400 transactions totaling approximately \$62,400 occurred at these venues. Some of these transactions would have been blocked, if the review process had not been suspended. For example, the DSS used October 2016 transaction data to



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identify an ATM to block in early 2018. If the DSS had timely implemented the quarterly reviews, the ATM would likely have been blocked by January 2017. However, due to the reviews being suspended, 114 transactions totaling \$7,635 occurred at this ATM from February 2017 through December 2017.

Without timely review, the effectiveness of the DSS's established controls to detect and block TANF spending at prohibited venues are diminished.

Recommendation

The DSS ensure reviews of TANF spending at prohibited venues, and resulting updates to block venues, are completed timely.

Auditee's Response

These reviews are currently being conducted quarterly.

3. Establishment of Overpayment Claims

Upon detecting an incarcerated recipient and closing his/her case, the DSS did not always timely establish claims for known overpayments. This weakness reduces opportunities to recover overpayments if the recipient's case is later reopened.

We compared records of recipients receiving TANF benefits to records of individuals in the custody of the Missouri Department of Corrections (DOC). We found 98 individuals who received TANF benefits but were incarcerated during a portion of the January 2016 to December 2017 period. We judgmentally selected 10 of these cases for a detailed review. Of these 10 cases, claims totaling \$7,020 were not entered for 8 cases. DSS personnel had established claims prior to our review for the other 2 cases. Following our review, the DSS took initial steps to establish claims for the 8 cases.

The DSS detects incarcerated recipients through a data match run quarterly for all recipients and daily for new and recertifying households. The data match's success is dependent on whether external entities timely make available the underlying incarceration data used to run the data match. Delays in notification about a recipient's incarceration status will result in payment of potentially ineligible benefits. Per DSS policy and guidance, DSS personnel establish claims to recover benefits from households due to ineligibility (possibly due to the household's failure to report changes to circumstances such as residency, income, employment, household composition, and other factors), and also due to inappropriate use of benefits, or DSS error.

An active (outstanding) claim for a given recipient does not affect his/her future eligibility under the TANF program, or prevent a case from being reopened. However, it automatically reduces future monthly benefit payments for the household by 10 percent, to gradually recover and satisfy the claim. For one of the cases reviewed where a claim had not been established, the recipient was incarcerated, and received ineligible benefits before the DSS could identify the incarceration and close the case. Sometime



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after the recipient was released, the DSS reopened the case; however, because no claim was established, no payments made since the case was reopened were subject to the 10 percent recovery.

Our review found that once DSS personnel detected an incarcerated recipient, they acted timely to close the case and prevent new payments. However, by not establishing claims timely, the department has reduced opportunities to recover overpayments occurring between the client's incarceration and the department's identification of this status.

Recommendation

The DSS ensure that applicable claims are established timely upon detecting an incarcerated recipient and closing the case, in compliance with DSS policy and guidance.

Auditee's Response

The DSS continues to review processes and institute appropriate program improvements. The DSS will issue a memo reminding staff of the process to enter a claim and the importance of correct and timely entries of claims.

4. Vendor Contract

As discussed in the SNAP audit report,¹² the DSS has not ensured services obtained from a key contract provide sufficient benefits to justify the amount paid for the services. In addition, DSS investigators did not review, on behalf of the TANF program, any system alerts associated with the obtained services.

The DSS entered into a contract with a third-party provider in June 2011 to administer the TANF and SNAP programs for the state. The vendor's responsibilities include producing and distributing EBT cards, processing (adding) benefit authorizations to the cards, reimbursing retailers for benefits redeemed upon completion of transactions, and providing related support.

To implement requirements established under Section 208.024, RSMo, to prevent TANF activity at prohibited venues (see Management Advisory Report finding number 2), the DSS amended its contract with the vendor to add an additional system that allows prohibited purchases to be blocked.

In addition to blocking purchases at certain locations, the system allowed the DSS to add functionality capable of notifying DSS investigators of potentially suspicious benefit usage activity. Each time a specific activity pattern is detected, the system generates an "alert" that is sent to DSS investigators for determination if the activity might indicate TANF and SNAP abuse or fraud, requiring additional investigation.

¹² SAO, Report No. 2018-032, *Supplemental Nutrition Assistance Program (SNAP) Data Analytics Program*, issued June 2018.



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According to the January 2014 contract amendment adding this additional functionality, the DSS pays the contractor \$0.001 (one-tenth of one cent) per transaction processed in the system, plus an additional charge ranging from \$1.00 to \$5.00 per "alert" generated (varies based on the criteria the alert triggered on). The DSS also agreed to a minimum charge, regardless of actual activity, of \$10,000 each month for these services. The state averages approximately 90,000 TANF transactions and 4.5 million SNAP transactions, or \$4,590, per month in per-transaction fees against this \$10,000 minimum payment. The remaining \$5,410 is available to pay the per-alert charges or other associated costs of the contract amendment.

DSS officials could not quantify or provide support indicating what benefits the DSS receives for the contracted services. They did not provide documentation reflecting the actual amount of services received, including the number of monthly transactions assessed the per-transaction charge or the number and dollar value of the per-alert charges. According to a DSS official, the contractor invoices the department \$10,000 a month for the contracted services but the official could not provide any documentation to support benefits or services received. DSS staff indicated the contractor has never billed the DSS an amount greater than \$10,000. As a result, the DSS has not used the full allotment of services for which it is paying. The contract, as amended, was renewed in its entirety without changes to this service in May 2016, June 2017, and June 2018.

During the 2 years ended December 31, 2017, the contractor's system recorded about 151,010 alerts. The majority of these alerts concern out-of-state activity or inappropriate transactions for the TANF and SNAP programs. DSS investigators did not review and investigate any of the alerts associated with the TANF program. They indicated the alerts are not reviewed due to a shortage of resources, and also because the alerts are not in an easy-to-use format and require significant manual processing to review. In addition, the DSS has established separate TANF data analytic procedures to detect situations covered by the alerts.

Without actively monitoring the contract terms to verify usage and benefits received, the DSS is at risk of contracting for more services than needed and not using taxpayer dollars in an effective manner.

Recommendation

The DSS formally evaluate the contract terms for system services to ensure the costs are appropriate for the benefits received.

Auditee's Response

The DSS is in the process of developing an RFP to be issued in 2020 that will include data improvements. The DSS continues to review processes and institute appropriate program improvements.