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Office of Inspector General
Northeast Region

Audit Report

Electronic Benefits Transfer System State of Colorado

Report No. 27099-68-HY
June 2008



UNITED STATES DEPARTMENT OF AGRICULTURE

OFFICE OF INSPECTOR GENERAL

Northeast Region

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June 20, 2008

REPLY TO

ATTN OF: 27099-68-Hy

TO: Darlene Barnes
Regional Administrator
Food and Nutrition Service

ATTN: Ralph King
Acting Director
Financial Management

FROM: Gil H. Harden /s/
Regional Inspector General
for Audit

SUBJECT: Electronic Benefits Transfer (EBT) System—State of Colorado

This report presents the results of our audit of the Electronic Benefits Transfer System—State of Colorado. Your response to the official draft, dated May 29, 2008, is included as exhibit B. Excerpts of your response and the Office of Inspector General's (OIG) position are incorporated into the Findings and Recommendations section of the report. Based on your response, we were able to reach management decision on Recommendation 2. Please follow your agency's internal procedures in forwarding documentation for final action to the Office of the Chief Financial Officer. Management decision for Recommendations 1 and 3 through 20 can be reached once you have provided us with the additional information outlined in the report section OIG Position.

In accordance with Department Regulation 1720-1, please furnish a reply within 60 days describing the planned corrective actions and the timeframes for implementing them for Recommendations 1 and 3 through 30. Please note that regulation requires management decision to be reached on all findings and recommendations within 6 months from report issuance.

We appreciate the courtesies and cooperation extended to us by members of your staff during this audit.

Executive Summary

Electronic Benefits Transfer System – State of Colorado (Audit Report No. 27099-68-Hy)

Results in Brief

In September 2004, the Colorado Department of Human Services (CDHS) implemented the Colorado Benefits Management System (CBMS). According to an April 2007 press report, CBMS was a new state-of-the-art computerized eligibility system that was intended to streamline the welfare process. The system is used to dispense Food and Nutrition Service (FNS) Food Stamp Program (FSP) benefits in Colorado.¹ FSP benefit information in CBMS is transmitted to Colorado's Electronic Benefits Transfer (EBT) system that is used to operate the FSP in Colorado. According to a May 2007 press report, CBMS was launched prematurely against the advice of systems experts and county officials who claimed it had not undergone adequate testing. In the months after implementation, the State over-issued benefits to and established invalid claims² against welfare clients. These problems still remain an issue.

In 2006, FNS officials in Denver, Colorado informed the Office of Inspector General (OIG) of multimillion dollar discrepancies and unexplained over-issuances caused by the failure of CBMS to operate properly. As a result, we initiated this audit as part of our multi-year plan to provide a comprehensive assessment of the adequacy of the established controls over EBT on a national basis and evaluate the effectiveness of FNS' oversight efforts. The objectives of this audit were to determine whether the FNS Mountain Plains Regional Office's (MPRO) oversight of Colorado's EBT system was adequate, identify and assess the EBT system controls Colorado established for critical operations, assess the adequacy of the State's administration and management of the EBT system, and review compliance with applicable laws and regulations.

The FSP is administered by FNS through a Federal-State partnership. FNS' MPRO ensures that States (e.g., Colorado) comply with Federal regulations and handle daily concerns that arise from EBT operations at the State level. CDHS is directly responsible for the management of Colorado's FSP and the EBT system.

Although the audit did not disclose any deficiencies with the EBT system itself, we determined that CDHS' management of the FSP through its EBT system needs significant improvement. CDHS needs to improve controls for issuing FSP benefits and establishing claims through CBMS. In addition, we found deficiencies in controls that CDHS established to oversee and secure its EBT system. For example, we did not find evidence that CDHS used available EBT management reports to monitor program operations for

¹ CBMS is also used to dispense other State and Federal benefits such as Temporary Assistance to Needy Families.

² A claim is an amount owed by a FSP recipient because of an over-issuance by the State.

improper activity. CDHS also did not establish units to assist in the prosecution of trafficking³ by food stamp recipients. While the Federal Government monitors retailer participation,⁴ it is the State's responsibility to monitor actions by FSP recipients.⁵ We also noted that deficiencies in issuing benefits and EBT system security were repeat findings. OIG identified similar issues in our 1999 audit of Colorado's EBT system regarding issuance management and system access.⁶

No areas of concern came to our attention that would cause us to question the adequacy of FNS MPRO's oversight of the State. FNS MPRO has worked with CDHS to correct deficiencies in CBMS since the State implemented the system in September 2004. However, according to FNS officials, the State experienced high turnover rates since then because of employees' frustration with the system, further compounding the problems. During this time, MPRO also performed reviews of the State's EBT system and provided feedback on issues found. MPRO worked with the State on a variety of programmatic issues, including collection of card replacement fees and training for the use of EBT at Farmer's Markets. However, as a result of the findings disclosed in our audit, we concluded that significant deficiencies continue to exist and that MPRO needs to initiate enforcement actions (i.e., suspension or disallowance of administrative funds) if the problems identified in the report are not corrected within established timeframes.

Colorado Needs to Improve Issuance Management Controls

- Problems with CBMS began immediately upon implementation in September 2004. Within one month, FNS MPRO noticed significant increases in food stamp issuances. Complexities⁷ in CBMS caused significant backlogs in FSP applications. County caseworkers delivered benefits without properly determining eligibility to ensure applications were processed within the required 30 day timeframe.⁸ FNS MPRO collected over \$1 million from CDHS for improper issuances made to FSP recipients between October and December 2004.

In 2006, FNS MPRO analyzed fiscal year (FY) 2005 issuances and identified an additional \$11.1 million in over-issuances made to FSP recipients. FNS' analysis identified design flaws in CBMS that caused the system to incorrectly calculate benefits. In February 2006, CDHS resolved a system-caused error that resulted in over-issuances, through programming changes to the system. However, the FNS analysis also disclosed that a lack of controls in CBMS allowed data entry errors. CDHS tried to resolve these issues through training but their efforts to

³ Exchanging food stamp benefits for cash.

⁴ Title 7 C.F.R. 278.7(a), January 1, 2007

⁵ Title 7 C.F.R. 273.16, January 1, 2007

⁶ Since our prior audit in 1999, Colorado has implemented new systems for issuance management and EBT.

⁷ According to Adams County staff, CBMS is complex because there are approximately 60 display screens a caseworker must navigate through while working on a single FSP case.

⁸ Title 7 C.F.R. 274.2(b), January 1, 2007

date remain unsuccessful. FNS MPRO submitted a bill of collection for the \$11.1 million but CDHS appealed to the State Food Stamp Appeals Board. The Board ruled in favor of FNS MPRO. FNS MPRO performed an analysis on FY 2006 FSP issuances similar to the FY 2005 analysis. We have not examined the results of this analysis. In addition, our limited testing identified nearly \$106,000 in potential duplicate over-issuances in FY 2006, due to caseworker data entry errors.

In addition to issuance errors, CBMS established invalid claims against households for food stamp benefits previously issued. This occurred because programming errors allowed CBMS to establish claims for months that they were not intended. As of September 2007, the two counties we visited had almost 17,000 discrepancy records (i.e., potential claims)⁹ worth over \$17.4 million.¹⁰ County officials explained that validating the accuracy of a discrepancy record takes hours due to the complexity of CBMS causing serious backlogs of potential claims.

Colorado Needs to Improve FSP Oversight

- Colorado officials were aware of EBT management reports; however, we did not find evidence that CDHS used them. CDHS did not assign responsibilities and duties to ensure that FSP redemptions are monitored regularly, corrective actions are taken on problems identified, and suspicious transactions are referred to the proper authorities. Instead, CDHS relied on food stamp quality control reviews of eligibility determinations. In addition, they focused their attention on recipients who misused cash benefits.¹¹ Using the available EBT management reports, we identified over \$2 million in questionable transactions that may be indicative of recipient trafficking in Colorado's FSP from April to September 2006.
- CDHS did not establish required fraud detection units to detect, investigate, and assist in the prosecution of FSP trafficking. This occurred because CDHS chose to devote its resources to quality assurance testing of FSP eligibility determinations,¹² not trafficking after benefits have been issued. The CDHS Director did not provide a reason why Colorado did not establish and operate fraud detection units. As a result, the integrity of Colorado's FSP was weakened and the detection of improper activity was compromised. We identified large or rapidly occurring transactions at three retailers and conducted site visits with an OIG

⁹ CBMS is designed to identify any discrepancy in authorized benefits. CBMS caseworkers must then research a discrepancy to determine if it is a valid claim.

¹⁰ Adams County officials could not provide us with the total amount of cases with potential claims.

¹¹ CDHS administers cash benefits under the Temporary Assistance for Needy Families program, which is a U.S. Department of Health and Human Services program.

¹² FNS has a statistically based quality control program that measures the extent of improper payments and detects erroneous payments due to errors in determining recipient eligibility. The program provides a system of incentives and penalties to encourage State-administering agencies to lower their error rates and ensure that eligible individuals receive the proper amount of program benefits.

investigator. The OIG investigator initiated an investigation for each of these three stores.

- CDHS could not reconcile JPMorgan Electronic Financial Services (JPM) billing invoices for EBT services to CBMS. CBMS did not produce the detailed information necessary to complete the reconciliation. As a result, the State could not be assured that it was billed the correct amount. In addition, the Federal Government pays 50 percent of the State's FSP administrative costs; therefore, FNS could not be assured that they did not overpay for Colorado's EBT services through its administrative reimbursement. Due to past billing discrepancies, CDHS overpaid JPM \$187,000 between July 2000 and February 2004, highlighting the need for CDHS to improve its ability to verify billing invoices.
- States are allowed to charge recipients a fee to replace their EBT card. Conversely, there is a provision built into Colorado's EBT contract that allows for the replacement of EBT cards by JPM at no additional charge to the State. In Colorado, counties that charge the replacement fee must use revenues generated to reduce its reimbursement for FSP administrative costs. CDHS could not identify the amount of EBT card replacement fees collected at county offices. This occurred because CDHS did not establish an account for recording these fees or instruct county offices on how to account for them. As a result, CDHS could not provide assurances that FSP administrative costs were reduced to reflect the collections. Colorado had a monthly average of over 107,000 food stamp households in 2006. Colorado counties issued 60,587 replacement cards between April and September 2006, for a 6 month average of 10,097 cards per month. We believe that a card replacement rate of 10 percent is unreasonable and warrants further review by CDHS and FNS.

Colorado Needs to Improve EBT System Security

- CDHS did not implement sufficient controls over access to the EBT system. CDHS officials did not deactivate 34 of 1,167 EBT users who had not accessed the EBT system in over 90 days. They remained active system users even though the EBT contract requires that user access be deactivated after 90 days of inactivity. In addition, a CDHS manager was able to use a retired person's log-on identification (ID) and password to gain access to the EBT system. This occurred because CDHS did not regularly monitor the continued need for access to the EBT system. As a result, there is an increased risk of unauthorized access to the system.
- CDHS did not adequately control un-issued benefit cards. As a result, there is increased risk of unauthorized use of FSP benefits.

The State authorized waivers¹³ for 25 small counties that allowed eligibility workers to issue EBT cards without FNS' approval. However, certification and issuance functions should be segregated. The waivers were issued because of inadequate staff at small counties.

At the two large counties we visited, county officials did not adequately control un-issued benefit cards. For example, in both counties, the bulk supply of un-issued cards was accessible to employees who did not need this access. This occurred because the State Agency's EBT card issuance guidance to county offices insufficiently addressed security over the inventory of blank EBT cards.

We consider the continuing noncompliance with FSP regulations by CDHS as material weaknesses in its administration and management of the FSP. Therefore, FNS should initiate enforcement actions, such as suspension or disallowance of administrative funds, if the problems identified in this report are not corrected within established timeframes.

Recommendations In Brief

FNS should require CDHS to ensure that errors in CBMS are corrected and claims properly established. FNS MPRO should perform CBMS data analysis for FY 2007, if the FY 2006, data analysis project discloses significant over-issuances. FNS MPRO should also pursue for collection any over-issuances identified in their analysis and the \$106,000 we identified during this audit. FNS should require that CDHS improve oversight of its EBT system and strengthen controls over system security to prevent misuse of FSP funds.

We recommend that if the State agency does not correct the deficiencies noted in this report within established timeframes, FNS should initiate actions to suspend or disallow administrative funds to the State.

Agency Response

FNS agreed with the report's 20 recommendations. We have incorporated FNS' response in the Findings and Recommendations section of this report, along with the OIG position. FNS' response is included as Exhibit B.

OIG Position

Based on FNS' response, we were able to reach management decision on Recommendation 2. Management decision on Recommendations 1 and 3 through 20 can be reached once FNS has provided us with the additional information outlined in the report section, OIG Position.

¹³ These are State approved waivers, not FNS approved waivers.

Abbreviations Used in This Report

CBMS	Colorado Benefits Management System
CCR	Colorado Code of Regulations
CDHS	Colorado Department of Human Services
C.F.R.	Code of Federal Regulations
EBT	Electronic Benefits Transfer
FNS	Food and Nutrition Service
FSP	Food Stamp Program
FY	Fiscal Year
GAO	Government Accountability Office
ID	Identification
JPM	JPMorgan Electronic Financial Services
MPRO	Mountain Plains Regional Office
NER	Northeast Region
OIG	Office of Inspector General
POS	Point of Sale
P.L.	Public Law
SAOR	State Agency Operations Review
SF	Standard Form
USDA	U. S. Department of Agriculture

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Background and Objectives

Background

The U.S. Department of Agriculture's (USDA) Food and Nutrition Service (FNS) administers the Food Stamp Program (FSP), which assists low-income households by increasing their ability to purchase food. Once a month, each participating household receives a benefit allotment determined by the number of individuals in the family, household income, and other related factors. Recipients can use the benefits to pay for food items at participating food retailers.

The Food Stamp Act of 1977, Public Law (P.L.) 88-525, authorized FNS to experiment with alternative methods for the delivery of FSP benefits using electronic data processing and computer technology. With this authorization, FNS allowed State agencies to begin issuing FSP benefits using an Electronic Benefits Transfer (EBT) system. The Personal Responsibility and Work Opportunity Reconciliation Act of 1996, P.L. 104-193, provided that all States¹⁴ must implement EBT systems before October 1, 2002, unless the requirement was waived. Additionally, the EBT Interoperability and Portability Act of 2000 mandated cost-effective portability of food stamp benefits across State borders by October 1, 2002.

The FSP is administered by FNS through a Federal-State partnership. The Federal Government pays the full cost of recipient benefits and shares the cost to administer the FSP with the States. Congress funds the FSP through direct appropriation. In fiscal year (FY) 2007, nearly \$30.3 billion in FSP benefits were issued through EBT systems. Colorado's FSP delivered over \$310 million of these benefits.

Before EBT, the basic method of FSP benefit delivery was the food stamp coupon. EBT was developed to replace paper coupons with an electronic system. EBT systems provide computerized delivery of FSP benefits. Using plastic cards, much like a debit card along with a personal identification number, recipients gain access to benefits through point of sale (POS) terminals located at approved food retailers.

FNS has established approval rules for the delivery of FSP benefits using EBT systems in Title 7 Code of Federal Regulations (C.F.R.) § 274.12, updated January 1, 2007, and for approving plans for automated data processing systems in Title 7 C.F.R. § 277.18, updated January 1, 2007. The FSP regulations specify functional areas to be addressed by the State agency but do not establish a standardized system of internal controls. FNS' policy is to allow the States the flexibility to establish control systems that meet the needs of the individual States.

¹⁴ For purposes in this report, "States" will refer to all 50 U.S. States, Guam, Puerto Rico, Virgin Islands, and Washington D.C.

Generally, States award contracts to private sector companies to develop and operate their EBT systems. These companies are usually financial institutions or other organizations that already handle debit and credit card systems or electronic funds transfer activities. However, the States remain financially liable to the Federal Government for actions of their EBT processors. As of January 2007, there were four prime EBT contractors plus three States who were acting as their own prime contractor. A prime contractor is the contractor selected by the State to oversee all EBT functions. Thirty-three States and territories, including Colorado have selected the same prime contractor, JPMorgan Electronic Financial Services (JPM).

FNS' Mountain Plains Regional Office (MPRO) conducts management evaluations to ensure all States¹⁵ within their region comply with Federal regulations and handles daily concerns arising from EBT operations at the State level.

The FNS National office and MPRO also share responsibilities. They both ensure free and open competition among vendors, review all appropriate records pertaining to State EBT contracts, review test scripts and design documents for launch of a new system, attend National EBT conferences and workgroups, ensure that State limits on EBT-FSP funds are not exceeded, and continue development and monitoring of the Watch List.¹⁶

States administer and manage the FSP for FNS. The Colorado Department of Human Services (CDHS) is the State agency that oversees FSP EBT operations in the State. The State determines eligibility, calculates benefit amounts, and contracts for EBT services. An EBT system account is established for each participating household and each household is issued a benefit card. The State prepares and sends an electronic file documenting the amount of benefits for each household to the EBT processor. The State has responsibility to ensure that the EBT processor provides access to program benefits accurately and timely. Additionally, the State must ensure that the information the EBT processor provides to FNS systems is accurate.

The Office of Inspector General (OIG) previously audited Colorado's oversight of its EBT system in September 1999. We identified two similar issues in our current audit (issuance management and system access). Although CDHS has been affected by a high turnover in staff since the State implemented the Colorado Benefits Management System (CBMS), FNS and CDHS need to be aware of these management issues and correct them accordingly.

We selected EBT operations in Colorado for review because FNS MPRO officials brought to our attention the multimillion dollar discrepancies that FNS identified as a result of the failures of CBMS to operate properly. As

¹⁵ MPRO oversees 10 States: Colorado, Iowa, Kansas, Missouri, Montana, Nebraska, North Dakota, South Dakota, Utah and Wyoming.

¹⁶ The Watch List is a list of firms that may be violating the FSP.

part of our multi-year review to evaluate EBT operations for FNS' FSP, we have issued a report on FNS National Office oversight of EBT operations (Audit Report No. 27099-66-Hy, issued September 2006). We have also issued a report on JPM's oversight of EBT operations (Audit Report No. 27099-69-Hy, issued September 2007).

Objectives

The objectives of this audit were to (1) determine the roles and responsibilities of the regional office in the implementation and administration of EBT systems, (2) determine whether the regional office's oversight of EBT is adequate, (3) identify EBT operational concerns for further review and assessment during the audit, (4) determine the EBT system controls Colorado established for critical operations and assess the operation of these controls, (5) assess the adequacy of the State's administration and management of its EBT system, and (6) review compliance with applicable laws and regulations.

To accomplish these audit objectives, we interviewed staff at FNS MPRO, CDHS, Jefferson County, Adams County, JPM, OIG Investigations and the Colorado State Auditor's office. In addition, we audited EBT system security, integrity of EBT benefits being delivered to recipients, FNS MPRO oversight of CDHS, and CDHS management of its EBT system. We reviewed compliance with the Colorado Code of Regulations (CCR), C.F.R. and the EBT processor's contract with the State.

Findings and Recommendations

Section 1 Significant Improvements Needed in Colorado's Oversight of FSP Operations

Finding 1

CDHS needs to strengthen controls over the FSP. Our tests identified inadequate State oversight and weak controls in the State issuance management system. We also found that the State did not implement sufficient controls for securing the EBT system and EBT cards. These weaknesses occurred because of poor program administration by CDHS. Without sustained improvements in program administration, FNS MPRO should initiate actions to suspend or disallow administrative funds provided to the State. FNS provided CDHS with over \$29 million in Federal funds to administer the FSP in FY 2007. Furthermore, weak EBT controls place FSP benefits at risk of misuse. In FY 2007, Colorado delivered approximately \$310 million in FSP benefits.

Federal regulations require the State to be responsible for the coordination and management of the EBT system.¹⁷ Federal regulations also require FNS to determine whether the State agency has efficiently and effectively administered the FSP. When FNS identifies inefficient or ineffective administration, Federal regulations empower FNS to warn the State that suspension and/or disallowance of administrative funding is being considered.¹⁸

Colorado implemented its new eligibility system, CBMS, in September 2004. The system transmits authorized food stamp benefits to Colorado's EBT system that is used to operate the FSP in the State. However, CBMS has caused significant problems delivering benefits since implementation. Within nine days of implementation, a county reported that FSP applications would not be completed within the required 30 day processing timeframes.¹⁹ By November 2004, over 29,000 cases did not meet the processing timeframe. As a result, the State faced litigation by FSP recipients who did not timely receive their benefits. According to FNS officials, problems in Colorado have been compounded by the high turnover rate of State employees due to frustration with CBMS.

Between October and December 2004, the State authorized pending FSP applications without properly determining eligibility. FNS MPRO collected over \$1 million from the State due to these improper issuances. In addition, FNS MPRO analyzed FY 2005, issuances and found that CBMS incorrectly issued benefits. FNS billed CDHS an additional \$11.1 million for over-issuances identified in the analysis. FNS MPRO performed another

¹⁷ Title 7 C.F.R. 274.12 (b)(2), January 1, 2007

¹⁸ Title 7 C.F.R. 276.4(a)(3), January 1, 2007

¹⁹ Title 7 C.F.R. 274.2(b), January 1, 2007

analysis on FY 2006 issuances to determine if over-issuances continue to be a problem. We have not examined the results of this analysis because FNS has not finalized the analysis report.

Although FNS MPRO has worked with CDHS to correct deficiencies in CBMS and the agency's administration of the FSP, further corrective actions are needed. Failure to timely correct the following issues identified during the audit could warrant additional action by FNS MPRO.

State Issuance Management

- County caseworker data entry errors caused over-issuances to FSP recipients. We identified 637 potential over-issuances totaling nearly \$106,000 when caseworkers updated client accounts in FY 2006. We also found that CBMS was not programmed to prevent claims from being established too early.²⁰ Also, as of September 2007, the two counties we visited had almost 17,000 potential claims worth more than \$17.4 million (see Finding 2).

Oversight of FSP Operations

- State and county officials provided no evidence that CDHS used reports provided by JPM to manage the FSP and did not establish required fraud detection units to detect, investigate, and assist in the prosecution of FSP fraud. Instead, CDHS relied on food stamp quality control reviews of eligibility determinations. In addition, they focused their attention on recipients who misused cash benefits.²¹ Using the available EBT management reports, we identified over \$2 million in questionable transactions that may be indicative of recipient trafficking in Colorado's FSP from April to September 2006. In addition, the integrity of Colorado's FSP was weakened and the detection of improper activity was compromised (see Findings 3 and 4).
- CDHS could not reconcile JPM billing invoices for EBT services to CBMS. CBMS did not produce the detailed information necessary to complete the reconciliation. As a result, the State could not be assured that it was billed the correct amount nor could FNS be assured that they did not overpay for Colorado's EBT services through its administrative reimbursement. Billing discrepancies in the past disclosed that the State overpaid JPM \$187,000 (see Finding 5).
- CDHS could not identify the amounts of EBT card replacement fees collected at county offices. As a result, CDHS could not provide assurances that EBT card replacement fees were safeguarded and that FSP administrative costs were reduced to reflect the collections. Colorado

²⁰ A claim is an amount owed by a FSP recipient because of an overpayment by the State.

²¹ CDHS administers cash benefits under the Temporary Assistance for Needy Families program, which is a U.S. Department of Health and Human Services program.

counties issued 60,587 replacement cards between April and September 2006 for a 6 month average of 10,097 cards per month (see Finding 6).

EBT System Security

- CDHS did not comply with system access requirements for deactivating users and ensuring each user uses their own log-on identification (ID). As a result, FSP funds were at risk of unauthorized access and use (see Finding 7).
- CDHS did not adequately control un-issued EBT cards. As a result, the State did not have assurance that FSP benefits were safeguarded (see Finding 8).

CDHS' continuing noncompliance with FSP regulations is a material weakness in the State's administration and management of the FSP. In light of the findings disclosed in this audit and that two findings are repeat findings (i.e., FSP issuance management and EBT system access) from OIG's 1999 audit, FNS should initiate actions to suspend or disallow administrative funds in accordance with Federal regulations if CDHS does not correct these deficiencies within established timeframes.

Recommendation 1

FNS should initiate actions to suspend or disallow administrative funds if the State agency does not correct the deficiencies noted in this report within established timeframes.

Agency Response

FNS concurs with Recommendation No. 1. FNS will work with the State agency to establish realistic timeframes to correct the deficiencies noted in the report, subject to subsequent timeframe revisions approved by FNS.

OIG Position

We cannot accept FNS' management decision until FNS provides timeframes for correcting the deficiencies noted in the report.

Section 2 State Issuance Management Controls Need Strengthening

Finding 2

Since implementing CBMS in September 2004, CDHS erroneously issued FSP benefits to recipients and established invalid claims against households. These errors occurred because of design flaws in CBMS and caseworker data entry errors that caused over-issuances when the caseworker updated FSP recipient accounts. Also, CBMS was not programmed to prevent claims from being established too early. Also, an Adams county official explained that validating the accuracy of a discrepancy record (i.e., potential claim)²² can take several hours due to the complexity of CBMS. We identified 637 potential over-issuances totaling nearly \$106,000 in FSP benefits in FY 2006. Also, as of September 2007, the two counties we visited had almost 17,000 potential claims worth more than \$17.4 million.²³

Federal regulations require FSP benefits to be distributed timely and in the correct amount.²⁴ Federal regulations also instruct States to develop a plan for establishing and collecting claims that provides orderly claims processing. If these standards are not met, then States must take corrective action to rectify any deficiencies in the plan.²⁵ In addition, Colorado regulations require FSP offices to be responsible for the timely and accurate issuance of benefits to certified eligible households.²⁶

Problems with CBMS began immediately upon implementation in September 2004. Within nine days of implementation, Adams County officials alerted CDHS that FSP applications may not be completed within the required 30 day processing timeframes. On October 19, 2004, a class action lawsuit was filed in Colorado District Court by eight Colorado citizens for damages caused by the implementation of CBMS. The case disclosed that five of the eight plaintiffs did not receive their FSP benefits within the required timeframe. The remaining three plaintiffs suffered losses in other assistance programs such as Medicaid, Supplementary Security Income, cash assistance, and Child Health Plan Plus.

A verdict for this case was reached on December 21, 2004. The Colorado District Court required a 40 percent reduction in backlogged²⁷ cases by February 28, 2005. Each 60 days thereafter, a 40 percent reduction was required until the State substantially complied with Federal law. As of November 2004, over 29,000 cases were not processed in the required timeframes. The State complied with the ruling and reduced backlogs by 68 percent to just over 9,500 cases in February 2005. In March 2008, the court approved a settlement agreement between the State and the plaintiffs.

²² CBMS is designed to identify any discrepancy in authorized benefits. CBMS caseworkers must then research a discrepancy to determine if it is a valid claim.

²³ Adams County officials could not provide us with the total number of cases with potential claims.

²⁴ Title 7 C.F.R. 274.1, January 1, 2007

²⁵ Title 7 C.F.R. 273.18(a)(3), January 1, 2007

²⁶ B-4631, 10 Colorado Code of Regulations 2506-1.

²⁷ Cases that did not receive benefits in the required amount of time.

The agreement has two major parts. First, Colorado agreed that new applications must be processed within the timelines set out in FSP regulations. Second, Colorado agreed to produce a variety of monthly reports to the plaintiffs showing the performance in processing applications.

FNS MPRO officials identified problems with CBMS while performing their monthly reconciliations of the EBT system. Between July and September 2004, the monthly amount of FSP benefits issued was consistently around \$21 million. However, in October 2004, FSP benefit issuance rose to over \$24 million. By December 2004, the State was issuing over \$29 million per month in FSP benefits, an increase of approximately \$8 million per month since September 2004. FNS found that the State delivered benefits to recipients without properly determining eligibility. As a result, FNS recovered over \$1 million from the State for the improper issuance of FSP benefits from October to December 2004.

FNS MPRO more closely examined FSP issuances by performing data analysis on all FY 2005 issuances. FNS MPRO identified the benefit amounts that households were authorized to receive. They compared this information with issuance data from the State's EBT Processor which identified over \$11 million in over-issuances. FNS MPRO submitted a bill of collection for this amount and CDHS appealed to the State Food Stamp Appeals Board. In April 2007 the Appeals Board ruled that CDHS was liable to the Federal Government for more than \$11 million in over-issuances to FSP recipients.

The analysis found that design flaws in CBMS failed to account for previous issuances when making adjustments to recipient's accounts. CDHS resolved this issue in February 2006. FNS MPRO's analysis also disclosed a combination of system design flaws and data entry errors that resulted in the over-issuances. CDHS tried to resolve this issue through caseworker training but their efforts to date remain unsuccessful. FNS MPRO performed an analysis on FY 2006 FSP issuances similar to the FY 2005 analysis. We have not examined the results of this analysis because FNS has not finalized the analysis report.

Federal regulations allow the State to collect over-issuances made to FSP recipients.²⁸ However, the December 2004 court order prevented CDHS from collecting over-issuances from FSP recipients if the County Director of Social Services determined that an overpayment was caused by the failure of CBMS to operate properly.

Our initial review of the FY 2006 issuance data found 46 issuances totaling \$22,459 that were caused by caseworker data entry errors. During our audit fieldwork, CDHS recovered \$3,751 of this amount. However, many counties defined data entry errors as system-caused errors because of the increased workload that CBMS problems created. Therefore, the State is unable to

²⁸ Title 7 C.F.R. 273.18, January 1, 2007

collect the remaining \$18,708. Federal regulations place liability on the State for the value of benefits over-issued to FSP recipients.²⁹ The State is liable to the Federal Government for the over-issuances we identified and should remit payment to FNS for \$18,708, if not already billed.

In a more in-depth review, we extracted all households that had duplicate issuances in the same benefit month and found an additional 591 duplicate issuances totaling \$83,379 (See Exhibit A). FNS should work with CDHS to research these 591 issuances and pursue collection on any over-issuances identified and allowable under the court order.

We also found that Colorado has been unable to effectively establish claims since the implementation of CBMS. CBMS was not properly programmed to recognize a rule that would prevent invalid claims from being established against FSP recipient accounts. The 10-10-11 Rule is supposed to prevent claims from being established for months they were not intended.³⁰ Jefferson County officials performed a random sample of 30 outstanding claims to determine if the claims were correctly established and it was determined that 14 of the 30 claims were established erroneously due to the 10-10-11 Rule programming errors.

Jefferson County officials stated that they receive an average of 700 to 800 new discrepancy records (i.e., potential claims) on a monthly basis. They also stated that it can take several hours for a caseworker to validate a discrepancy record because of the complexity of CBMS. They do not have enough resources to effectively issue benefits and validate these records. This has caused Jefferson County to fall behind in the validation of potential claims.

Jefferson County provided us with a spreadsheet that they used as a tool for populating outstanding claims. As of September 30, 2007, the county had almost 17,000 potential claims totaling almost \$6.4 million. Adams County officials did not keep similar records and were only able to provide us with the total dollar amount. As of September 31, 2007, Adams County had over \$11 million in potential claims.

CDHS is working with its contractor to correct any processing errors. CDHS needs to research the potential over-issuances identified in the audit and pursue for collection those that were not covered by the court order. CDHS needs to ensure CBMS establishes only valid claims. Finally, based on the large amount of errors found in FY 2005, and the errors found in our audit, FNS should perform data analysis for FY 2007 if the 2006 analysis project

²⁹ Title 7 C.F.R 276.2(b)(1)(iii), January 1, 2007

³⁰ Under the 10-10-11 Rule, a household is required to report changes in household circumstances within 10 days of the change; the agency has 10 days to make the change, and 11 days to notify the recipient of the new action. Claims are being established for payments already made to EBT recipients falling within the 31 day reporting period (10-10-11). The claim is invalid due to CBMS not taking into account the 10-10-11 reporting requirement. In other words, the client is entitled to the current month's benefits and does not owe the benefits back, thus making the claim invalid. If a claim is established after batch cutoff (20th of the month), the 10-10-11 rule does not go into effect until the next month. In this scenario, an invalid claim for two month's benefits could be established.

discloses a significant amount of over-issuances. If the analysis shows further over-issuances, FNS should pursue payment from CDHS on these errors.

Recommendation 2

Require CDHS to develop and implement an action plan with specific milestone dates for ensuring that errors in CBMS are corrected. This should include detailed items on working with its contractor to ensure all CBMS processing issues are timely resolved.

Agency Response

FNS concurs with Recommendation No. 2. On December 31, 2007, the State of Colorado submitted a comprehensive corrective action plan with specific milestone dates to FNS that provided a detailed list of system improvements completed as well as those scheduled for implementation. This plan was reviewed and approved by FNS on February 20, 2008. To date, the majority of these system improvements, including determining the correct potential claim amount following the 10-10-11 Rule, have been implemented.

OIG Position

OIG accepts FNS' management decision.

Recommendation 3

Require CDHS to repay FNS MPRO the \$18,708 in erroneous benefit issuances identified.

Agency Response

FNS is in the process of examining the erroneous benefit issuances identified by OIG auditors to ensure that the issuances have not already been included in the FY2005 or FY2006 billing that FNS has sent to CDHS. FNS will require CDHS to repay FNS MPRO any of the erroneous benefit issuances identified by OIG auditors for which CDHS has not already been billed.

OIG Position

Although we agree with the approach, we cannot accept FNS' management decision until FNS provides a proposed completion date for the examination of the erroneous issuances identified by OIG to ensure the issuances have not already been billed. In addition, FNS needs to provide a copy of the bill for collection of amounts determined to be owed to the Government and support that the amounts have been entered as a receivable on the agency's accounting records.

Recommendation 4

Work with CDHS to research the 591 duplicate issuances totaling \$83,379 to determine the party responsible for any over-issuances. CDHS should pursue collection on any over-issuances from recipients not covered by the court

order. If the over-issuance was covered by the court order, FNS should collect the amount of the over-issuance from CDHS.

Agency Response

FNS is in the process of examining the 591 duplicate issuances identified by OIG auditors to ensure that the issuances have not already been included in the FY 2005 or FY 2006 billing that FNS has sent to CDHS. FNS will require CDHS to repay FNS MPRO any of the 591 duplicate benefit issuances identified by OIG auditors that CDHS is responsible to repay to FNS MPRO, and for which CDHS has not already been billed. FNS will also advise the State to establish recipient claims for any of the 591 duplicate issuances which are valid claims and are not covered by the court order.

OIG Position

In order to achieve management decision, FNS needs to provide a proposed completion date for the examination of the 591 issuances identified by OIG auditors to ensure the issuances have not already been billed. In addition, FNS needs to provide a copy of the bill for collection of amounts determined to be owed to the Government and support that the amounts have been entered as a receivable on the agency's accounting records.

Recommendation 5

Perform data analysis, similar to the FY 2005 analysis, for FY 2007, if the FY 2006 analysis discloses a significant amount of over-issuances. If the analysis shows further over-issuances, FNS should pursue collection from the State for these errors.

Agency Response

FNS concurs with Recommendation No. 5.

OIG Position

In order to achieve management decision, FNS needs to provide a proposed completion date for the analysis of the FY 2006 data and a determination if an analysis of FY 2007 data is warranted.

Recommendation 6

Require CDHS to develop and implement an action plan with specific milestone dates to have CBMS establish only valid claims.

Agency Response

FNS concurs with Recommendation No. 6. Please note, however, that CDHS establishes claims, not CBMS.

OIG Position

In order to achieve management decision, FNS needs to provide a description of CDHS' action plan and the proposed completion dates to ensure CDHS establishes only valid claims.

CDHS is responsible for the basic oversight of operations necessary to ensure the integrity of Federal funds provided for the FSP in Colorado. Federal funds include FSP benefits as well as half of the funds used to administer those benefits. The following four weaknesses, if not addressed, leaves Federal funding for the FSP susceptible to misuse. Specifically, CDHS:

- Did not properly use EBT management reports,
- Did not establish fraud detection units to detect trafficking,³¹
- Could not accurately verify billing invoices for EBT services, and
- Did not adhere to card replacement fee requirements.

Finding 3

CDHS Needs to Use EBT Management Reports to Strengthen Program Oversight

Although Colorado officials were aware of EBT management reports provided by JPM, we did not find evidence that CDHS used them. The reports included information on out-of-State usage of FSP benefits, manual (off-line, paper) transactions, and even dollar transactions. This occurred because CDHS did not assign responsibilities and duties to individuals to ensure that FSP redemptions are monitored regularly, corrective actions are taken on problems identified, and suspicious transactions are referred to the proper authorities. Instead, CDHS focused their attention on recipients who misused cash benefits.³² In addition, they conducted required food stamp quality control reviews of eligibility determinations to ensure the proper benefit amounts were authorized. Using EBT management reports that JPM made available to CDHS, we identified over \$2 million in questionable transactions that may be indicative of recipient trafficking in Colorado's FSP from April to September 2006. As a result, the integrity of Colorado's FSP was weakened and the detection of improper FSP activity was compromised.

Federal regulations require that the State ensure that the EBT system provides reports that enable it to manage the system properly.³³

CDHS did not establish a process for using JPM's management reports to monitor the propriety of FSP transactions by recipients; therefore, they did not identify cases of suspicious activity for investigative followup. We analyzed EBT management reports that JPM had made available to CDHS and identified FSP redemption activity that warranted further review. We reviewed the Out-of-State Usage and Manual Transactions Reports for June

³¹ Exchanging food stamp benefits for cash.

³² Cash benefits include other Federal and State welfare benefits, not FSP benefits.

³³ Title 7 C.F.R. 274.12(j)(2), January 1, 2007

through August 2006. We also reviewed the Even Dollar Transactions Reports for April through September 2006.

The Out-of-State Usage Report identifies FSP recipients that use their benefits outside of the State in which they reside. Federal requirements allow a recipient to move out of State without reporting an address change; however, the Out-of-State Usage Report could still be a useful tool for identifying recipients who might have started obtaining benefits in another State.³⁴ We identified 29,936 out-of-State transactions totaling \$2,006,890. We then extracted transactions in States that did not border Colorado and found that 2,050 transactions by 165 FSP recipients occurred in States that did not border Colorado. In addition, we extracted 520 transactions from 115 FSP recipients that did not have a valid social security number. We referred these 280 recipients to county officials for followup, which included 173 recipients who consistently (i.e., three consecutive months) redeemed food stamp benefits in 12 states³⁵ that did not border Colorado. For example, one client bought over \$2,600 worth of food in California, which is over 1,000 miles away from the county the client applied for benefits in Colorado. Three counties initiated various followup actions on 13 recipients as a result of our review of the Out-of-State Usage Report. In addition, we identified suspicious transactions for a recipient at an out-of-State supermarket, which we referred to OIG's Office of Investigations because of possible trafficking.

The Manual Transactions Report can be analyzed for signs that food stamp redemption has increased enough to justify issuing POS equipment to a business. We identified one warehouse that served group homes and executed about \$9,000 in manual transactions monthly. Because CDHS did not use the Manual Transaction Report, they were not aware of this level of activity. When we brought this to their attention, they agreed that the warehouse needed POS equipment. The Manual Transactions Report can also be analyzed to identify suspicious or unusual activity at stores with EBT equipment. We identified a \$202 manual transaction for another store that we suspected was too small to have a food sale that large. We visited the retailer with an OIG criminal investigator who requested an FNS investigation of the retailer.

The Even Dollar Transactions Report disclosed eight clients who had suspicious even dollar transactions totaling \$7,413 at four stores between April 2006 and September 2006. The large or rapidly occurring transactions prompted us to conduct site visits with an OIG investigator who then initiated new investigations at three stores. The Joint Task Force on Terrorism, of which OIG is a member, was already investigating the fourth store.

³⁴ Simplified reporting under the Farm Security and Rural Investment Act of 2002, Public Law 107-171, enacted May 13, 2002.

³⁵ California, Florida, Texas, Alaska, Nevada, Georgia, Tennessee, Pennsylvania, New Jersey, Virginia, New York, and Hawaii.

As a result of our work, several Colorado officials have begun to use EBT management reports to monitor FSP activity. For example, two counties drafted procedures to require monthly review of the Out-of-State Usage Report. In addition, the Director of CDHS' Audit Division plans to focus on transactions from this report that fall in a certain error parameter (i.e., during three consecutive months). We feel that a comprehensive approach is needed to ensure that State and county officials systematically review a wide array of management reports for improprieties and possible food stamp fraud.

Recommendation 7

Direct CDHS to develop and implement internal control procedures that require routine oversight of EBT system activities for food stamps. The controls should include the assignment of responsibilities to State and county staff for periodic review and analysis of management reports to detect and followup on suspicious and unusual food stamp transactions.

Agency Response

FNS concurs with Recommendation No. 7.

OIG Position

To achieve management decision, FNS needs to provide a description of CDHS' action plan and the proposed completion dates to develop and implement the internal control procedures that require routine oversight of EBT system activities for food stamps.

Finding 4

CDHS Needs to Establish Food Stamp Fraud Detection Unit(s) to Investigate Trafficking

CDHS did not establish required fraud detection unit(s) to detect, investigate, and assist in the prosecution of recipient FSP trafficking. This occurred because CDHS chose to devote its resources to quality assurance testing of FSP eligibility determinations³⁶ not trafficking after benefits have been issued. In addition, CDHS focused their attention on cash benefits. When we followed up on why this occurred, the CDHS EBT Director did not respond. As a result, the integrity of Colorado's food stamp program was weakened and the detection of improper EBT activity was compromised. We identified large or rapidly occurring transactions at three retailers and conducted site visits with an OIG investigator. The OIG investigator initiated an investigation for each of these three stores.

³⁶ FNS has a statistically based quality control program that measures the extent of improper issuances and detects erroneous issuances due to errors in determining recipient eligibility. The program provides a system of incentives and penalties to encourage State-administering agencies to lower their error rates and ensure that eligible individuals receive the proper amount of program benefits.

Federal regulations³⁷ require State agencies to establish and operate fraud detection units in all project areas in which 5,000 or more households participate in the FSP. The regulations assign the fraud detection units responsibility for detecting, investigating, and assisting in the prosecution of FSP fraud. The regulations state that a written State agency procedure that systematically identifies and refers potential fraud cases to investigators constitutes a “detection” activity. While the Federal Government monitors retailer participation³⁸ requirements, it is the State’s responsibility to monitor actions by FSP recipients.³⁹ In addition, Colorado legislation⁴⁰ established misdemeanor and felony penalties for individuals who traffic food stamps.

Concerns about CDHS’ fraud detection units surfaced during our review of the State agency’s use of EBT management reports. The EBT Director reported that the Colorado State and county offices do not use the processor’s management reports to do redemption analysis and followup. Therefore, we could not determine whether the State or county had analyzed suspicious transactions. CDHS’ Audit Division used management reports, but did not focus on food stamp trafficking because CDHS officials felt that their quality assurance officials perform statistically valid testing for the FSP. However, this testing focuses on recipients who improperly collect benefits rather than trafficking after the benefits have been issued.

We visited two of the State’s large county offices and found that they do not detect, investigate, or assist in prosecuting FSP traffickers. Jefferson County has an investigations unit; however, their staff performed no food stamp trafficking work. Adams County has an investigations unit that does not analyze food stamp redemptions. Their primary duties concern cash benefits, help desk referrals, and requests from the CDHS Audit Division.

By using EBT management reports, we identified instances of possible trafficking at three retailer stores. By using the EBT management reports, OIG Investigations opened an investigation into these three stores. (See Finding 3.)

In March 2000, the Government Accountability Office (GAO)⁴¹ reported that FNS and States could use electronic data better to disqualify recipients who traffic food stamp benefits. Colorado was 1 of the 29 States included in GAO’s review. GAO found that Colorado had not independently and proactively analyzed their electronic databases to identify recipients suspected of trafficking food stamps. Colorado also had not used the list of suspected trafficking recipients that FNS provided, or any other source to investigate and disqualify recipient traffickers. According to the report, in July 1999, FNS instructed its regional offices to work with the States to reach

³⁷ Title 7 C.F.R. 272.4(g), January 1, 2007

³⁸ Title 7 C.F.R. 278.7(a), January 1, 2007

³⁹ Title 7 C.F.R. 273.16, January 1, 2007

⁴⁰ Section 14. 26-2-306 (2) (b), (2) (c), and (3), Colorado Revised Statutes, effective July 1, 1998.

⁴¹ Audit GAO/RCED-00-61, Food Stamp Program, Better Use of Electronic Data Could Result in Disqualifying More Recipients Who Traffic Benefits, March 2000.

agreements on how best to use the EBT data available to identify, investigate, and disqualify trafficking recipients. However, MPRO officials had no documentation to confirm they had worked with Colorado on this issue. They did indicate that this topic had been included in workshops at the EBT State Directors National Conference sponsored by FNS, which Colorado attended.

In April 2006, FNS MPRO staff conducted a State Agency Operations Review (SAOR) to determine the administrative and operational compliance in Colorado's FSP during FY 2006. The FNS National Office required that this review focus on program access, corrective action assessments, the State's management evaluation system, use of the 15 percent able-bodied adults without dependents exemptions, EBT issuance, and civil rights. The scope of review did not include compliance with requirements for fraud detection. FNS MPRO needs to ensure CDHS complies with Federal FSP requirements for fraud detection.

Recommendation 8

Require that CDHS establish fraud detection unit(s) to detect, investigate, and assist in the prosecution of recipient FSP trafficking; and periodically report results of their activities to FNS' MPRO.

Agency Response

FNS concurs with Recommendation No. 8.

OIG Position

To achieve management decision, FNS needs to provide a description of CDHS' action plan and the proposed completion dates to establish fraud detection unit(s) to detect, investigate, and assist in the prosecution of recipient FSP trafficking; and periodically report results of their activities to FNS' MPRO.

Recommendation 9

Work with CDHS to reach an agreement on how fraud detection unit(s) can best use the EBT data now available to identify, investigate, and disqualify recipients involved in trafficking.

Agency Response

FNS concurs with Recommendation No. 9.

OIG Position

In order to achieve management decision, FNS needs to provide a proposed completion date to reach an agreement with CDHS on how fraud detection unit(s) can best use the EBT data now available to identify, investigate, and disqualify recipients involved in trafficking.

Recommendation 10

Establish an action plan with specific milestone dates to periodically perform a review to assess CDHS' compliance with Federal food stamp requirements for fraud detection and initiate corrective actions for any deficiencies identified.

Agency Response

FNS concurs with Recommendation No. 10.

OIG Position

In order to achieve management decision, FNS needs to describe its action plan to periodically perform a review to assess CDHS' compliance with Federal food stamp requirements for fraud detection. In addition, FNS needs to provide the date the agency will begin performing these reviews.

Finding 5

JPM's Billing Invoices Need Verification

CDHS could not verify the accuracy of JPM's billing invoices for EBT services. This occurred because the State's eligibility system, CBMS, did not produce the detailed information necessary to verify case counts billed by JPM. As a result, CDHS could not assure they were being billed for the proper amount of FSP cases.⁴² In addition, the Federal Government pays 50 percent of the State's FSP administrative costs,⁴³ therefore, FNS could not be assured that they did not overpay for Colorado's EBT services.

Federal regulations require the State agency to establish a continuing performance reporting system to monitor program administration and program operations.⁴⁴ In addition, Federal regulations require the State agency to expend and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds.⁴⁵

JPM bills CDHS on a monthly basis for FSP EBT services. They use cost per case month pricing to account for the cost to deliver a single food stamp case for one month.

CBMS reports case counts monthly on FNS form 388, State Issuance and Participation Estimates. CBMS case counts did not reconcile to JPM billing invoices for three randomly selected months in FY 2006 (December 2005, January 2006, and June 2006). We found that JPM billed CDHS for 1,235 more cases than what was reported on the FNS-388. However, we found that the FNS-388 is not a reliable report to verify JPM case counts

⁴² A case is also referred to as a household.

⁴³ Title 7 C.F.R. 277.4 (b)

⁴⁴ Title 7 C.F.R. 275.2(a)(ii), January 1, 2007

⁴⁵ Title 7 C.F.R 3016.20(a), April 17, 2008

because the methodology for counting cases differs between JPM and CBMS. Cases reported on the FNS-388 include all cases that received FSP benefits as well as those that met the eligibility requirements of the FSP but received no benefits.⁴⁶ Cases reported on JPM's billing invoice include only those that were issued FSP benefits.

An official in the accounting division of CDHS stated that they are aware of the reconciliation problems. However, they did not believe the differences were significant enough to correct. JPM and CDHS had billing discrepancies in the past, which heightens the need to reconcile invoices. Between July 2000 and February 2004, neither JPM nor CDHS was properly counting the number of FSP EBT cases residing in group homes. CDHS discovered the discrepancy in March 2004, and JPM agreed to reimburse the State over \$187,000 in July 2005. These errors occurred under the State's previous eligibility system.

As a result of our audit, CDHS put in a change request for CBMS to produce more detailed information. The change will allow CBMS to run the FNS-388 back to implementation of CBMS and monthly thereafter. In addition, information on all FSP cases, such as case number and FSP allotment, will be organized by county. CDHS needs to ensure this change request is implemented and all invoices dating back to implementation of CBMS are accurate.

Recommendation 11

Require CDHS to ensure that CBMS produces a tool to accurately verify the EBT processor billing amounts during the invoice reconciliation process.

Agency Response

FNS concurs with Recommendation No. 11.

OIG Position

To achieve management decision, FNS needs to provide a description of CDHS' action plan and the proposed completion dates to ensure that CBMS produces a tool to accurately verify the EBT processor billing amounts during the invoice reconciliation process.

Recommendation 12

Require CDHS to verify invoices from the EBT processor from the time of CBMS implementation in September 2004, to the present, as well as all future invoices.

⁴⁶ An example of a zero benefits participating household is a household that meets the income limits but does not qualify for the minimum payable benefit of \$10.

Agency Response

FNS concurs with Recommendation No. 12.

OIG Position

To achieve management decision, FNS needs to provide a proposed completion date for CDHS to verify the EBT processor's invoices from September 2004 to the present and their plan to verify future invoices.

Finding 6

CDHS Needs Stronger Controls over Income from EBT Card Replacement Fees

CDHS could not identify the amounts of EBT card replacement fees collected at county offices. This occurred because CDHS did not establish an account for recording these fees and instruct county offices on how to account for them. As a result, CDHS could not provide assurances that FSP administrative costs were reduced to reflect the collections. Colorado had a monthly average of 107,246 food stamp households in 2006. Colorado counties issued 60,587 replacement cards between April and September 2006, for a 6 month average of 10,097 cards per month. We believe that a card replacement rate of 10 percent is unreasonable and warrants further review by CDHS and FNS.

Federal regulations⁴⁷ allow State agencies to impose a replacement fee and require that States submit plans to FNS concerning accounting and circumstances when fees will be collected. Colorado allows its counties to charge up to \$2 per card for card replacements (cash or money order only).⁴⁸ However, the revenues generated must be deducted from the county's administrative reimbursement. Colorado requires counties to maintain records of fees assessed for replacing EBT cards.⁴⁹

We determined that CDHS did not establish an account for EBT card replacement fees and instruct county offices on how to account for the collections. Consequently, officials at the State office were unable to identify the amount of EBT card replacement fees collected during FY 2004, 2005, and 2006. Additionally, they lacked information to determine which counties collected the fees or how they accounted for them. This practice prevents the reporting of program income to the Federal Government on the Standard Form (SF) 269, Financial Status Report.⁵⁰ A CDHS accountant tried to identify card replacement fees collected by counties, by examining some records of county transactions. The accountant found that county workers

⁴⁷ Title 7 C.F.R. 274.12(f)(5)(v), January 1, 2007

⁴⁸ CDHS Policy and Procedures related to EBT, 10.10 card replacement fees.

⁴⁹ CCR 12.105.2.

⁵⁰ The State agency uses this form to report its actual administrative costs to FNS on a quarterly basis. These costs include total expenditures, the State share of costs, and the Federal share for reimbursement purposes.

used a variety of methods to account for the fees, which led him to terminate his efforts to determine the amounts collected. Counties reported the collections in cost accounts for printing, office supplies, and communication services; however, a CDHS accountant said that they would have to call counties to determine if they charged the fee, the amounts collected, and the accounting method used. The State agency needs a uniform means of identifying the receipts.

In April 2006, FNS MPRO conducted a SAOR of CDHS, which determined that one county charged \$2 EBT card replacement fees; however, CDHS had not submitted a plan for FNS' approval to collect the fees. In August 2006, FNS issued the SAOR report directing CDHS to submit a detailed plan outlining all counties that collect card replacement fees along with the policies and procedures for collecting the fees. In addition, FNS advised that if a county is charging a replacement fee, CDHS must report this amount as program income on the SF-269, Financial Status Report, to ensure accountability within regulatory guidelines. FNS directed Colorado to stop collecting the card replacement fees until CDHS had an FNS approved plan. However, CDHS ignored the direction and continued collecting the fees. CDHS officials did not suspend fee collections because they wanted to minimize disruptions for recipients and the State.

We determined that the Colorado EBT system design document did not include a procedure for collecting EBT card replacement fees; therefore, the State needed an approved plan. In October 2006, CDHS officials requested that FNS MPRO approve their plan for charging EBT card replacement fees, and in January 2007, FNS approved the State's plan.

We also identified that JPM issues EBT replacement cards through the mail, at no additional cost to the State or recipients who call the customer service line. The State agency incurs no additional cost when JPM issues the replacements. The cost for JPM to issue EBT cards is part of the monthly bill to the State agency. The FNS approved plan does not mention JPM's EBT replacement card activities. However, issuance of replacement cards by JPM is an acceptable alternative to having CDHS establish a separate account code for the EBT card replacement fee. The approved plan states that counties are to collect replacement fees; however, the plan does not state how CDHS plans to identify fees collected by counties so they are reported as program income on the SF-269.

FNS MPRO officials stated that the State might eliminate EBT card replacement fees because of our audit. If the State eliminated the fees, they should institute controls to ensure that recipients do not get excessive replacement cards as can happen in a State that does not charge recipients a fee to replace EBT cards. Whether the State eliminates the fees or continues to allow county offices to collect them, stronger controls over card replacements are needed. Due to the high card replacement rate disclosed by

this audit, the controls should include procedures to validate the need for card replacements.

Recommendation 13

Require CDHS to ensure the use of a separate account code for EBT card replacement fees collected by county offices or require the EBT processor to issue replacement cards. If Colorado eliminates the fee Statewide, require CDHS to develop and implement procedures to monitor excessive EBT card replacements.

Agency Response

FNS concurs with Recommendation No. 13.

OIG Position

To achieve management decision, FNS needs to provide CDHS' approved procedures for replacing EBT cards and accounting for replacement fees collected. In addition, if Colorado decides to eliminate the fees, FNS needs to provide a description of CDHS' plan to monitor excessive EBT card replacements.

Recommendation 14

Require CDHS to develop and implement standards and procedures to monitor and followup on EBT card replacements.

Agency Response

FNS concurs with Recommendation No. 14.

OIG Position

In order to achieve management decision, FNS needs to provide a description of CDHS' action plan and the proposed completion dates for implementing this recommendation.

Recommendation 15

Require CDHS to determine the amount of annual EBT replacement card revenues from county offices and implement a system to reduce administrative costs to reflect the collections.

Agency Response

FNS concurs with Recommendation No. 15.

OIG Position

To achieve management decision, FNS needs to provide a description of CDHS' action plan and proposed completion dates for implementing this recommendation.

Section 4 Security over the EBT System Needs Strengthening

CDHS needs to strengthen controls concerning users' access to the EBT system and access to un-issued EBT cards. The vulnerabilities, if not addressed, leave the FSP in Colorado susceptible to theft and unauthorized use.

Finding 7 EBT System Access Controls Need to be Strengthened

CDHS did not implement sufficient controls over EBT system access. For example, we identified 34 of 1,167 EBT users had not accessed the system in over 90 days. They remained active system users even though the EBT contract requires that user access be deactivated after 90 days of inactivity. The EBT Director was not aware of the Inactive User's Report that identifies users who had not logged into the system in at least 30 days. In addition, a CDHS manager was able to use a retired person's log-on ID and password to gain access to the EBT system. This occurred because CDHS did not regularly monitor the continued need for access to the EBT system. As a result, there is an increased risk of unauthorized access to the EBT system.

Federal regulations require State agencies to protect their EBT systems from potential theft and unauthorized use. However, these regulations do not specify a timeframe for deleting inactive users from the system.⁵¹ JPM's System Security Manual requires users who have not accessed the EBT system in 90 days to be deactivated⁵² and requires users to follow proper procedures to obtain a user ID and password to the EBT system.⁵³

CDHS does not have an adequate process for deleting access to the EBT system. JPM performs EBT system access functions such as providing and deleting access. CDHS should regularly review the need for access to the EBT system; however, CDHS officials could not say when the last time a review occurred. CDHS must notify JPM when EBT system users should be deactivated. The JPM Security Manual offers use of the Inactive User's Report, which lists all users who have not logged onto the EBT system in 30 days.⁵⁴ CDHS declined use of this report. The current EBT Program Director was not aware of this report. He said the decision to decline use of this report was made by officials who are no longer employed at CDHS. We asked CDHS officials when they last checked the EBT system for users who no longer needed access to the system. They did not know when the last check was performed. CDHS should use the Inactive User's Report on a monthly basis, as provided by JPM, to timely identify and delete users who have not accessed the system in at least 90 days.

⁵¹ Title 7 C.F.R. 274.12(h)(3)(v)(A), January 1, 2007, and Title 7 C.F.R. 277.18(p)(2)(ii)(B), January 1, 2007

⁵² Section 3.2.1 of JPMorgan's System Security Manual.

⁵³ Section 3.1.3 of JPMorgan's System Security Manual.

⁵⁴ Section 4.18 of JPMorgan's System Security Manual.

We identified a log-on ID and password of a full time employee who retired in September 2005 that was used to access the EBT system in January 2006. A CDHS manager did not follow proper procedures for obtaining access to the EBT system. She used the retiree's logon ID and password to perform the retiree's reconciliation job duties and obtain access to the data used for reconciliations. Her previous EBT system access authorities did not include access to the data used for the reconciliation. The Information Technology Manager encouraged her to follow proper procedures to obtain access to the EBT system, but she chose not to do so. She ignored procedures in place to gain access to the EBT system because she felt that the pressure of the job did not give her enough time to properly obtain EBT system access. CDHS officials could not determine how the manager obtained the user's password.

We found the application process for accessing the EBT system is not time consuming. Applicants must fill out a one page form, obtain proper signatures, and forward the form to JPM. Essentially, the user who retired still had access to the EBT system for nearly four months after her retirement date. CDHS must timely delete terminated employees log-on IDs to prevent FSP benefits from potential theft and unauthorized use.

Recommendation 16

Require CDHS to develop and implement an action plan with specific milestone dates for ensuring that established requirements regarding EBT system access are followed. The plan should include use of system monitoring reports, including the Inactive User's Report.

Agency Response

FNS concurs with Recommendation No. 16.

OIG Position

To achieve management decision, FNS needs to provide a description of CDHS' action plan and the proposed completion dates for ensuring that established requirements regarding EBT system access are followed. The plan should include use of system monitoring reports, including the Inactive User's Report.

Recommendation 17

Require CDHS officials to work with their EBT processor to delete logon IDs and passwords when EBT system users terminate employment.

Agency Response

FNS concurs with Recommendation No. 17.

OIG Position

To achieve management decision, FNS needs to provide a proposed date when procedures will be developed and implemented to remove logon IDs and passwords when EBT system users terminate employment.

Finding 8

CDHS Controls Over EBT Cards Need Improvement

CDHS did not adequately control un-issued benefit cards. We identified two concerns regarding CDHS' control of un-issued benefit cards. First, the State authorized waivers⁵⁵ for 25 small counties that allowed eligibility workers to issue EBT cards without FNS' approval. However, certification and issuance functions should be segregated. The waivers were issued because of inadequate staff at small counties. In FY 2006, 24 of these counties with waivers issued more than \$17.5 million in food stamp benefits involving over 80,000 distinct cases.⁵⁶ Second, at the two large counties that we visited, county officials did not adequately control un-issued benefit cards. For example, in both counties, the bulk supply of un-issued cards was accessible to employees who did not need this access. This occurred because the State's EBT card issuance guidance to County offices insufficiently addressed security over the inventory of blank EBT cards. As a result, there is increased risk of unauthorized use of FSP benefits.

FNS program regulations state that controls should ensure the security of un-issued EBT cards⁵⁷ and establish an organizational structure that divides the responsibility for eligibility determinations and card issuance.⁵⁸

In June 2006, CDHS issued an agency letter that waived separation of duties responsibilities at small county offices. They acknowledged that small county offices lacked sufficient staff to assign eligibility duties and card issuance duties to different workers. CDHS did not obtain approval from FNS that would allow eligibility workers in small county offices to issue EBT cards as required by Federal regulations.⁵⁹ FNS MPRO agreed that CDHS should have obtained approval prior to issuing the waiver. FNS should require CDHS to rescind this waiver. Colorado's EBT contract states that JPM has the ability and authority to issue, replace, and deliver EBT cards to cardholders by mail, at no additional cost to Colorado. FNS should require CDHS to have JPM perform this responsibility in small county offices to

⁵⁵ These are State approved waivers, not FNS approved waivers.

⁵⁶ We excluded the issuance data provided on Rio Blanco County because the State did not grant a waiver to all locations within the county.

⁵⁷ Title 7 C.F.R. 274.12(h)(3), January 1, 2007

⁵⁸ Title 7 C.F.R. 272.4 (c) (1), January 1, 2007

⁵⁹ Title 7 C.F.R. 272.4(c)(2), January 1, 2007

prevent caseworkers from having access to both eligibility and card issuance duties.

At the two large county offices we visited, the officials responsible did not consistently follow card security procedures. Weak controls over un-issued EBT cards could lead to benefits being issued to ineligible persons. The officials informed us that they did not believe that their operating practices posed a risk of loss to FSP benefits.

- The bulk supply of un-issued cards in both Adams and Jefferson counties was accessible to employees who had no bulk inventory duties.
- In Jefferson County, a worker, who closed the card issuance activities at the end of the workday, stored the day's supplies in the safe with the county's bulk EBT card inventory. This worker was not responsible for bulk inventory duties. In addition, Jefferson County officials did not perform weekly audits of blank EBT cards as mandated by the State because the county accounting staff only audited cash equivalents (bus tokens, gas vouchers, etc.) A county official said that the State did not take exception to this practice when they did their previous management review.
- In Adams County, we found a variety of card security weaknesses. Business office workers who had no EBT card issuance duties stored their supplies in the safe that contained un-issued EBT cards and they had unsupervised access to the cards. There was no second-party review of the monthly report on the bulk card inventory and no one reconciled the reported monthly bulk card inventory to the actual count of un-issued EBT cards. The official responsible for the bulk inventory of blank EBT cards also issued EBT cards to clients. County workers destroyed damaged EBT cards monthly instead of daily as instructed by the State agency. EBT card issuers had access to bags of un-issued cards that were assigned to other EBT card issuers, and had access to keys that unlocked the bags. Card issuers routinely distributed replacement cards although there was no evidence that authorization was obtained.

During the April 2007 National EBT Conference, the Director of CDHS' Office of Performance Improvement Audit Division advocated EBT card controls to prevent internal employee fraud. The first control offered was "the absolute segregation of duties between those who can authorize benefits and those who issue EBT cards."

Recommendation 18

Require CDHS to rescind the State waivers that allowed county eligibility workers to issue EBT cards.

Agency Response

FNS concurs with Recommendation No. 18.

OIG Position

To achieve management decision, FNS needs to provide the date that CDHS expects to rescind the State waivers that allowed county eligibility workers to issue EBT cards.

Recommendation 19

Require CDHS to develop and implement a process for issuing EBT cards while maintaining proper segregation of duties when the county does not have a second worker on duty to issue the cards.

Agency Response

FNS concurs with Recommendation No. 19.

OIG Position

To achieve management decision, FNS needs to provide a description of CDHS' action plan and the proposed completion dates to develop and implement a process for issuing EBT cards while maintaining proper segregation of duties when the county does not have a second worker on duty to issue the cards.

Recommendation 20

Require CDHS to develop and implement an action plan with specific milestone dates for strengthening requirements regarding the security of un-issued EBT cards and ensuring the requirements are followed.

Agency Response

FNS concurs with Recommendation No. 20.

OIG Position

To achieve management decision, FNS needs to provide a description of CDHS' action plan and the proposed completion date for CDHS to strengthen requirements regarding the security of un-issued EBT cards and ensure the requirements are followed.

Scope and Methodology

We selected EBT operations in Colorado for review because FNS MPRO officials brought to our attention the multimillion dollar discrepancies that FNS identified as a result of the failures of CBMS to operate properly. As part of our multi-year review to evaluate EBT operations for FNS' FSP, we have issued a report on FNS National Office oversight of EBT operations (Audit Report No. 27099-66-Hy, issued September 2006). We have also issued a report on JPM's oversight of EBT operations (Audit Report No. 27099-69-Hy, issued September 2007).

At FNS MPRO, we determined the adequacy of its oversight of Colorado's EBT system. We performed fieldwork at the Colorado State Agency, CDHS, and at Jefferson County's Human Services Department, as well as Adams County's Social Services Department. We judgmentally selected these counties because of the high amount of recipients involved in the FSP. We audited the State's controls over the EBT system and the accuracy of EBT benefits being delivered. We also visited retailers with an OIG investigator, based upon judgmental selection of suspicious EBT transactions. The audit did not include State agency certification of recipients for FSP benefits or FNS Field office retailer approval functions.

At the entrance conference, we asked CDHS and FNS MPRO officials whether they had any concerns about operational areas that we could further review during the audit. FNS MPRO informed us that our audit would duplicate work they planned to perform in their FY 2006 Financial Management Review (FMR) related to EBT reconciliations. Therefore, we deferred the reconciliation work to FNS. FNS MPRO performed the FMR because CDHS had not performed required daily and monthly reconciliations of the EBT system for FY 2006. However, CDHS improved its reconciliation procedures throughout our audit with assistance provided by FNS MPRO.

We reviewed the compliance of the following areas with applicable Federal and State regulations and the EBT processor's contract with the State:

- EBT system security,
- Integrity of EBT benefits being delivered to recipients
- FNS MPRO oversight of CDHS, and
- CDHS management of its EBT system.

We conducted interviews and reviewed documents pertaining to:

- FNS MPRO's roles in the oversight of Colorado's EBT system,
- CDHS' management of their EBT system,
- Suspicious transactions on EBT management reports,
- EBT system security at Colorado counties,

- Prior audits and reviews.

We performed audit fieldwork and analyses from August 2006 to June 2007. We suspended fieldwork in June 2007 because of other high-priority, Congressionally-requested work. We resumed fieldwork in December 2007 and finished in January 2008. We conducted this performance audit in accordance with *Generally Accepted Government Auditing Standards*. Those standards require that we plan and perform the 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 a reasonable basis for our findings and conclusions based on our audit objectives.

Exhibit A – Summary of Monetary Results

Exhibit A – Page 1 of 1

RECOMMENDATION NUMBER	DESCRIPTION	AMOUNT	CATEGORY
3	Claims that have been established on erroneous issuances but have not yet been collected.	\$18,708	Questioned Costs, Recovery Recommended
4	Duplicate payments identified in OIG sample.	\$83,379	Questioned Costs, Recovery Recommended

Total \$102,087⁶⁰

⁶⁰ CDHS collected \$3,751 in erroneous issuances. This amount added to the questioned costs above equals the nearly \$106,000 of potential over-issuances noted in this report.

Exhibit B – Agency Response

Exhibit B – Page 1 of 4



United States
Department of
Agriculture

Food and
Nutrition
Service

Mountain
Plains
Region

1244 Speer Boulevard, Suite 903
Denver, Colorado 80204-3585

Reply to
Attn. of: 27099-68-Hy

MAY 29 2008

Subject: Electronic Benefits Transfer System – State of Colorado

To: Gil H. Harden
Regional Inspector General for Audit
USDA Office of Inspector General
5601 Sunnyside Avenue 2-2230
Beltsville, Maryland 20705

We have received the Official Draft for Report No. 27099-68-Hy, Electronic Benefits Transfer System, State of Colorado. Our response to each recommendation can be found below.

Recommendation No. 1: “FNS should initiate actions to suspend or disallow administrative funds if the State agency does not correct the deficiencies noted in this report within established timeframes.”

FNS Response: FNS concurs with Recommendation No. 1. FNS will work with the State agency to establish realistic time frames to correct the deficiencies noted in the report, subject to subsequent time frame revisions approved by FNS.

Recommendation No. 2: “Require CDHS to develop and implement an action plan with specific milestone dates for ensuring that errors in CBMS are corrected. This should include detailed items on working with its contractor to ensure all CBMS processing issues are timely resolved.”

FNS Response: FNS concurs with Recommendation No. 2. On December 31, 2007, the State of Colorado submitted a comprehensive corrective action plan with specific milestone dates to FNS that provided a detailed list of system improvements completed as well as those scheduled for implementation. This plan was reviewed and approved by FNS on February 20, 2008. To date, the majority of these system improvements, including determining the correct potential claim amount following the 10-10-11 Rule, have been implemented.

Recommendation No. 3: “Require CDHS to repay FNS MPRO the \$18,708 in erroneous benefit issuances identified.”

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FNS Response: FNS is in the process of examining the erroneous benefit issuances identified by OIG auditors to ensure that the issuances have not already been included in the FY2005 or FY2006 billing that FNS has sent to CDHS. FNS will require CDHS to repay FNS MPRO any of the erroneous benefit issuances identified by OIG auditors for which CDHS has not already been billed.

Recommendation No. 4: "Work with CDHS to research the 591 duplicate issuances totaling \$83,379 to determine the party responsible for any over-issuances. CDHS should pursue collection on any over-issuances from recipients not covered by the court order. If the over-issuance was covered by the court order, FNS should collect the amount of the over-issuance from CDHS."

FNS Response: FNS is in the process of examining the 591 duplicate issuances identified by OIG auditors to ensure that the issuances have not already been included in the FY 2005 or FY 2006 billing that FNS has sent to CDHS. FNS will require CDHS to repay FNS MPRO any of the 591 duplicate benefit issuances identified by OIG auditors that CDHS is responsible to repay to FNS MPRO, and for which CDHS has not already been billed. FNS will also advise the State to establish recipient claims for any of the 591 duplicate issuances which are valid claims and are not covered by the court order.

Recommendation No. 5: "Perform data analysis, similar to the FY 2005 analysis, for FY 2007, if the FY 2006 analysis discloses a significant amount of over-issuances. If the analysis shows further over-issuances, FNS should pursue collection from the State for these errors."

FNS Response: FNS concurs with Recommendation No. 5.

Recommendation No. 6: "Require CDHS to develop and implement an action plan with specific milestone dates to have CBMS establish only valid claims."

FNS Response: FNS concurs with Recommendation No. 6. Please note, however, that CDHS establishes claims, not CBMS.

Recommendation No.7: "Direct CDHS to develop and implement internal control procedures that require routine oversight of EBT system activities for food stamps. The controls should include the assignment of responsibilities to State and county staff for periodic review and analysis of management reports to detect and follow-up on suspicious and unusual food stamp transactions."

FNS Response: FNS concurs with Recommendation No. 7.

Recommendation No. 8: "Require that CDHS establish fraud detection unit(s) to detect, investigate, and assist in the prosecution of recipient FSP trafficking; and periodically report results of their activities to FNS' MPRO."

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FNS Response: FNS concurs with Recommendation No. 8.

Recommendation No. 9: "Work with CDHS to reach an agreement on how fraud detection unit(s) can best use the EBT data now available to identify, investigate, and disqualify recipients involved in trafficking."

FNS Response: FNS concurs with Recommendation No. 9.

Recommendation No. 10: "Establish an action plan with specific milestone dates to periodically perform a review to assess CDHS' compliance with Federal food stamp requirements for fraud detection and initiate corrective actions for any deficiencies identified."

FNS Response: FNS concurs with Recommendation No. 10.

Recommendation No. 11: "Require CDHS to ensure that CBMS produces a tool to accurately verify the EBT processor billing amounts during the invoice reconciliation process."

FNS Response: FNS concurs with Recommendation No. 11.

Recommendation No. 12: "Require CDHS to verify invoices from the EBT processor from the time of CBMS implementation in September 2004, to the present, as well as all future invoices."

FNS Response: FNS concurs with Recommendation No. 12.

Recommendation No. 13: "Require CDHS to ensure the use of a separate account code for EBT card replacement fees collected by County offices or require the EBT processor to issue replacement cards. If Colorado eliminates the fee Statewide, require CDHS to develop and implement procedures to monitor excessive EBT card replacements."

FNS Response: FNS concurs with Recommendation No. 13.

Recommendation No. 14: "Require CDHS to develop and implement standards and procedures to monitor and follow up on EBT card replacements."

FNS Response: FNS concurs with Recommendation No. 14.

Recommendation No. 15: "Require CDHS to determine the amount of annual EBT replacement card revenues from county offices and implement a system to reduce administrative costs to reflect the collections."

FNS Response: FNS concurs with Recommendation No. 15.

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Recommendation No. 16: "Require CDHS to develop and implement an action plan with specific milestone dates for ensuring that established requirements regarding EBT system access are followed. The plan should include use of system monitoring reports, including the Inactive User's Report."

FNS Response: FNS concurs with Recommendation No. 16.

Recommendation No. 17: "Require CDHS officials to work with their EBT processor to delete logon IDs and passwords when EBT system users terminate employment."

FNS Response: FNS concurs with Recommendation No. 17.

Recommendation No. 18: "Require CDHS to rescind the State waivers that allowed county eligibility workers to issue EBT cards."

FNS Response: FNS concurs with Recommendation No. 18.

Recommendation No. 19: "Require CDHS to develop and implement a process for issuing EBT cards while maintaining proper segregation of duties when the county does not have a second worker on duty to issue the cards."

FNS Response: FNS concurs with Recommendation No. 19.

Recommendation No. 20: "Require CDHS to develop and implement an action plan with specific milestone dates for strengthening requirements regarding the security of un-issued EBT cards and ensuring the requirements are followed."

FNS Response: FNS concurs with Recommendation No. 20.


for DARLENE L. BARNES
Regional Administrator

cc: Ralph King, Acting Regional Director, Financial Management, MPRO
Jody Cornwell, Regional Director, Food Stamp Program, MPRO