

LEGISLATIVE PERFORMANCE AUDIT AND OVERSIGHT COMMITTEE

MINUTES

February 22, 2013

The Legislative Performance Audit and Oversight Committee met on Friday, February 22, 2013 at 1:30 PM in Room 212 of the Legislative Office Building.

Members in attendance were as follows:

Rep. Lucy Weber (Chair)
Rep. Carol McGuire
Rep. Lynne Ober
Rep. Raymond Gagnon
Rep. Laurie Harding
Sen. President Peter Bragdon
Sen. John Reagan

The meeting convened at 1:30 PM.

ACCEPTANCE OF MINUTES:

On a motion by Senator Bragdon, seconded by Senator Reagan, that the minutes of the October 2, 2012 meeting be accepted as written.

MOTION ADOPTED.

ORGANIZATION OF THE COMMITTEE

On a motion by Representative Harding, seconded by Representative Ober, that Representative Weber be Committee Chairman.

MOTION ADOPTED.

DISCUSSION OF ONGOING AND PENDING PERFORMANCE AUDITS:

Richard Mahoney, Audit Division Director, briefed the Committee and responded to questions regarding ongoing performance audits.

Mr. Mahoney informed the Committee the Juvenile Justice audit report had been completed. The report was anticipated to be presented to the joint Legislative Fiscal Committee at its March 8, 2012 meeting.

Mr. Mahoney also informed the Committee the Employees versus Contractors audit report had been completed. The report was anticipated to be presented to the joint Legislative Fiscal Committee at its March 8, 2012 meeting.

Mr. Mahoney informed the Committee of two audits currently in process. Those audits were the Department of Revenue Administration and the Division of Motor Vehicles. The scope for the Department of Revenue Administration audit had been amended and the Committee's approval of the scope statements for both audits was on today's agenda.

Mr. Mahoney also informed the Committee that the audit of the Controlled Drug Prescription Health and Safety program is anticipated to begin in the middle of 2014.

DISCUSSION AND APPROVAL OF SCOPE STATEMENT FOR 1) THE DEPARTMENT OF REVENUE ADMINISTRATION, UNCOLLECTED STATE TAXES AND 2) DIVISION OF MOTOR VEHICLES, CUSTOMER SERVICE:

Stephen Fox, Performance Audit Supervisor, Office of Legislative Budget Assistant, presented the proposed amended scope statement for the Department of Revenue Administration performance audit and responded to questions from the Committee.

On a motion by Senator Bragdon, seconded by Senator Reagan, that the proposed amended scope statement be approved.
MOTION ADOPTED.

Mr. Fox presented the proposed scope statement for the Division of Motor Vehicles audit and responded to questions from the Committee. The Committee recommended the audit be completed as quickly as possible in light of the many positive comments Committee members reported receiving about the Division.

On a motion by Representative Ober, seconded by Senator Bragdon, that the proposed scope statement be approved.
MOTION ADOPTED.

DISCUSSION OF POTENTIAL AUDIT TOPICS:

Representative Weber led the Committee in a discussion of potential performance audit topics. Mr. Mahoney proposed that six audit topics be approved. The Committee discussed several of the potential performance audit topics from the list developed by the Office of Legislative Budget Assistant, Audit Division. Other potential topics were also discussed briefly.

Without objection, the consensus of the Committee was that six audit topics be presented to the Fiscal Committee for its approval:

1. Department of Corrections, Division of Community Corrections
2. Department of Health and Human Services, Assisted Living and Nursing Facility Inspections
3. Department of Health and Human Services, Electronic Benefit Transfer Cards
4. Department of Resources and Economic Development, Economic Development Programs.
5. Police Standards and Training Council, the Council in Performance of its Charter.
6. Community Development Finance Authority, Program Results.

DATE OF NEXT MEETING AND ADJOURNMENT:

On a motion by Senator Bragdon, seconded by Senator Reagan, that the Committee be adjourned. MOTION ADOPTED.

Next meeting to be at the call of the Chairman.

Representative Weber adjourned the Committee at 3:22 PM.

Committee Chairman

**STATE OF NEW HAMPSHIRE
OFFICE OF LEGISLATIVE BUDGET ASSISTANT - AUDIT DIVISION**

**PROPOSED SCOPE STATEMENT
PERFORMANCE AUDIT OF THE DEPARTMENT OF HEALTH AND HUMAN SERVICES
ELECTRONIC BENEFITS TRANSFER**

Background

On February 22, 2013, the Legislative Performance Audit and Oversight Committee requested an audit of the Department of Health and Human Services (DHHS) electronic benefits transfer (EBT) card program. On March 8, 2013 the Fiscal Committee approved the recommendation. We held an entrance conference with the DHHS on April 11, 2013.

Traditionally, states disbursed cash and food assistance benefits through paper checks or coupons. In 1988, the federal government began testing automated or electronic benefits transfer (EBT) cards for the U.S. Department of Agriculture's (USDA) Supplemental Nutrition Assistance Program (Food Stamps), with the goal of improving efficiency and effectiveness of the program both administratively and for recipients. In 1996, the federal government required all states to implement an EBT system for Food Stamps before October 1, 2002. EBT was expected to generate such significant cost savings for the Food Stamp Program it prompted states to use EBT cards to distribute other benefits (e.g., Special Supplemental Nutrition Program for Women, Infants, and Children; and Financial Assistance to Needy Families, also known as Temporary Assistance to Needy Families) utilizing the same infrastructure. Each state, and in some cases cooperatives of states, contract with third-party providers to maintain an EBT system.

Through the EBT system, funds are disbursed on cards which can be used to deliver multiple benefits (i.e., Food Stamp and cash assistance) using a single card. The cards are similar to traditional debit or credit cards except there is no line of credit and recipients cannot exceed the approved benefit amount.

Benefit Disbursement Methods

The DHHS Division of Family Assistance (DFA) uses EBT cards as the sole method of disbursing Food Stamp benefits; however, cash assistance program recipients may choose to have their benefits issued via an EBT card, deposited directly into their own bank account through an electronic funds transfer (EFT), or via a paper check.

According to DFA management, advantages exist for issuing cash assistance through both EBT and EFT. In addition to positive impacts of EBT cards identified by the federal government, EBT also allows the DFA to recover unused funds if the account is inactive for a specific period of time. The DFA reports this amounts to approximately \$130,000 per year, which covers the contract cost to deliver the benefits through EFT. Additionally, EBT allows for an electronic record of transactions.

EFT does not allow for recovery of unspent funds or transaction records as the money is deposited directly into a private bank account. Additionally, EFT is labor intensive as it requires maintaining accounts and routing numbers, which is not required for EBT transactions.

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However, EFT has lower monthly costs for the DFA (free for an EFT, versus approximately \$.75 per month for an EBT) and fewer transaction fees for the recipients.

In March 2013, the DFA disbursed benefits through over 61,000 active EBT cards.

Cash Assistance Programs

The DFA provides cash assistance through Financial Assistance to Needy Families (FANF) (known at the federal level as Temporary Assistance to Needy Families or TANF), Old Age Assistance, Aid to the Permanently and Totally Disabled, Aid to the Needy Blind, and Refugee Cash Assistance. Cash assistance provided through EBT may be used at most retailers statewide and, unlike food stamps, may be accessed at an automated teller machine (ATM) or through cash back at a point of sale terminal. Benefits are transferred into recipients' accounts twice per month. In March 2013, the DFA issued almost \$3.2 million in cash assistance, \$2.4 million of which (75 percent) was through EBT. Neither State laws nor Administrative Rules restrict how cash assistance can be used.

Financial Assistance To Needy Families (FANF)

FANF provides cash assistance to needy families with dependent children through the Family Assistance Program, the New Hampshire Employment Program, Families with Older Children, and Interim Disabled Parents. To be eligible for FANF, dependent children must lack parental support due to absence or disability and all able-bodied adults in the household must participate in a mandatory work program. Eligibility and benefit levels depend on the family's income, resources, and living arrangements; for instance, a family of four would qualify for a maximum benefit of \$738 monthly. In March 2013, the DFA issued approximately \$1.5 million to 3,035 recipients via EBT and another \$340,000 to 675 recipients via electronic funds transfer.

State Supplemental Programs (SSP)

The SSP encompass Old Age Assistance, Aid to the Permanently and Totally Disabled, and Aid to the Needy Blind. These funds support elderly adults living in poverty and physically disabled, mentally disabled, or legally blind individuals of any age. Eligibility and benefit amounts for these cash assistance programs depend upon the individual and spouse's income, resources, and living arrangements. During March 2013, the DFA issued a total of \$1.3 million in SSP cash assistance to 9,487 recipients, 70 percent of which was issued through EBT. Maximum benefits for one person under the SSP are \$724 monthly and \$1,067 for a couple.

Refugee Cash Assistance

Refugee cash assistance supports refugees (individuals or families) during their initial resettlement period in New Hampshire. Recipients must not be able to qualify for any other aid

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program to be eligible. In March 2013, the DFA issued \$25,300 to 35 individuals and families, 99 percent of which was issued through EBT.

Audit Scope

Our audit will focus on cash assistance programs: Financial Assistance to Needy Families, Old Age Assistance, Aid to the Permanently and Totally Disabled, and Aid to the Needy Blind. The audit will not include the Food Stamp Program as it is funded principally by the USDA. The audit period will encompass SFY 2013 through March 31, 2013 and will attempt to answer the following question: *Are cash assistance benefits provided through electronic benefits transfers effective in achieving the programs' objectives?* Specifically, we will address:

1. *Has the State implemented restrictions on the use of cash assistance consistent with program objectives?*
2. *How does the DHHS monitor recipients to ensure EBT card use is consistent with program objectives?*
3. *Is the DHHS effectively educating and communicating program goals and expectations to recipients of cash assistance?*
4. *Do transaction and other associated fees inhibit the effectiveness of EBT cards?*
5. *Are EBT cards a more effective, efficient, and economical method to administer cash assistance than electronic fund transfers or electronic purchasing cards?*

To answer these questions, we plan to:

- review DFA policies, procedures, and practices related to EBT administration and delivery;
- review State and federal guidelines regarding cash assistance programs;
- interview DFA staff and management regarding EBT administration, program benefits, and program objectives;
- analyze EBT activity data and quantify types and location of transactions, as well as transaction and other associated fees;
- review cash assistance programs' objectives and determine whether EBT activities are aligned with program objectives;
- review DFA education and monitoring efforts;
- review state, federal, and other reports to determine benefits and drawbacks to a cashless benefit transfer system;
- review other states' EBT practices; and
- other procedures as we find necessary.

As proposed, this audit would be completed in August 2013.