

**STATE OF NEW HAMPSHIRE
DIVISION OF FAMILY ASSISTANCE
ELECTRONIC BENEFITS TRANSFER CARDS**

**PERFORMANCE AUDIT REPORT
SEPTEMBER 2013**

To The Fiscal Committee Of The General Court:

We conducted a performance audit of electronic benefit transfer cards at the Department of Health and Human Services, Division of Family Assistance (DFA), to address the recommendation made to you by the joint Legislative Performance Audit and Oversight Committee. We conducted the audit in accordance with generally accepted government auditing standards. Those standards require we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions. The evidence we obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The purpose of the audit was to address the efficiency and effectiveness of electronic benefit transfer cards in achieving the objectives of the DFA's cash assistance programs.

Office of Legislative Budget Assistant

Office Of Legislative Budget Assistant

September 2013

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ABBREVIATIONS

AFDC	Aid To Families With Dependent Children
ANB	Aid To The Needy Blind
APTD	Aid To The Permanently And Totally Disabled
ATM	Automated Teller Machine
DCS	Division Of Client Services
DFA	Division Of Family Assistance
DHHS	Department Of Health And Human Services
EBT	Electronic Benefits Transfer
EFT	Electronic Funds Transfer
EPC	Electronic Payment Card
FANF	Financial Assistance For Needy Families
FAP	Family Assistance Program
FWOC	Families With Older Children
FSS	Family Service Specialist
G&C	Governor And Council
IDP	Interim Disabled Parent
LBA	Office Of Legislative Budget Assistant
MOE	Maintenance Of Effort
MOU	Memorandum Of Understanding
NHEP	New Hampshire Employment Program
OAA	Old Age Assistance
PIN	Personal Identification Number
POS	Point Of Sale
SFY	State Fiscal Year
SNAP	Supplemental Nutrition Assistance Program
SSDI	Social Security Disability Insurance
SSI	Supplemental Security Income
SSP	State Supplemental Programs
TANF	Temporary Assistance For Needy Families
UPC	Universal Product Code

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EXECUTIVE SUMMARY

The Division of Family Assistance (DFA) within the Department of Health and Human Services (DHHS) is responsible for administering cash assistance programs available to low income individuals and families through the State Supplemental Programs (consisting of Old Age Assistance, Aid to the Permanently and Totally Disabled, and Aid to the Needy Blind), Temporary Assistance for Needy Families (TANF) (known in New Hampshire as Financial Assistance for Needy Families), and Refugee Cash Assistance. These benefits are separate from, and in addition to, Food Stamp benefits that may also be provided to low income individuals and families.

To administer these programs during the audit period, which covered the first nine months of State fiscal year 2013, the DFA provided cash assistance benefits by check, through electronic funds transfers (EFT) into a bank account, or through electronic benefits transfer (EBT) cards, magnetically encoded payment cards similar in design to a debit card which were the focus of our audit. If a cash assistance recipient also receives Food Stamps (officially known as the Supplemental Nutrition Assistance Program or SNAP), these benefits would be put onto the same card. However, the benefits designated for Food Stamps are subject to federal restrictions, but those restrictions do not apply to the cash assistance benefits on that card.

Unlike Food Stamps which are subject to significant federal restrictions, we found neither State law nor the DFA clearly defined the objectives of the cash assistance programs or the specific types of items for which the assistance was intended to be used. Program objectives are very broadly stated in statutes and the DFA's administrative rules are also very broad regarding the objectives of the programs; neither contain any guidance or restrictions as to use of the cash assistance. During the 2013 Legislative session, restrictions prohibiting recipients from conducting EBT transactions, or using funds obtained from their EBT cards, at certain establishments were enacted into law. However, we found these restrictions will likely be largely ineffective and difficult to enforce.

The DFA's monitoring options are limited based on the technology in use to administer the EBT card program. While DFA personnel can monitor *where* recipients conduct EBT transactions, there is no technology in use to monitor *what* recipients purchase, making it difficult to determine whether funds are used consistent with program objectives. To further exacerbate the monitoring problem, 78 percent of all EBT transactions occurred as cash withdrawals at an automated teller machine, further hindering the DFA's ability to monitor how recipients spend their cash assistance.

While we found EBT cards are a cost-effective way to distribute cash assistance to recipients, other options exist to administer cash assistance including EFT and electronic payment cards, each with its own unique strengths and drawbacks. While this report discusses the major advantages and drawbacks of each method, the DHHS and Legislature must determine which features are most important in light of clearly defined objectives which are needed for each of the cash assistance programs.

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RECOMMENDATION SUMMARY

Observation Number	Page	Legislative Action Required?	Recommendation	Agency Response
1	19	Y	The Legislature may wish to consider clearly outlining the goals of cash assistance in statute and the DFA should adopt administrative rules for restrictions on the use of cash assistance and align them with State law.	Concur
2	20	Y	The Legislature may wish to consider whether there should be further restrictions on the use of cash assistance, and whether restrictions should be placed on all cash assistance, not just EBT.	Concur
3	21	N	Develop a process to ensure cash assistance recipients are informed of the intended use, and restrictions on the use, of cash assistance and potential penalties for violations; and consider requiring recipients to sign an acknowledgement. Ensure retailers are informed of restrictions and penalties.	Concur
4	22	N	Conduct a formal assessment to determine which reports and processes are most relevant to mitigate program risk. Ensure the EBT card monitoring processes are completed timely.	Concur
5	32	N	Evaluate additional benefits that could be administered via EBT or EFT.	Concur
6	35	N	Improve management efforts to ensure procedures are readily accessible, and develop methods for consistently communicating procedures to staff.	Concur
7	36	N	Have the EBT vendor mail cards directly to recipients and develop alternate processes for confirming cards are received by district offices.	Concur In Part
8	37	N	Review the relevance of the MOU with Vermont, and develop and document the disaster recovery process.	Concur

Recommendation Summary

Observation Number	Page	Legislative Action Required?	Recommendation	Agency Response
9	39	N	Improve management of New Heights and Edge user access and permissions. Establish and document user access controls in policy and procedure.	Concur
10	41	N	Ensure re-opened cash assistance cases are not linked to outdated information.	Concur

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BACKGROUND

The Division of Family Assistance (DFA) within the Department of Health and Human Services (DHHS) administers cash assistance through three programs: State Supplemental Programs (SSP), Temporary Assistance for Needy Families (TANF) (known in New Hampshire as Financial Assistance for Needy Families), and Refugee Cash Assistance. Within each of these programs are several categories of assistance. While the programs serve different populations, all programs are intended to serve low income individuals and families. Food Stamps are not considered a cash assistance program, but the DFA also administers these benefits.

State Supplemental Programs

SSP are federally mandated and must follow certain federal requirements. SSP are funded with State dollars (no federal money) and include three benefit categories for low income individuals: Old Age Assistance (OAA), Aid to the Permanently and Totally Disabled (APTD), and Aid to the Needy Blind (ANB). OAA serves adults over age 65, APTD serves adults between 18 and 64 with a disability expected to last four years or longer, and ANB is for the blind. According to RSA 167:4, assistance is granted to eligible individuals who do not have “sufficient income or other resources to provide a reasonable subsistence compatible with decency and health...”

SSP grew out of federal social welfare programs that began in the 1930s in response to the Great Depression. The Social Security Act, passed in 1935, created means-tested federal grants to the states for Old Age Assistance and Aid to the Needy Blind. In 1950, Congress amended the Social Security Act to include Aid to the Permanently and Totally Disabled. In 1972, the disparate State-administered cash assistance programs were replaced with federal Supplemental Security Income (SSI); however, the Act stipulated states would continue benefits to individuals whose federal benefits were now lower than their state benefits had been prior to the change. In 1988, the federal government passed a law essentially making SSP mandatory by declaring states opting not to maintain SSP programs at a certain funding level would lose their federal Medicaid match.

While SSP is State-funded, the DHHS has attempted to leverage federal programs in order to decrease the cost of the SSP to the State. State law passed in 2011 required individuals to apply for federal benefits in order to be eligible for State APTD assistance. According to data provided by the DHHS, as of March 12, 2013, only 351 of 7,884 APTD recipients (4.5 percent) were not receiving SSI or Social Security Disability Insurance (SSDI), and 177 of 1,739 ANB or OAA recipients (10.2 percent) were not receiving SSI or SSDI. As shown in Table 1 below, the average SSP benefit to recipients with federal SSI benefits is significantly lower than those without SSI, as the federal benefit can be included in the income calculation when determining eligibility and benefit level.

Federal law specifically requires the federal SSI payments to be “as protective of people’s dignity as possible” and “[N]o restrictions, implied or otherwise, are placed on how recipients spend the Federal payments.” However, this law does not apply to SSP assistance, as SSP

includes no federal dollars. However, federal law requires any SSP benefit be readily convertible to cash.

Table 1

Average SSP Benefit To Those Receiving Federal Benefits Compared To Those Not Receiving Federal Benefits, March 2013

Assistance Category	Average Monthly SSP Benefit When Receiving Federal Benefit	Average Monthly SSP Benefit When Not Receiving Federal Benefit
ANB	\$123.54	\$317.02
APTD	\$92.75	\$279.39
OAA	\$74.82	\$287.37

Source: LBA analysis of DHHS New Heights computer system data for DFA.

Temporary Assistance To Needy Families Program

Prior to 1996, needy families received entitlements through Aid to Families with Dependent Children (AFDC). In 1996, the federal government passed the Personal Responsibility and Work Opportunity Reconciliations Act which replaced AFDC, the Job Opportunities and Basic Skills Program, and Emergency Assistance programs with Temporary Assistance to Needy Families (TANF). Instead of being a federally-mandated program, TANF is issued as a block grant providing states substantial flexibility in implementation, although certain requirements must be met in order to continue receiving federal funds.

In New Hampshire, the TANF program is called Financial Assistance to Needy Families (FANF) and provides cash assistance to needy families with dependent children through the Family Assistance Program (FAP), the New Hampshire Employment Program (NHEP), Families with Older Children (FWOC), and Interim Disabled Parent (IDP) programs. Cash assistance is one part of FANF, which also provides job training, emergency assistance, child care assistance, and the Nutritional Supplement for Working Families. Eligibility and benefit levels depend on the family's income, resources, and living arrangements. These programs are intended to be time-limited to 60 months of benefits over a recipient's lifetime, with extensions possible.

Federal law allows states to exempt cases in which the recipient is a minor child with no adult in the household receiving assistance. These cases are served by FAP and are generally minor children living with an adult relative or caretaker who is not on public assistance. TANF also allows hardship extensions in cases where the head of household was "battered or subjected to extreme cruelty." However, federal law caps the number of these hardship extensions at 20 percent of the State's average monthly caseload. These two categories may continue to be funded with federal TANF dollars and New Hampshire allows extensions for both these assistance groups.

States may impose a shorter time limit but are also given flexibility to expand assistance beyond the limit by using state funds to pay for assistance beyond 60 months. RSA 167:85, IV states “[a]n extension beyond the federal limitation may be granted if deemed necessary in order to provide for successful transition to employment and long term economic independence.” In its TANF State Plan, New Hampshire has opted to expand assistance beyond the 60-month limit to certain categories of recipients including automatic extensions for households in which a minor child lives with a disabled parent (or parents) who is unable to work, as long as the family continues to meet the eligibility criteria. Families may also receive hardship extensions under other criteria such as lack of childcare, loss of employment, or medical conditions. Any NHEP recipient fully in compliance with program requirements and working at least 30 hours per week can also apply for a hardship extension for six months at a time.

According to the Division Director, virtually every TANF recipient who is on the program for 60 months or more is either an able-bodied parent meeting the work participation requirement or disabled and exempted from the work requirements, and either of these cases would qualify for an extension. Able-bodied parents not meeting work requirements can be sanctioned off TANF and would not qualify for a hardship extension. In 2010, New Hampshire’s work participation rate was among the highest in the country and was the highest of the six New England states.

While we did not determine the specific reasons for which these cases were granted extensions due to the focus of our audit, we found 79 percent of cases (188 of 237) reaching 61 months or more on TANF during the audit period had received at least one extension, while one percent (three of 237) were denied. As of March 2013, the number of cases on hardship extensions had dropped to 128 with an additional 48 cases pending approval of their extension request. By July 2013, 63 of the 3,652 TANF cases were on hardship extension. These cases may include minor children living with no parent in the household (a category for which the federal government allows an automatic exemption), persons who have been battered or subjected to extreme cruelty, and cases where extenuating circumstance have created other hardships.

TANF is funded by a mix of approximately 60 percent federal funds and 40 percent State funds. The block grant for New Hampshire equates to approximately \$38.5 million in federal funds and has been consistent since at least State fiscal year 1997. The portion of the grant used for cash assistance programs varies from year to year, but equated to approximately 28 percent in 2011 and 24 percent in 2012. The grant requires maintenance of effort (MOE) by the participating state and requires certain criteria, such as work participation rates, to be met. Table 2 summarizes the purpose of, and funding sources for, the TANF cash assistance.

While TANF does not account for as many cases as SSP (see Table 3), it accounted for the largest portion of cash assistance expenditures during the nine-month audit period. The average TANF monthly benefit for all household sizes was \$490.

Table 2

TANF Cash Assistance Summary

TANF Category	Purpose	Funding
NHEP	Serves needy children deprived of parental support or care where the child lives with an <i>able-bodied</i> parent or specified relative. This category contains specific work requirements for the parent.	Federal and state funding
FAP	Serves needy children deprived of parental support or care where the child lives with a <i>non-able-bodied</i> relative or caretaker. The majority of cases in this category are children living in a household without a biological parent.	Federal and state funding
IDP	Serves children in single or two-parent families in which one or both of the parents are temporarily incapacitated.	State funded, used to meet MOE requirement
FWOC	Serves working families whose children are at least 19, but under 20, and currently enrolled in secondary education.	State funded, used to meet MOE requirement

Source: LBA analysis of state laws and DHHS information.

According to the DFA, the average length of TANF benefits in New Hampshire was 18.7 months. Forty-nine percent of recipients who left TANF earning wages in State fiscal year 2012 returned to the program within 12 months; 29 percent returned in SFY 2007, and 34 percent returned in SFY 2008, prior to the decline in the economy.

Refugee Cash Assistance

Refugee cash assistance is a federally-funded cash assistance program distributed through the DHHS Office of Minority Health, Refugee Affairs for individuals or families in allowable refugee status with the U.S. State Department. It is available only after eligibility has been reviewed for all other cash assistance programs in DFA. The benefit is available for a time-limited eight months from date of entry. There are two categories of assistance: Refugee Cash Assistance Adult and Refugee Cash Assistance Family.

Refugee cash assistance accounted for just one percent of the overall cash assistance expenditures during the audit period (see Table 3).

Table 3

**Cash Assistance Expenditures And Caseloads^a
July 2012 Through March 2013**

Program/Category	Recipient Cash Assistance	March 2013 Caseload^b
Temporary Assistance To Needy Families		
Family Assistance Program	\$ 5,859,418	1,316
NH Employment Program	8,722,607	2,008
Families With Older Children	40,189	14
Interim Disabled Parent	1,867,720	372
Total TANF	\$ 16,489,934^c	3,710^c
State Supplemental Programs		
Old Age Assistance	\$ 2,100,905	1,470
Aid To The Needy Blind	239,776	156
Aid To The Permanently And Totally Disabled	6,552,676	7,862
Total SSP	\$ 8,893,357	9,488
Other Cash Assistance Programs		
Refugee Cash Assistance	194,687	53
Total All Cash Assistance	\$ 25,577,978	13,251
Notes:		
^a Includes benefits issued via EBT, EFT, and paper checks.		
^b Caseloads reflect the average daily caseload for March 2013.		
^c Excludes 2,193 families participating in the State's Nutritional Supplement for Working Families program, an incentive program for working families with children who receive Food Stamps but do not qualify for cash assistance. However, the benefits are restricted to food purchases at federally authorized retailers.		
Source: LBA analysis of DFA data.		

Benefit Distribution

During the audit period, the DFA distributed cash assistance to recipients in three ways: electronic benefit transfer (EBT) cards, electronic funds transfer (EFT) into a recipient's bank account, and paper checks. EBT cards are magnetically encoded payment cards similar in design to a debit card. In June 2013, the DFA stopped issuing paper checks to distribute cash assistance.

EBT Cards

The State originally implemented EBT cards in 1997 in response to federal requirements that all Food Stamp benefits (now called the Supplemental Nutrition Assistance Program or SNAP at the federal level) be administered via EBT before October 1, 2002. EBT implementation was expected to improve efficiency and generate such significant cost savings that it prompted states

to distribute other benefits (such as TANF, unemployment insurance, and SSP) through EBT cards.

Recipients' EBT cards are funded with benefits which can be used to access cash assistance through a point of sale (POS) machine to make a purchase or receive cash back, or at an automated teller machine (ATM) to withdraw cash. While retailers that accept EBT cards for Food Stamp purchases must be approved by the federal government, any retailer, with the exception of liquor stores, gambling establishments, and adult entertainment establishments, may choose to accept EBT as a form of payment for recipients on cash assistance. The State does not approve which retailers may accept EBT cards. Retailers choosing to accept EBT cards as a form of payment must have a POS machine with the ability to read the EBT card's magnetic strip. Large retailers generally use third-party POS machines with options for credit, debit, or EBT transactions. Small federally-authorized Food Stamp retailers that do not accept debit or credit cards but that will conduct at least \$100 in EBT transactions monthly, can borrow an EBT-only POS machine from the EBT vendor free of charge through the State. Recipients must complete transactions using their personal identification number.

The DFA also uses EBT cards for Food Stamps. However, Food Stamps cannot be used to obtain cash at a POS or ATM; instead, they are restricted to only food purchases at a federally approved retailer. EBT cards manage Food Stamp and cash assistance benefits separately due to distinct differences in the programs. Table 4 details differences between Food Stamps and cash assistance benefits.

During the audit period, the State's EBT card was administered through an EBT vendor and its subcontractors. The EBT vendor was responsible for customer service, issuing cards, producing reports, and processing the transactions. EBT cards as used for cash assistance are similar to traditional debit cards except there is no line of credit and recipients cannot exceed the approved benefit amount. The State is able to monitor where EBT card transactions are made; however, 78 percent of benefits are withdrawn as cash at ATMs. Although the transaction to withdraw cash can be reviewed, once the benefit is withdrawn in cash, its use cannot be effectively monitored.

Table 4

Differences Between Food Stamps And Cash Assistance Benefits

Descriptor	Food Stamp Benefit	Cash Assistance
Funding Source	100 percent federal	Mix of state and federal
Distribution Method	EBT Card only	EBT Card, EFT, or checks
Retailers	Must be federally approved	Any retailer choosing to accept EBT cards or cash (no approval or authorization required)
POS Transactions	Specifically designed to recognize Food Stamp transactions and restrict purchases to federally approved retailers	Any third-party POS machine or EBT-only retailer who has added EBT cards as an accepted transaction type
Restrictions	Significant restrictions on allowable, food-only items	No restrictions ^a
Can Be Withdrawn As Cash?	No, can only be used at POS terminal at approved retailers	Deposited into recipient's bank account as cash or EBT card benefits can be withdrawn in cash at POS terminal or ATM
<p>Note:</p> <p>^a The State is in the process of implementing restrictions on cash assistance administered through EBT cards and expects to be complete by January 1, 2014.</p> <p>Source: LBA analysis of federal regulations and State program guidelines.</p>		

Recipient EBT Transactions

During the audit period, cash assistance recipients receiving benefits on EBT cards expended more than \$23 million in benefits, 78 percent of which were cash withdrawals. Recipients completed nearly 48,000 EBT transactions per month, averaging approximately five transactions per recipient per month. Additionally, 72 percent of all transactions were completed within five days of when the benefit was issued.

During our visits to three district offices, we asked a non-statistical sample of 52 cash assistance recipients what they used their cash assistance for. Table 5 summarizes their responses.

Table 5

Cash Assistance Recipients' Self-Reported Use Of Cash Assistance^a

Cash Assistance Use	Total	Percent
Rent	28	54%
Utilities (phone, heat, electric)	24	46
Toiletries	19	37
Transportation (gas or taxis)	18	35
Food	17	33
Home Supplies (non-food)	17	33
Baby Supplies (formula, diapers, wipes)	16	31
Clothing	13	25
Medical (medicine, doctors, medical supplies)	13	25
Laundry (machines or detergent)	10	19
Childcare	8	15
Books, Magazines, or Movies	5	10
Toys	5	10
Non-alcoholic Drinks	3	6
Cigarettes	3	6
Other	3	6
Other Entertainment for Kids	2	4
Alcohol	1	2
Note: ^a Some recipients provided more than one response.		
Source: LBA analysis of survey of cash assistance recipients.		

Electronic Funds Transfer (EFT), Paper Checks, and Alternate Distribution Methods

EFT distributes the benefit directly into a recipient's bank account. Benefits distributed via EFT are cash and its use cannot be effectively monitored once the distribution is made. Paper checks were mailed to recipients who then cashed the check. As with EFT, paper checks are cashed or deposited into a recipient's account and there is no effective monitoring possible. Table 6 summarizes the percentage of benefits administered by each distribution method for the previous four State fiscal years.

Table 6**Percentage Of Cash Assistance By Distribution Method**

Year	Check	EBT	EFT
2010	2%	77%	21%
2011	2%	78%	20%
2012	2%	77%	21%
2013 ^a	1%	77%	22%

Notes: ^a 2013 includes data through April 9, 2013

Source: Analysis of DHHS New Heights computer system data for DFA.

The DFA has considered options such as electronic payment cards (EPC). EPCs are similar to EBT cards except they are branded by a commercial credit card company and, therefore, have some additional features and flexibility.

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RESTRICTIONS AND MONITORING OF EBT CASH ASSISTANCE

Has the State implemented restrictions on the use of cash assistance consistent with program objectives and how does the DHHS monitor recipients to ensure EBT card use is consistent with program objectives? Additionally, is the DHHS effectively educating and communicating program goals and expectations to recipients of cash assistance?

During the audit period, neither State law nor the Division of Family Assistance (DFA) defined specific objectives of cash assistance provided through Temporary Assistance for Needy Families (TANF), the State Supplemental Programs (SSP), or Refugee Cash Assistance. There were also no statutory or other restrictions to ensure recipients used their benefits consistent with the objectives of each cash assistance program. The lack of statutory or other restrictions made it difficult for the DFA to educate cash assistance recipients on the intended use of their benefits, as there were no formal policies to guide district office personnel and informal attempts to educate recipients were not consistent. While the DFA was able to review where electronic benefits transfer (EBT) card holders conducted transactions and to review that information for possible abuses, lack of specific transaction-level data prohibited it from monitoring the program to ensure funds were spent to meet program objectives.

Program Objectives

While the DFA's staff manuals state there are no restrictions on how recipients should use their funds and there were no formal restrictions in law or rules, the DFA attempted to provide some guidance on intended use of cash assistance based on community concerns and federal law passed in 2012. The State has done this through posters and communication with recipients by the Family Service Specialist (FSS) who meet with recipients at Department of Health and Human Service (DHHS) district offices throughout the State. Table 7 summarizes what the FSSs tell recipients the cash assistance is for based on 76 (76 of 129 FSS, a 59 percent response rate) respondents to our survey.

While no program objectives specific to cash assistance exist, broad objectives identified in State and federal law imply cash assistance is provided for specific uses. The federal government defines the objectives of TANF as:

- providing assistance to needy families so that children can be cared for in their own homes,
- reducing the dependency of needy parents by promoting job preparation, work and marriage,
- preventing and reducing unplanned pregnancies among single young adults, and
- encouraging the formation and maintenance of two-parent families.

While New Hampshire's TANF State Plan addresses all of the federal objectives, the DFA has stated the main goals are to provide a cash safety net for low income children and to move children out of poverty through employment for parents.

Table 7

FSS Reported Instructions On Use Of Cash Assistance

<i>Intended Use</i>	<i>Count</i>	<i>Percentage of Respondents</i>
Rent or Shelter	60	79%
Utilities	45	59%
Toiletries	26	34%
Necessities	22	29%
Paper Products	19	25%
Items Not Covered by Food Stamps	17	22%
Clothes	15	20%
Living Expenses	14	18%
Baby Needs (diapers or formula)	10	13%
Gas	8	11%
Other	33	43%
Source: LBA analysis of FSS Survey results.		

Although program objectives are less clearly defined for SSP, State law says it is to be provided to people who do not have “sufficient income or other resources to provide a reasonable subsistence compatible with decency and health....”

Both the Family Assistance Manual and the Adult Assistance Manual (covering TANF and SSP, respectively) state there is no restriction on the use of funds. However, both Manuals also identify “mismanagement of funds” which includes inability to meet monthly needs, failure to meet obligations for shelter and food, repeated evictions, repeated incurrence of debt, and for the TANF programs, inability to feed, cloth, or meet the needs of children. This definition of mismanagement implies the funds are intended for specific uses such as food, shelter, and caring for dependent children.

Restricting The Use Of Cash Assistance

There are no federal or State laws limiting the State’s ability to define the appropriate use of cash assistance. Federal law prohibits states from placing any restriction on how federal funds issued through Supplemental Security Income can be used; however, this prohibition does not apply to SSP cash assistance as these are state funds. The State has the authority to restrict the use of cash assistance for both SSP and TANF programs and can apply those restrictions to any or all benefit distribution methods.

Other states have placed restrictions on cash assistance and studied alternative methods for ensuring appropriate use of cash assistance. Examples include restrictions to a number of establishments or services including liquor stores, casinos or gaming establishments, adult-oriented entertainment shops, adult bookstores, firearms and ammunition dealers, tattoo parlors,

manicure shops, jewelry stores, rent-to-own shops, cruise ships, bail bond agencies, body piercing shops, and any establishment where persons under 18 are not permitted. Of 12 states responding to our survey, six (50 percent) placed restrictions on the use of TANF cash assistance, although six of nine states (67 percent) responding did not place restrictions on the use of SSP cash assistance. Six restricted the use at certain retailers, four restricted specific items, and one restricted the use at automated teller machines (ATM).

A Commission in Massachusetts, appointed to explore the use of a “cashless” program for TANF¹ benefits, also completed a study in December 2012. The study developed nine options for change with the intent of reducing benefit misuse, but also considered stakeholder impact and cost to the state. Options included no changes, increasing education and enforcement, restricting cash payments to proven misusers, blocking out-of-state use, blocking select ATMs, blocking select ATMs and point of sale (POS) devices, implementing a cashless system with a monthly cash allowance, implementing a fully cashless system, and implementing a cashless system with universal product code (UPC) level control. In the end, the Commission chose to recommend increasing education and enforcement and restrict cash to proven misusers, the two least restrictive options it considered. A cashless system and a cashless system with UPC-level control were the two most restrictive options it considered. The Commission estimated the implementation cost of a cashless system would be \$2 to \$3 million to implement over a two-year period with estimated operating costs of \$4.5 million per year. Implementation costs for a UPC-level system were estimated at \$25 million and \$6 million in annual operating costs.

Chapter 144, Laws of 2013, added restrictions on the use of cash assistance in New Hampshire as administered through EBT cards, effective January 1, 2014. These restrictions are intended to prohibit recipients from using benefits in State liquor stores; other off-premise retail licensees that predominately sell beer, wine or liquor; gaming establishments or casinos; and establishments which provide adult-oriented entertainment in which performers disrobe or perform in an unclothed state for entertainment. The law also prohibits such establishments from knowingly accepting cash withdrawn from EBT cards on their premises, and includes sanctions if the recipient violates these restrictions. This State law is based on changes required by federal TANF law; however, the State has applied the restrictions to both TANF and SSP cash assistance due to the cost associated with adapting EBT technology to distinguish among the various cash assistance programs at the POS machine or ATM.

While both the new federal and State laws apply to recipients receiving cash assistance through EBT, it does *not* apply to the approximately 21 percent of recipients who receive their cash benefits via electronic funds transfer (EFT). Also, Chapter 144, Laws of 2013 only places restrictions on *establishments* where recipients are prohibited from making purchases, not restrictions on specific products or services. Theoretically, this allows recipients to still purchase alcohol at supermarkets and convenience stores which do not “predominately sell beer, wine, or liquor.”

¹ A cashless system cannot be applied to SSP benefits because federal law requires the assistance be readily convertible to cash.

Recipient Education

Federal and State TANF regulations establish broad goals and objectives for the various TANF programs. Most broadly, DFA officials reported the primary goals of the program are to provide a cash “safety net” to low income children and to lift children out of poverty through the employment of their parents. However, during the audit period the DFA did not have any formal policy or procedure to inform and educate recipients on using cash benefits consistent with these program goals.

While statute does not explicitly outline objectives for the SSP programs, the Division did not have any formal policies or procedures to inform or educate SSP cash assistance recipients on how to apply funds to achieve a reasonable subsistence compatible with decency and health.

The DFA offers money management or “financial literacy” training to participants in its employment program, but not to other cash assistance recipients. However, district office personnel commonly noted recipients sometimes had bank accounts with negative balances, owed bank fees, or may not even qualify for a bank account. The TANF grant still puts the recipient at below the federal poverty level and is less than the average monthly rent based on the Department’s discussion with landlords. For example, the rent for a mother and two children is on average \$50 more than the monthly TANF grant.

Monitoring

Because assistance is distributed in cash as a deposit directly into a recipient’s account, or easily convertible to cash at an ATM, efforts to monitor recipients’ use of cash assistance benefits is limited. Once the funds are transferred into a recipient’s bank account via EFT, the DFA loses the ability to monitor how or where recipients use these funds. Cash assistance distributed through EBT cards poses a similar problem as it can be withdrawn as cash at an ATM or as cash back during a POS transaction.

While the vendor-operated EBT system captures where recipients conduct transactions when an EBT card is used at a POS machine, the system does not capture the products purchased because it is not capable of capturing UPC data. Additionally, according to the DFA, while the EBT system captures information about where transactions take place, the information may not always be accurately described. For example, the retailer’s name on the transaction report may be the name of the retailer’s parent company, or the retailer’s address may be captured as the address of the company’s headquarters, which limits the Division’s ability to monitor transactions.

With the current EBT information technology environment in use, there is no way to block individual retailers from accepting EBT cards from cash assistance recipients. Further, participants in the third-party processor system who accept EBT cards can change every day and system updates and changes can be made to ATMs at any time, so even if they were blocked from accepting EBT cards, an update could undo that block. For these reasons, the new law, effective January 1, 2014, makes it illegal for certain retailers to accept EBT transactions and illegal for recipients to make transactions at those establishments as opposed to blocking them.

Although other states have started implementing restrictions, a July 2012 report by the U.S. Government Accountability Office found enforcing or monitoring those restrictions was limited or not possible. Without costly systems to report on recipients' spending, states with restrictions in place are relying on recipients "getting caught" spending benefits on prohibited items by accident, referral, or a fraud hotline.

Observation No. 1

Align Restrictions On The Use Of Cash Assistance With Program Goals And Document These Restrictions In Rules

During the audit period, the State did not outline any guidance for, or place any restrictions on, the use of State Supplemental Programs (SSP) or Temporary Assistance to Needy Families (TANF) cash assistance.

The goals of SSP (Old Age Assistance, Aid to the Needy Blind, and Aid to the Permanently and Totally Disabled) are not clearly defined in RSA 167. Rather, RSA 167 establishes cash assistance for any individual meeting the eligibility criteria who does not have sufficient income or resources to provide for their own reasonable subsistence in a manner "compatible with decency and health." During the audit period, neither statute nor the DFA established how cash assistance should be spent to secure the individual's welfare, nor were there any restrictions prohibiting cash assistance from being used in a manner *not* "compatible with decency and health."

The goals of TANF's New Hampshire Employment Program (NHEP) and Family Assistance Program (FAP) are defined in RSA 167:77, V and VI, respectively. The goals of NHEP are to: "[e]liminate or reduce the harmful effects of poverty on families and children" by assisting their parents to obtain employment; work with employers to create job opportunities; promote "successful transition from public assistance" through job readiness, training, and education; provide comprehensive support to promote economic independence; "[p]rovide a program where it is more advantageous to work by rewarding self-sufficiency;" coordinate activities to "promote self-sufficiency and strengthen family life;" and eliminate the stigma of welfare by promoting the above activities. Goals of the FAP are to "[p]romote employment opportunities" and "[e]liminate or reduce the harmful effects of poverty" by providing financial and medical assistance to families "in a manner compatible with decency and health." The goals of the DFA's Families with Older Children and Interim Disabled Parent programs are not defined at all in statute. All TANF programs are only eligible to families with dependent children.

According to the DFA Director, the State's broad goals for TANF are to provide a cash safety net for low income children and move children out of poverty through employment for parents.

Despite TANF's broad statutory goals to promote employment, increase self-sufficiency, and provide financial assistance in a manner compatible with decency and health, statute does not identify how the *cash assistance* portion of the programs support these goals, and over the audit period there were no restrictions to align the use of cash assistance funds with the program objectives (i.e., assisting low-income children). Despite its statutory authority to adopt rules, the

DFA also did not link the use of the cash portion of the TANF grant to these program objectives in administrative rule or policies or procedures; in fact, DFA staff manuals state there are no restrictions on how recipients should use their TANF or SSP funds.

In May 2013, the DFA instructed Family Service Specialists to tell recipients "cash benefits are for life essentials, such as transportation, rent, utilities, and so on" and disseminated posters for display in district offices, stating the benefits are for "necessities of life." However, there is no definition of life necessities, leaving interpretation to the recipient. Neither the instructions nor the posters are specific to SSP or TANF. While the DHHS is beginning to apply some guidance on the use of cash assistance, the language offered is not fully aligned with what the DFA Director reported is New Hampshire's broad TANF goals: to provide a cash safety net for low income children and move children out of poverty through employment for parents.

The federal government only recently applied restrictions to TANF, which the State incorporated into law applying to both TANF and SSP cash assistance. Chapter 144, Laws of 2013 added some restrictions on the use of cash assistance as administered through EBT cards, effective January 1, 2014. However, these restrictions had not yet been translated to the Division's administrative rules or policies as of July 2013.

Recommendations:

The Legislature may wish to consider clearly outlining the goals of the cash assistance in SSP and TANF program statute.

We recommend the Division adopt administrative rules for restrictions on the use of cash assistance that are aligned with stated program objectives in State law.

Auditee Response:

The Department concurs. We adopt rules for the purpose of aligning with federal and state laws and will do so when the Legislature outlines goals.

Observation No. 2

Assess Whether Current Statutory Restrictions Are Adequate

Chapter 144, Laws of 2013 established restrictions on the use of cash assistance as administered through EBT cards, effective January 1, 2014, for SSP and TANF. While the new law applies to recipients receiving cash assistance through EBT, it does *not* apply to the approximately 21 percent of recipients who receive their cash benefits via electronic funds transfer (EFT).

While the law incorporated new federal restrictions (regarding purchases in liquor stores, casinos, and adult entertainment venues), the State has the flexibility to apply additional restrictions, and to apply those restrictions to all cash distribution methods. Other states have placed restrictions on cash assistance beyond the recent federal requirements.

Lack of restrictions puts public money at risk of being used inconsistently with the stated objectives of the programs. This may also put the State and recipients at risk of poor public perception. Practically, there are limited means to monitor how cash is spent by recipients given the technology in use to administer the programs; therefore, even if restrictions were in place, there would be minimal options for enforcing those restrictions without changes in information technology used to administer the programs.

Recommendations:

The Legislature may wish to consider whether there should be further restrictions on the use of cash assistance such as additional products and services, how the restrictions should be enforced (such as UPC-level controls), penalties for violating the restrictions, and any monitoring requirements.

Further, the Legislature may wish to consider whether restrictions should be placed on all cash assistance, not just cash assistance administered through EBT.

Auditee Response:

The Department concurs. We adopt rules for the purpose of aligning with federal and state laws and will do so when the Legislature outlines goals.

Observation No. 3

Improve Education And Communication Regarding The Use Of Cash Assistance

The DFA has not prioritized educating recipients and retailers on the use of cash assistance. Although federal and State TANF regulations establish goals and objectives for the various TANF programs, the DFA did not have any formal policy or procedure to inform and educate recipients on using cash benefits consistent with these program goals. While statute does not explicitly outline objectives for the SSP programs, there are established criteria for “mismanagement” of funds for both SPP and TANF which could have provided guidance on the intent of cash assistance; however, the Division did not establish a formal process to inform and educate recipients on using these cash benefits either.

Education efforts in New Hampshire have been inconsistent, as not all Family Service Specialists (FSSs) tell recipients what they should or should not purchase with their cash assistance. For example, in our survey of DFA’s FSSs, 71 percent (60 of 85) reported they tell recipients the intended uses of cash assistance and another 19 percent (16 of 85) stated they sometimes tell recipients the intended uses of cash. Additionally, only nine percent of FSSs (7 of 76) reported telling clients they should not spend cash assistance on alcohol. Another seven percent (5 of 76) reportedly told clients not to spend cash on cigarettes, while seven percent reported telling clients not to spend cash on gambling (3 of 76) or illegal items (2 of 76).

Additionally, the DFA developed a poster with a photo of the EBT card which says “Remember – Cash Benefits Are Only For Necessities Of Life.” However, the poster does not define “necessities” nor does it outline any restrictions (such as those restricted in the federal, and also now State, law). The posters were distributed in May 2013 with instructions from the District Office Administrator to FSSs and District Office Supervisors to inform applicants for cash assistance that benefits are for life essentials, such as rent, utilities, clothing, transportation, and other essential needs. Massachusetts also has a poster regarding the use of cash assistance; however, that poster outlines each area for which cash is restricted and clarifies the penalties for first, second, and third violations.

If recipients and retailers are not adequately informed of program goals and objectives as they relate to the use of cash assistance, they may unintentionally use cash for purposes which are outside the scope of the program. Effective internal controls require management ensure there are adequate means of communicating with, and obtaining information from, external stakeholders that may have a significant impact on the agency achieving its goals.

Recommendations:

We recommend the Division of Family Assistance develop a process to ensure cash assistance recipients are informed of:

- **the intended use of cash assistance,**
- **specific restrictions on the use of cash assistance, and**
- **any potential penalties for violations.**

The Division should also consider requiring recipients to sign an acknowledgement of their understanding of the proper uses of cash assistance and penalties for violations.

We further recommend the Division of Family Assistance establish policies and procedures to ensure retailers are informed of restrictions on cash assistance and penalties for violations.

Auditee Response:

The Department concurs. As intended uses and restrictions are defined, we will create client trainings and signature blocks as appropriate and vendors will be informed of legislated restrictions.

Observation No. 4

Assess And Improve EBT Monitoring

The DFA Support Services Unit is responsible for reviewing several reports related to the use and management of EBT cards. However, of at least 38 available reports, 15 (39 percent) are either not being reviewed or are not being reviewed timely. Further, no formal risk assessment was completed to determine which reports are most relevant or if all reports are necessary to

mitigate EBT card risk. Contributing factors were identified as both a lack of time and resources. Prior to State fiscal year 2010, a full-time worker helped monitor the EBT program; however, the position was eliminated due to budget constraints.

Management should complete risk assessments to identify both internal and external risks, use quantitative and qualitative measures to determine risk rankings, and mitigate risk accordingly. Further, objectives should be reviewed periodically ensuring continued relevance. Management should ensure adequate resources to meet the activity-level objectives which mitigate potential risk.

Without completing a formal risk assessment, the DFA cannot ensure the processes which would most effectively mitigate risk are being prioritized, potentially exposing the EBT card program to more risk than necessary.

Recommendation:

We recommend the Division complete a formal risk assessment determining which reports and processes are most relevant to mitigate EBT card program risk. Once the relevant processes are determined, the Division should ensure the EBT card monitoring processes are completed in a timely manner.

Auditee Response:

The Department concurs. Informal risk assessments had been done to ensure we prioritize monitoring the most critical reports despite a lack of resources. However, as a correction, we will put the priorities in writing. We will continue to monitor EBT processes as timely as resources permit.

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**STATE OF NEW HAMPSHIRE
DIVISION OF FAMILY ASSISTANCE
ELECTRONIC BENEFITS TRANSFER CARDS**

COMPARING ALTERNATIVE CASH DISTRIBUTION METHODS

Are EBT cards a more effective, efficient, and economical method to administer cash assistance than electronic fund transfers or electronic purchasing cards and do transaction and other associated fees inhibit the effectiveness of EBT cards?

There are several points to consider when comparing electronic benefits transfer (EBT), electronic funds transfer (EFT), and electronic purchasing card (EPC) options for cash assistance disbursements, each with unique strengths and drawbacks. The discussion is complicated by the required use of EBT cards for the Food Stamp program. There is no definitive answer regarding which method is more effective and efficient; however, each method provides different opportunities. The State should determine what priorities are most important in administering the cash assistance programs. For example, are lower transaction costs for the State more important than lower transaction costs for the recipient, or is less administrative burden preferable to more options for monitoring.

We compared transaction costs, recovery funds, float costs, recipient transaction costs, administrative burden, and monitoring opportunities for each disbursement method. Paper checks were not considered in this comparison as the State no longer disburses cash assistance by check.

Transaction Costs And Recovery Funds

Transaction costs for this analysis are defined as costs charged by the vendor or banking entity associated with funding, maintaining, or processing the cards or benefit disbursements. Recovery funds are defined as the unused dollars the State is able to recover from benefits distributed, but not used by the recipient.

EBT Transaction Costs And Recovery Of Unused Funds

The State pays transaction costs to the EBT vendor for each EBT card as outlined in Table 8, with most fees based on volume.

During the audit period, the Division of Family Assistance (DFA) paid the EBT vendor an average of \$69,857 per month for the charges outlined in Table 8. This cost is directly related to EBT cards, but is not all related to cash assistance. The U.S. Department of Agriculture mandates all Supplemental Nutrition Assistance Program benefits (Food Stamps) be administered through EBT and all states currently use them. Therefore, even if EBT cards were no longer used for the almost 10,000 New Hampshire cash assistance recipients who currently receive their assistance through this method, they would still be required for the State's approximately 55,000 Food Stamp recipients.

The State is able to offset a portion of EBT transaction costs by collecting recovery funds by "stale-dating" unused cash benefits from EBT cards. Unused Food Stamp benefits do not return to the State. During the nine-month audit period, the State recovered almost \$81,000, or an average of \$9,000 per month in unused benefits.

Table 8

State EBT Card Vendor Costs ^a

Activity	Fee
Funding the card	~ \$0.74 for cash and \$1.01 for food stamps per card per month ^b
ATM withdrawals	\$0.40 per case for first two withdrawals; recipients pay thereafter
Payphone calls	\$0.32 per call
PINing	\$0.10 per PINing ^c
Card Production	\$0.262 per card plus \$38.50 per daily shipment ^d

Notes: ^a Costs for payphone calls, helping recipients select a personal identification number (PIN), and card production are also for Food Stamp benefits.

^b These costs are charged per card per month regardless of the number of times the State transfers money onto the EBT card.

^c Charged when a recipient changes their PIN over the phone. No fee is charged when recipients change their PIN online.

^d The DFA requires the vendor ship the cards overnight to Concord.

Source: LBA analysis of EBT vendor invoices.

EFT And EPC Transaction Costs

The State pays bank charges for EFTs including \$.05 per EFT, \$10 per month for the EFT batch, and \$5 for every rejected transfer due to an incorrect or closed bank account. The State cannot offset any of this cost with recovery funds as unused benefits cannot be recovered from the recipient.

There would be no transaction costs to the State for EPC. The opportunity to collect recovery funds is limited as only funds remaining on cards that have never been activated can be recovered, while all other unused funds cannot. However, according to the Department, with appropriate legislation the State could recover stale-dated State cash assistance benefits.

Table 9 summarizes vendor (including banks) costs for each distribution method assuming all cash assistance was distributed via each method.

Table 9

Estimated Vendor Costs To The State By Distribution Type ^a

Cost To The State	EBT	EFT	EPC ^b
Transferring Funds to Cards or Bank Accounts	\$ 9,806	\$,325 ^c	\$ 0
Failed Transfer or Pre-note Fees	\$ 0	\$ 1,134	\$ 0
Other Fees	\$ 78	\$ 10	\$ 0
Monthly ATM Subsidy	\$ 3,880	\$ 0	\$ 0
Vendor Settlement	\$ 220	\$ 0	\$ 0
<i>Total Monthly Cost</i>	<i>\$ 13,984</i>	<i>\$ 2,469</i>	<i>\$ 0</i>
Annual Vendor Cost	\$ 167,808	\$ 29,628	\$ 0
Less Recovery Funds	\$ (140,110)	\$ 0	\$ 0
Adjusted Annual Vendor Cost	\$ 27,698	\$ 29,628	\$ 0
Notes:			
^a Based on monthly average of 13,251 cash assistance recipients during March 2013.			
^b EPC cards are not currently used by the DFA.			
^c Requires two transactions per month for a total of \$0.10 per case per month.			
Source: LBA analysis of vendor invoices, recovery funds reports, and New Hampshire Treasury Department information.			

Float Costs

Float cost is the difference in pre-funding versus post-funding costs to the State. EBT cards are post-funded, while EFT and EPC are pre-funded. This means that EBT cards are credited with the recipient's benefit amount; however, the State does not transfer the funds until the benefit is used by the recipient, potentially allowing the State to earn interest on the funds until the recipient uses the benefit. EFT and EPC require pre-funding, or the actual funds are transferred into the recipient's EFT or EPC account the day the benefits are issued. In these cases, the State may miss an opportunity to earn interest on held funds. This amount has not been quantified.

Transaction Costs For Recipients

Transaction costs for recipients are defined as any fee charged to the recipient for use of the card or benefit. Excessive fees can inhibit the advantages associated with receiving cash assistance if the assistance is being used to pay fees in lieu of providing funds to meet the goals of the assistance program.

Both EBT and EFT have limited fees for recipients. For EBT cards, after two State-subsidized automated teller machine (ATM) withdrawals per month, recipients must pay \$.50 for each additional withdrawal. Other than this fee, the EBT vendor does not charge the recipient; however, ATM owners may charge recipients for using EBT cards at their ATMs. Recipients can access their funds through alternate methods (i.e., not ATMs but rather as cash back at point of

sale (POS) machines or customer service counters at some retailers), potentially avoiding all fees. The State does not charge recipients for EFTs; however, depending on the recipient’s banking relationship, they may have account, ATM, or other banking fees.

Where used, EPC has the highest amount of fees for the recipient. While the State would not pay anything to transfer the funds, recipients can be charged significant fees depending on the contract negotiated between the State and the EPC vendor. The State could choose to subsidize these recipient fees. Table 10 summarizes examples of recipient fees based on New Hampshire and one other state’s current contracts and request for information.

Table 10

Examples Of EPC Transaction Costs For Recipients

Fee Description	Example 1	Example 2	Example 3
ATM Cash Withdrawal	One free at specific banks, \$1.50 per withdrawal thereafter or other banks	Free at specific ATMs, 1 free at others, \$1.25 thereafter	\$1.50 per withdrawal
Cash Withdrawal at Teller Window	Free	\$2.50 per withdrawal	\$2.00 per withdrawal
Purchase at Merchant, Signature	Free	Free	Free
Purchase at Merchant, PIN	\$0.25 each	Free	\$0.20 each
Cash-back with purchase	\$0.25 each	Free	\$0.20 each
ATM Balance Inquiry	Free	Free at specific ATMs, 1 free at others, \$0.35 thereafter	\$0.40 each
ATM Denial/Transaction Denial for Insufficient Funds	\$1 each	1 free, \$0.25 per deposit	\$0.40 each
Card Replacement	1 free, \$5 per card thereafter	1 free, \$5 per card thereafter	\$5 per card
Expedited Card Replacement	\$15 per card	\$15 per card	\$15 per card
Account Access via Phone	Not listed	Six free per month, \$0.25 per call thereafter	Two free per month, \$0.35 per call thereafter
ATM Surcharge	Not listed	Varies by bank	Varies by bank
Inactivity Fee	After 180 days	\$1 per month after 12 months	Not listed
Source: LBA analysis of EPC recipient fees.			

Administrative Costs For Cash Assistance Administrators

Administrative costs are defined as human resource costs to distribute benefits through each method. EBT has the most administrative burden overall for DFA employees, while EFT requires day-to-day maintenance. EPC has limited administrative burden for DHHS employees.

The EBT card system requires people specifically to manage EBT cards. The DFA includes an EBT Administrator, while personnel from Data Management, the Commissioner's Office, Accounts Receivable, and Accounts Payable also have roles specifically related to EBT card management. Other departments, such as the New Hampshire State Treasury, also play a role in the management of EBT cards. However, as with monthly vendor costs, all of the human resource costs associated with EBT cards cannot be assigned to cash assistance because Food Stamps would still require all of the current processes to continue. In other words, while there may be slightly less demand on those involved in EBT card oversight and management if EBT was not an option for cash assistance, most roles would still be required to manage EBT cards for Food Stamps. EBT cards also require daily maintenance by District Office clerks including managing returned cards, helping recipients replace lost or stolen cards, helping recipients re-PIN their cards, and answering questions from recipients regarding their cards.

EFT has less of an overall human resource burden (i.e., no additional personnel from DFA, the Commissioner's Office, and Data Management are required to maintain the system), although the system requires administrative maintenance by the Family Service Specialists (FSS). EFTs do not require a vendor, and do not require DFA involvement to obtain a replacement card or re-PIN a card; however, recipients' bank accounts must be updated as necessary and failed EFT payments must be monitored and researched. DFA management noted it is worker intensive to maintain bank routing numbers and 43 percent (nine of 21) of District Office Supervisors responding to our survey stated EFT is more time consuming to manage than EBT.

Administrative costs for EPC are minimal. States do not track transactions or conduct account maintenance on EPC accounts. These cards are maintained by the third-party vendor and the State is only responsible for funding the cards through an automated batch process. Our survey of five other states found EPC had the least administrative burden among states using EPC, EBT, and EFT.

Monitoring

EBT allows for more monitoring than either EFT or EPC. As discussed previously, in an EBT transaction, benefits are loaded onto the recipient's card. While cash assistance benefits can be withdrawn as cash at an ATM or point of sale machine, the issuing agency can obtain a report of where EBT card transactions occur, although it cannot determine which items are purchased. This reporting mechanism allows the DFA to monitor for trends in recipient transactions.

EPC, although also capable of tracking where transactions occur, does not provide this information to the issuing agency as federal law prohibits the vendor from sharing transaction data with anyone except the card holder. The data are available only to the card holder or the issuing financial institution. While the issuing financial institution may monitor for certain types

of fraudulent activities, the issuing State agency has no access to transaction-level data. In this way, EPC is similar to EFT; as soon as the funds are transferred, monitoring by the issuing agency is not possible.

In an EFT transaction, the benefit is transferred as cash into a recipient's bank account, similar to direct deposit of a paycheck. As soon as the funds enter the recipient's bank account, the issuing agency cannot monitor the recipient's purchases or other activity.

However, one advantage EPC has over EBT and EFT is it allows the issuing agency to block specific merchants or ATM transactions based on their merchant code, whereas EBT is limited in this capacity. EFT does not allow this capability at all.

Additional Benefits and Drawbacks

Receiving assistance via EFT may have an additional benefit or drawback depending on the recipient's money management skills. Thirty-two percent of District Office supervisors (6 of 19) and eighteen percent of FSSs (15 of 83) responding to our surveys noted bank accounts can be overdrawn whereas EBT cards cannot. These comments noted if the recipient does not have good money management skills, the cash assistance benefit may then be applied to bank fees (i.e., monthly maintenance, overdraft, or other fees) leaving the recipient without assistance. DFA management reiterated this concern. Alternatively, while DFA staff noted some clients are unable to obtain a bank account, they also noted the importance of recipients learning to manage their bank account and their money.

EPC and EFT offer some benefits not available to EBT recipients. EPC and bank cards issued through a recipient's bank are governed by banking regulations which provide more security for customers by incorporating protections from fraudulent activities and insuring their funds. If an EBT card is stolen and someone else uses the funds, the recipient will not be reimbursed; however, there are protections built into EPC to reimburse the recipient in the case of fraud.

EPC also allows the user more flexibility, including completing transactions, such as paying bills, online whereas EBT transactions can only be completed by retailers with the capability to accept EBT cards at their establishment. Depending on the recipient's banking relationship, EFT also allows the recipient to complete transactions online. Table 11 compares the various disbursement methods.

Since the summer of 2010, the Department of Health and Human Services (DHHS) Division of Child Support Services has used EPC cards to distribute child support to recipients without a bank account. Other states use electronic methods to distribute their state's unemployment benefits, adoption and foster care payments, child support, and heating assistance. One New England state is studying the possibility of consolidating all government benefits onto one payment card. The January 2011 report on that effort concluded the possibility was not achievable at the time but makes recommendations on how to achieve a unified payment card across all agencies.

Table 11

Comparison Of Cash Assistance Disbursement Methods

Description	EBT	EFT	EPC
Estimated Annual transaction costs to the State ^a	\$ 167,809	\$ 29,630	\$ 0.00
Estimated Annual recovery funds	\$ (140,110)	\$ 0.00	\$ 0.00
Estimated Adjusted annual vendor costs to the State	\$ 27,699	\$ 29,630	\$ 0.00
Float Funds Benefit	(+) not quantified.	\$ 0.00	\$ 0.00
Administrative costs	High	Medium	Low
Recipient costs	Variable Dependent on recipient's access to free ATMs and number of monthly ATM transactions.	Variable Dependent on recipient's bank.	High Significant depending on recipient's access to free ATMs, number of transactions, and other spending habits.
Monitoring Capabilities	Yes, but limited to transactions by location only.	No effective monitoring possible.	No effective monitoring possible.
Ability To Place Restrictions On Retailers	Medium Possible restriction at ATMs, but with limitations.	Low No restrictions possible.	High Restrictions on specific retailers and ATMs only, not by product.
Ability to use online	No	Variable Depends on banking relationship.	Yes
Fraudulent activity protection	No	Yes	Yes
Additional Benefits (+) or Drawbacks (-)	(+) Account cannot be overdrawn.	(+) Learn money management skills. (-) Cash assistance may be lost to bank fees if recipient does not have adequate money management skills.	(+) Account cannot be overdrawn.

Notes: ^a Assumes all cash assistance benefits are administered exclusively by each method.

Source: LBA analysis of cash assistance disbursement methods.

Observation No. 5

Consider Administering Additional Benefits Through EBT And EFT

The DFA, recipients, and retailers could benefit from distributing reimbursements via electronic funds transfer (EFT) or EBT cards in lieu of paper checks. Retailers (providers) currently receive checks for childcare and employment support expenses (e.g., clothing, transportation, training, and education reimbursement) and Temporary Assistance to Needy Families (TANF) recipients receive checks for mileage reimbursements. During State fiscal year (SFY) 2013, the DHHS issued 30,345 checks totaling \$11.1 million to child care providers² and for employment support. Additional checks were issued to TANF recipients for employment-related mileage reimbursement totaling \$392,000. TANF recipients already receive their regular cash assistance benefits via EFT or EBT.

Checks are the most expensive disbursement method for the State. According to banking industry averages, each check issued costs approximately \$1.35 including printing, postage, envelope, and check stock. Based on this average, the State spent almost \$41,000 to issue the over 30,000 reimbursement checks during SFY 2013. These costs do not include administrative costs of reconciliation, auditing, or researching and re-issuing returned checks. The State pays \$0.05 per EFT and for recipients already receiving cash assistance via EBT, the State would pay no additional fee to pay mileage reimbursement through the same card.

The DFA has proposed changes to administrative rules requiring retailers receive payment through EFT and recipients receive mileage reimbursements through their normal cash assistance method; either EFT or EBT. However, these revisions to the rules had not been adopted as of August 2013. Further, in August 2012, the DFA requested a change to DHHS' New Heights computer eligibility system which would allow work-related travel reimbursements to be issued through EBT or EFT. As of July 2013, the request was still not complete due to New Heights change request backlogs.

According to the State's EBT vendor, the current EBT card structure supports all benefit types and other states issue multiple benefit types through their EBT cards. States are migrating away from issuing checks for public assistance in favor of electronic methods of benefits distribution.

Directly depositing reimbursement funds to a recipient's EBT card or bank account through EFT allows the recipient quicker access to their funds, eliminates check cashing fees for recipients without bank accounts, and eliminates the need to cash checks which may create additional hardships for clients without reliable transportation. Additionally, these options eliminate the risk of lost or stolen checks and reduces agency administrative time on reconciling, auditing, and replacing lost checks.

² Work-related child care expenses totaled \$10.1 million for SFY 2013 and are not exclusively for TANF cash assistance recipients. These expenses may also include work-related child care expenses for other DHHS programs. We did not attempt to split out how many work-related child care check payments are related to TANF.

Recommendation:

We recommend the DHHS continue to evaluate which additional benefits could be administered via EBT or EFT and consider issuing these benefits through those methods.

Auditee Response:

The Department concurs. The DFA has almost entirely moved from paper checks to electronic payments, and those remaining paper checks are awaiting system changes to complete. The Department will explore other options to reduce paper checks.

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**STATE OF NEW HAMPSHIRE
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MANAGEMENT CONTROLS

Management controls are tools which help management better understand performance, reduce risk, improve efficiency and effectiveness, and ensure agency goals and objectives are being met. Controls can be separated into five categories including control environment, risk assessment, control activities, information and communication, and monitoring. The Division of Family Assistance (DFA) could improve its management controls for several processes.

Observation No. 6

Improve Monitoring To Ensure Management Directives Are Implemented

We found some communications from DFA management were not consistently implemented or not implemented at all.

According to the DFA, procedural changes are not always formally documented; rather, are shared through a memo or an email or are contained in training handouts. Also, the DFA and the Division of Client Services (DCS) were recently realigned leading to eligibility, support, and DFA staff reporting to different management. This transition reportedly led to disruptions in communication and information dissemination.

As discussed in Observation No. 3, DFA management instructed Family Service Specialists (FSS) to communicate specific language regarding the intended use of cash assistance to recipients with mixed results. Additionally, DFA management attempted to display posters at the district offices beginning in October 2012, explaining electronic benefits transfer (EBT) card funds are for “Necessities of Life;” however, the posters were not disseminated as anticipated until May 2013.

We found some processes documented in training handouts were also inconsistently implemented. For example, the training handout states when EBT cards arrive at district offices, they will be received, inventoried, held for 35 days and if not distributed, deactivated and returned to the Data Management Unit at the Brown Building in Concord for destruction. However, our survey of district office clerks found only 32 percent hold the cards longer than 30 days, only 48 percent (12 of 25) reported they would return the card to the Data Management Unit, and only 46 percent (13 of 28) reported they would deactivate the card.

We found similar inconsistencies regarding disposition of cards returned to the district office from recipients. According to the DFA, if a recipient returns an EBT card to the district office, FSSs are informed to not accept it; however, we found only 29 percent of FSSs (17 of 59 respondents) reported they would refuse to accept an EBT card from a recipient. Additionally, if recipients return their EBT cards to the district office, the cards should be deactivated and returned to the Brown Building for destruction; however, only eight percent of FSSs (five of 59) reported they would send cards back to Department of Health and Human Service (DHHS)

headquarters and only 11 percent (six of 57) reported they would deactivate the cards. We found similar inconsistencies in our survey of clerks.

Policies and procedures should be in place for each of the agency's activities to ensure adherence to established directives and appropriate application of those directives. Further, management should communicate effectively with staff using tools such as policies and procedures. Procedures, such as card handling at the district office, are partly intended as a control to minimize the risk of fraud; therefore, lack of clearly communicated procedures may also lead to increased risk.

Recommendation:

We recommend the DFA and DCS improve monitoring efforts to ensure procedures are readily accessible and implemented, and develop methods for consistently communicating procedures to staff.

Auditee Response:

The Department concurs. Procedures, defined as worker activities, are not incorporated into policy manuals. These are compiled in Training Manuals and worker Field Guides. Sometimes, in order to meet rapid time frames, DCS sends procedural instructions to staff in e-mails. If it is not a reminder, but a change in procedures, these changes are queued as later edits to training manuals and field guides when resources can be allocated. We concur that the DFA does need to update specifically EBT procedures in training manuals and field guides. Additionally, the duties of the EBT Administrator will be written. DCS will be developing an EBT Quick Reference Guide for District Office staff. DCS Regional Administrators will take on the role of monthly checks of district office EBT cards to ensure compliance with proper procedures.

Observation No. 7

Consider Directly Mailing EBT Cards To Recipients From The Vendor To Reduce The Opportunity For Fraud

The DFA's decision to centrally distribute EBT cards from its headquarters in Concord, in lieu of having the vendor mail the cards directly to recipients may, expose the cards to unnecessary risk.

During the audit period, EBT cards were produced by a vendor in Texas and mailed to the Data Management Unit within the DFA for central distribution to recipients. When cards arrive for central distribution they are in unsealed envelopes and are active, although new-issue cards require the recipient select a personal identification number (PIN). Central processing by Data Management increases the number of contacts the active EBT cards have prior to reaching the intended recipient by exposing the cards to personnel in the Data Management Unit, DHHS mailroom, and the State's mail vendor.

The Data Management Unit previously produced all EBT cards centrally, but in order to streamline the process and improve controls, the process was moved to vendor production in 2010. Due to concerns regarding district offices receiving EBT cards directly, the DFA decided to centrally mail all cards in order to better manage the 2.8 percent of cards going directly to the district offices for distribution to homeless or transient recipients. According to the vendor and DFA, New Hampshire is the only state where the vendor is producing the cards, but mailing the cards to the State and not directly to the recipients.

Management must regularly assess controls over its processes ensuring they are well-designed and meeting agency objectives. Specifically, managers should assess the degree to which controls address risks for fraud, waste, abuse, and mismanagement. Further, management should weigh the costs associated with a process against the level of risk mitigation.

Recommendation:

We recommend the DFA consider having the vendor mail EBT cards directly to recipients and develop alternate processes for confirming cards are received by district offices.

Additionally, we recommend the DFA institute a process to confirm EBT cards sent to the district offices were distributed to recipients.

Auditee Response:

The Department concurs in part. In terms of card delivery, having cards come to the State Office allows us to pull cards issued in error. Also, for those households deemed homeless and whose cards are delivered via the district offices, we in New Hampshire take security very seriously. We deem it a security essential that there be a daily log of card delivery to the District Office, and that the EBT administrator be included in the process as a quality control measure for both card issuance and also a contractor performance measure, to ensure cards are being sent as they should.

Additionally DCS will be developing an EBT Quick Reference Guide for District Office staff. DCS Regional Administrators will take on the role of monthly checks of district office EBT cards to ensure compliance with proper procedures.

The Department will continuously review for procedural modifications from the perspective of balancing client service, fraud, accuracy, efficiency and cost.

Observation No. 8

Review And Document EBT Card Disaster Recovery Process

The DHHS maintains a Memorandum of Understanding (MOU) with the State of Vermont to produce EBT cards in a disaster or emergency. While an MOU exists between the two states, there are no policies and procedures regarding how to implement the disaster recovery process,

there are no annual tests of the disaster recovery system to ensure both states are able to support each other, New Hampshire does not maintain Vermont card stock (Vermont maintains four boxes of New Hampshire card stock) or routinely inventory its EBT card stock, and there are no communications or intra-department agreements regarding the role of non-DHHS employees (such as the Department of Information Technology). Further, the MOU addresses a process that is no longer in place and there is no disaster recovery process for the current central mailing procedures.

According to the MOU, New Hampshire and Vermont will produce cards for each other if either is unable to produce its own. This MOU was implemented when New Hampshire produced its EBT cards in-house and a back-up site and process was necessary in case of an emergency to meet all federal Food Stamp requirements. The process has not been reviewed since New Hampshire stopped producing its own cards in 2010. New Hampshire has never used Vermont for emergency back-up; however, Vermont has reportedly used New Hampshire twice, in both 2009 and 2011. The MOU includes provisions for reimbursing any costs associated with implementing the disaster recovery process.

During the audit period, New Hampshire's EBT cards were produced by a vendor in Texas and a back-up or emergency production process was included in the contract. Further, if both the Texas and the back-up operations failed, the DHHS maintains all of the equipment and software to produce its own back-up cards in-house. However, the EBT cards are mailed to the State for distribution to recipients and the DFA Director stated there is no disaster recovery plan in place to receive or distribute EBT cards from the vendor in the event of a disaster in Concord.

Management should develop disaster recovery plans that are communicated to all relevant parties and regularly updated to be in line with current operations. Further, vulnerable or valuable assets, such as card stock or embossing machines, should be inventoried regularly and kept secured. According to the Director, lack of time and resources has prevented the DFA from addressing disaster recovery for distribution of EBT cards once they arrive from the vendor.

Lack of policies and procedures surrounding the disaster recovery process, including no inventory and testing processes, may expose both New Hampshire and Vermont to risk. Further, lack of coordination with all relevant parties may limit the effectiveness of the recovery process. Without a formal, documented, and tested plan to address receiving and distributing EBT cards in the event of a disaster, New Hampshire risks not being able to serve its clients timely.

Recommendations:

We recommend the DHHS review the relevance of the MOU with Vermont and reconsider the need for alternate in-house back-up in light of the change from in-house card production to vendor-produced cards.

We further recommend the DHHS develop and document policies and procedures regarding the disaster recovery process including:

- **identifying conditions which require the State or its vendor to invoke the disaster recovery plan; and**
- **where the in-house cards and equipment should be stored for safekeeping, along with a card inventory process.**

Auditee Response:

The Department concurs. In January 2013, the DFA had already begun an ongoing project to re-examine our Food Stamp Disaster plan.

Information Technology Controls

According to the user access report, as of May 2013, 954 DHHS employees had access to New Heights, the eligibility system used for cash assistance, among other programs. DFA employees account for 354 of those with access (37 percent). New Heights users may have access levels such as *inquiry* (can only view case records), *update* (can change information in case records), or *confirmation* (can change information, confirm changes to a case, and establish a new case).

Edge is the EBT vendor system and provides online access for both DHHS employees and EBT cash assistance recipients so all active users can access the system from anywhere. Access levels for DHHS employees include *inquiry* (can search the system and view records), *reporting* (can access management reports), *recovery specialist* (can search the system, view records, and display payment information), *card specialist* (can add a card to an account, order a replacement card, issue or reset a PIN, and update card information), and *super users* (can perform any function in the system including creating a new benefit account, adding or updating information on an account, adding or updating benefits to a card, and adding a client to an existing case). As of May 31, 2013, there were 205 DHHS Edge users.

Observation No. 9

Improve Management Of New Heights And Edge User Access

The DFA and New Heights administrators could improve user access management over the Edge (the contracted vendor system) and New Heights (DHHS' eligibility system which automates benefit issuance, scheduling, and reporting) systems.

The New Heights Security Administrator, who is also an Edge Security Administrator, is responsible for ensuring appropriate user access levels as well as ensuring those who have left employment no longer have access (particularly to Edge which can be accessed from any computer with internet access). Because of the coordination between New Heights and Edge, user access levels must be considered for both systems together. For example, an employee with super user or card specialist access in Edge should only have inquiry access in New Heights and someone with update or confirmation access in New Heights should only have inquiry access in

Edge. This is to ensure the permissions for each of the systems allow for appropriate controls and the reduction of fraud opportunities; specifically that one user not be able to both set up a new benefits account in Edge and confirm a cash benefit amount for a case in New Heights.

Upon review of user access, we found at least three users had both confirmation access in New Heights and more than inquiry access in Edge. Further, considering only those with “card specialist” access in Edge (i.e., those who can change PINs), we identified three users of 44 (seven percent) who still had access to the system, but were no longer employed by the DHHS. Additionally, one of the three users still had access to both New Heights and Edge.

The Edge system also has user administration permissions including security, zone, and password administrators. These permissions allow administrators to set up users in the system and change passwords. The administrator manual shows a zone administrator has authority to reset passwords, so it is unclear why a zone administrator would also need to be a password administrator, yet one user had both permissions. Finally, New Heights administrators were unable to provide us a report detailing specific, detailed user level access.

Management must ensure certain control activities related to information systems, including monitoring access and appropriate segregation of duties. Without a robust process in place to ensure user access level and permissions are appropriate for each user and inactive users are deleted, the DHHS may introduce risk to their operations. The inability of New Heights to provide a full user profile may limit the ability of the DHHS to ensure access levels between New Heights and Edge are appropriate. Further, the Edge system has four security or zone administrators who can add users and reset passwords which may lead to coordination issues regarding adding and deleting users and establishing appropriate access levels.

Recommendations:

We recommend the DFace, in coordination with New Heights administrators, improve management of New Heights and Edge user access and permissions by:

- **limiting super user access for an individual to only one system, not both;**
- **routinely reviewing user access reports and comparing them to active employees;**
- **routinely reviewing access levels in New Heights and comparing them to access levels in Edge; and**
- **minimizing the number of super users to either system.**

We also recommend the DHHS establish and document user access controls through:

- **a central process for informing the New Heights Security Administrator when employees leave the Department;**
- **a process for informing the New Heights Security Administrator when other Edge Security or Zone administrators create new accounts in the Edge system; and**
- **overall policies and procedures for managing the process.**

Auditee Response:

The Department concurs. While many security measures mentioned here are in place, we will work to ensure they are more consistently applied and resources allocated to ensure that is accomplished. In fact, a Security Workgroup has already been convened.

Observation No. 10

Improve Controls Over Previously Designated Alternate Payees

Individuals who were *previously* designated to help cash assistance recipients manage their accounts but who *are no longer* designated as such may still have access to EBT cards and cash assistance benefits. In such an instance, the cash assistance recipient may not realize some of their funds are being spent by another individual, and could lose some of their benefits. Additionally, State and federal funds intended to assist qualified low-income families, or the old, blind, or disabled, may not be used as intended.

Statute, administrative rule, and DHHS policies allow an individual, or in some cases the Department, to designate another person (referred to as an “alternate payee”) to manage a cash assistance recipient’s account. When a former recipient who previously had an alternate payee applies to re-open his or her case, the new case will still be linked to the *old* alternate payee unless the Family Service Specialist (FSS) enters a separate screen in the New Heights eligibility system to delete the information. The previous alternate payee may be issued a new card, or may have also kept his or her old card, and depending upon the alternate payee type, he or she will receive a notice in the mail to alert them that the card has been funded again.

The Division is aware cards are being generated for individuals who are not currently serving as an alternate payee. Either the EBT card administrator or another DFA official reviews a report of all newly issued cards daily to identify any alternate payees they believe to be not currently in use. However, this is a time-consuming manual review process, which is limited by relying largely on memory to determine which alternate payees may not be appropriate on the daily card issuance report. However, while DFA officials may recognize certain high profile organizations such as Office of the Public Guardian, some alternate payees are names of friends, family members, or others who will be unrecognizable on the daily report.

Although New Heights personnel completed and rolled out a major change to the method of assigning alternate payees in June 2013, the issue was not resolved. Officials reported because New Heights involves many large-scale and high-priority projects, it can be difficult to implement needed changes.

Recommendations:

We recommend the DHHS develop internal controls to ensure re-opened cases are not linked to outdated information. This should include using the New Heights application for automatic controls to prompt FSSs and other workers to make changes as appropriate.

Until New Heights personnel can effectively address the needed system change, we recommend the DFA require Family Service Specialists to check the authorized alternate payee screen for all re-opened accounts.

Auditee Response:

The Department concurs. This is in the queue of requested changes to New Heights and also will be addressed through eligibility staff training.

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OTHER ISSUES AND CONCERNS

In this section, we present issues we consider noteworthy but not developed into formal observations. The Division of Family Assistance (DFA) and the Legislature may wish to consider whether these issues and concerns deserve further study or action.

Reassess EBT Recipient Fees

The State does not charge recipients for replacement electronic benefits transfer (EBT) cards to replace lost, stolen, damaged, or unusable cards and the State chooses to subsidize the recipients' first two automated teller machine (ATM) transactions each month. Between 44 and 52 percent of all cards issued monthly are replacement cards and the first two ATM transactions per month are subsidized at a cost of \$.40 per transaction.

The State attempts to minimize recipient fees to prevent fees from consuming the benefit which is intended to assist the eligible individual. However, the State could save on average between \$9,552 and \$10,896 per year by charging recipients the cost to produce and ship replacement cards, approximately \$0.65 per card. The State could save an additional \$36,000 per year by removing the subsidy for ATM transactions. This cost would not necessarily be shifted to the recipient as the recipient could use alternate means to access their cash such as cash back with a purchase.

According to federal law, states may charge for replacement cards. Only one of the 12 states responding to our survey reported charging a replacement card fee; however, Massachusetts charges \$5 for a replacement card unless the card needs to be replaced because of domestic violence issues, name change, or a card is lost in the mail. Also, Virginia deducts a \$2 fee from the recipient's available balance for each replacement card and Maine may charge between \$1 and \$3 for a replacement card after issuing the first replacement card at no fee. Seven of 12 states we surveyed (58 percent) stated they charge recipients for ATM transactions, although, at least two subsidize the initial transaction.

We suggest the DFA consider assessing EBT fees for recipients.

Auditee Response:

The Department concurs. Under our current EBT contract, data does not distinguish between cards that are replaced due to being lost or stolen, and cards that are generated to an individual who had been in a previous episode of assistance and had a previous card issued (which they threw away when they last left assistance). We required our new contract, however, to break these numbers out. We will be conducting a reassessment when we implement the new contract sometime within a year.

Improve EBT Contract Funding Management And Ensure Timely Bill Payment

The DFA did not pay its EBT vendor from October 2012 through April 2013. The average monthly bill was approximately \$70,000 and the DFA accumulated unpaid bills totaling \$487,015 during the seven-month period. Monthly, EBT vendor costs include services such as the customer service call center, card production, and managing the cards.

According to State law, Governor and Council (G&C) must approve expenditures to ensure “prudent and economical expenditures of the moneys appropriated.” This approval is required prior to expending the funds or incurring the expense. The monthly EBT vendor costs were generally consistent during the audit period and DFA management should have been aware the contracted amount approved by the G&C would not cover the cost of the contract for State fiscal year (SFY) 2013 prior to when the funds ran out.

DFA personnel reported the downturn in the economy led to increased caseloads, resulting in higher EBT costs than expected. Therefore, the maximum contract value was reached and there was no authority to pay the bills until the G&C approved the additional cost. Instead of requesting an amendment when it was clear funds would not be sufficient to pay the contract, the DFA waited to request additional funds until it submitted a request to extend the contract for two additional years in May of 2013. By waiting to request additional funds, the DFA was unable to timely meet their financial obligations.

We suggest the DFA pay the EBT vendor bills timely, regularly assess contract values to ensure appropriate funding, and seek any required amendments to the contract when the need arises.

Auditee Response:

The Department concurs in part. The DFA does regularly assess the EBT contract value and DFA management was aware that additional funds were necessary for SFY 13. NH was not able to begin negotiations for the cost of the amend/extend until New York and our other partners in the Northeast Coalition of States had agreed upon contract extension pricing with the EBT vendor. Once price reductions for the coalition were reached with the vendor, the DFA then started negotiating price for NH State specific costs. Once this layer of contract pricing was agreed upon, NH submitted the draft amendment to the USDA Food and Nutrition Service, who has 60 days to review and approve before we can submit the agreement to Governor and Council. The FNS approval for the contract amendment arrived in January 2013. Yet FNS did not approve NH’s Implementation Advance Planning Document Update for the contract, which is the projected financial history of the contract, until April 2013.

Along with contract negotiations and the federal approval process, we concur that also slowing the process were lags due to the lack of DFA staff resources, which resulted in unanticipated delays in the processing of contractual documents on the part of DFA.

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**APPENDIX A
OBJECTIVES, SCOPE, AND METHODOLOGY**

Objectives And Scope

On March 8, 2013, the Fiscal Committee approved a joint Legislative Performance Audit and Oversight Committee recommendation to conduct a performance audit of the Department of Health and Human Services (DHHS) electronic benefits transfer (EBT) card program. We held an entrance conference with the DHHS on April 11, 2013. Our audit was designed to answer the following questions:

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?*

Methodology

To gain an understanding of EBT cards and cash assistance programs we:

- reviewed State laws, administrative rules, and federal guidelines regarding EBT cards, Temporary Assistance to Needy Families (TANF), State Supplemental Programs (SSP), and refugee assistance; Division of Family Assistance (DFA) policies, procedures, and practices related to EBT card administration and delivery; DHHS and DFA website information, newspaper articles, organizational charts, financial information, and employee job descriptions; other states and federal audits of EBT card administration; Statement on Standards for Attestation Engagements 16 reports for EBT vendor;
- interviewed DHHS employees and management regarding EBT administration, program benefits, TANF, SSP programs, and program objectives; New Heights personnel regarding the New Heights eligibility system; EBT vendor regarding features and controls over the system;

- reviewed and analyzed EBT-related reports from the vendor's online system and New Heights eligibility system; and
- assessed and reviewed potential risks of fraud in daily EBT operations.

To determine whether the State implemented restrictions based on program objectives, DFA's monitoring and education efforts, and the advantages and drawbacks of EBT, electronic funds transfer, and electronic payment cards , we:

- interviewed the EBT vendor and reviewed EBT vendor invoices and contracts;
- analyzed EBT activity data and quantified types and location of transactions, as well as transaction and other associated fees;
- reviewed cash assistance programs' objectives and determine whether EBT activities are aligned with program objectives;
- reviewed DFA education and monitoring efforts by interviewing and surveying district office personnel, surveying other states on their education efforts, and reviewed audits and reports from other states;
- reviewed state, federal, and other reports to determine benefits and drawbacks to a cashless benefit transfer system;
- reviewed the DFA's management controls by interviewing DFA management about report monitoring; interviewed and observed Data Management Unit personnel regarding central distribution of EBT cards; interviewed DHHS mail room personnel regarding distribution of EBT cards; and interviewed and observed DHHS and NH Department of Treasury personnel performing daily reconciliation of EBT and EFT transactions.
- surveyed recipients at three district offices in three of the busiest offices in the State in June 2013. We spent a full day at one location and half days at two other locations. All visitors to the district office were approached and asked a screening question to determine whether they were receiving cash assistance or had received cash assistance in the past. We received a total of 52 surveys from respondents who identified themselves as currently receiving cash assistance or received cash assistance in the past. Ninety-two percent of our respondents (48 of 52) reported receiving cash assistance via EBT card and only eight percent reported receiving benefits via EFT (four of 52). These results cannot be extrapolated to the entire population of cash assistance recipients.
- surveyed all DFA District Office Supervisors, Clerks, and Family Service Specialists (FSS) regarding general EBT administration; policies and procedures surrounding EBT; and benefits and drawbacks of EBT and EFT. The Internet-based surveys were conducted between June 25 and July 3, 2013. We surveyed all: 35 district office clerks and received an 83 percent response rate (29 of 35); 26 district office supervisors and received an 81 percent response rate (21 of 26); and 129 FSSs and received a 72 percent response rate (93 of 129).
- surveyed 23 other states about their EBT programs, methods of distributing cash assistance benefits, restrictions placed on cash assistance, monitoring effort, education efforts, and opinions on administrative time devoted to managing EBT, EFT, and EPC cards. We selected states based on whether: it used EPC as a cash assistance distribution method; it instituted or was in the process of instituting

restrictions on its cash assistance programs; and we were able to obtain a contact person for the program. We had a response rate of 52 percent (12 of 23 states). As each state's cash assistance program is administered differently, the results cannot be extrapolated to the entire population of states.

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**APPENDIX B
FAMILY SERVICE SPECIALIST SURVEY RESULTS**

We surveyed all 129 Family Service Specialists (FSS). Ninety-three responded to the survey for a response rate of 72 percent.

Q1. On average, how much time per month do you spend maintaining direct deposit information for each EFT recipient?		
Answer Options	Percent	Count
0-5 minutes	49%	46
6-10 minutes	26%	24
11-15 minutes	8%	7
More than 15 minutes	6%	6
I don't have any EFT cases	11%	10
<i>Number of respondents</i>		93

Q2. What are the advantages and drawbacks of EBT cards versus EFT for the client? (Please consider convenience of setup, time, management, fees, etc.)		
<i>Advantages Of EBT For Client</i>		
	Percent	Count
Ease of use	19%	16
Do not need a bank account for EBT	14%	12
All benefits are on one card	12%	10
EBT card has no fees/EFT (bank accounts) have fees	9%	8
EBT card cannot be overdrawn	8%	7
EBT has fees	7%	6
Bank accounts change/close may delay funds while EBT does not	4%	3
EBT funds can be stale-dated	2%	2
Can take funds out in any increment	2%	2
Do not have to provide bank account number	1%	1
Money is available on weekends	1%	1
Client can check balance on card	1%	1
Clients can lose cards which takes time to replace	1%	1
EBT keeps funds separate from personal funds	1%	1
EBT is traceable	1%	1
I don't know	15%	13
<i>Number of respondents</i>		85

Q2. What are the advantages and drawbacks of EBT cards versus EFT for the client? (Please consider convenience of setup, time, management, fees, etc.)		
<i>Disadvantages Of EBT For Client</i>		
	Percent	Count
Bank account can be overdrawn while EBT card cannot	18%	15
EBT has fees that that bank accounts do not	12%	10
Bank accounts change/close may delay funds	12%	10
Clients lose cards - takes time to replace	7%	6
Can take funds out of bank in any increment	7%	6
EFT (bank accounts) have fees	5%	4
Stigma of EBT card	5%	4
Other	4%	3
EFT is not stale-dated	2%	2
EFT can pay bills automatically or online	2%	2
EBT not accepted everywhere	2%	2
Ease of use	1%	1
Money is available on weekends	1%	1
Bank account transactions are not traceable while EBT can be	1%	1
EBT is inconvenient when household splits up and all benefits are on one card	1%	1
EBT does not force clients learn to manage their money while a bank account does	1%	1
I don't know	17%	14
<i>Number of respondents</i>		83

Q3. What are the advantages and drawbacks of EBT cards versus EFT for department? (Please consider convenience of paperwork, time, management, risk of fraud etc.)		
<i>Advantages Of EBT For Department</i>		
	Percent	Count
EBT is easier than setting up a bank account/changing a bank accounts (including less paperwork and less time)	37%	31
EBT is easier to track	23%	19
EBT more cost-effective for the Department	10%	8
EBT has higher risk of fraud	4%	3
EBT cards (including replacements) more expensive for the Department	2%	2
Advantage or drawback for client (not Department)	2%	2
EFT has higher risk of fraud	1%	1
Can recoup money from the EBT card	1%	1
I don't know	22%	18
<i>Number of respondents</i>		83

Q3. What are the advantages and drawbacks of EBT cards versus EFT for department? (Please consider convenience of paperwork, time, management, risk of fraud etc.)

Disadvantages Of EBT For Department		
	Percent	Count
EBT cards more expensive for the Department	17%	14
EBT is easier than setting up/changing a bank account information	10%	8
None	7%	6
Advantage or drawback for client (not Department)	7%	6
EBT has higher risk of fraud	6%	5
EBT is easier to track	5%	4
EFT has higher risk of fraud	4%	3
EBT is difficult if cards are not received by the client	1%	1
People recognize the EBT card, Department gets yelled at	1%	1
I don't know	28%	23
Respondents providing comments unrelated to the question asked		20
Number of respondents		82

Q4. Do you explain to recipients what their CASH ASSISTANCE funds are intended to be used for? (NOT food stamps)

Answer Options	Percent	Count
Yes	70%	60
No	11%	9
Sometimes	19%	16
If sometimes, please specify		19
Number of respondents		85

Q4. If sometimes, please specify.

	Percent	Count
If there is a question from the client	37%	7
Rent	37%	7
Utilities	21%	4
Household items/toiletries/paper products/cleaning supplies	21%	4
If new recipients	16%	3
Not many cases with cash	16%	3
Cannot tell them how to spend the money	11%	2
Non-food stamp items	11%	2
Diapers	11%	2
If I suspect fraud	5%	1
Clothing	5%	1
Gas	5%	1
Living expenses	5%	1
Number of respondents		19

Q5. When do you inform recipients what the cash assistance is for? (check all that apply)		
Answer Options	Percent	Count
In person at the initial eligibility interview	90%	64
In person at a later date	6%	4
Over the phone prior to confirming the case	18%	13
Via letter/brochure/pamphlet sent in the mail	4%	3
Other (please specify)		0
<i>Number of respondents</i>		71

Q5. Other (please specify)		
	Percent	Count
At the re-determination	20%	1
No specific time	20%	1
With every contact	20%	1
Were told we could not tell recipients what to use cash for	40%	2
<i>Number of respondents</i>		5

Q6. What types of things do you tell recipients cash assistance (NOT food stamps) is for? (This question requires an answer)		
Responses	Percent	Count
Rent/shelter	79%	60
Utilities	59%	45
Toiletries	34%	26
Necessities	29%	22
Paper products	25%	19
"Things you cannot purchase with FS"	22%	17
Clothes	20%	15
Living expenses	18%	14
Baby needs - diapers/formula	13%	10
Gas	11%	8
Not alcohol	9%	7
Medicine/doctors	9%	7
Not cigarettes	7%	5
Gambling	4%	3
cleaning products	4%	3
Illegal items	3%	2
Food	3%	2
Childcare	3%	2
School supplies	1%	1
Laundry	1%	1
<i>Number of respondents</i>		76

Q7. Do you remind recipients what the cash assistance is for: (check all that apply)		
Answer Options	Percent	Count
In future correspondence	7%	5
At redeterminations	47%	34
No, there are no reminders	53%	39
Other (please specify)		0
<i>Number of respondents</i>		73

Q8. Why do you tell recipients what the cash assistance is for: (check all that apply)		
Answer Options	Percent	Count
Written in formal policy or procedure manual	19%	11
District office supervisor directed us to inform recipients this way	26%	15
Training instructed us to inform the recipient	58%	33
I don't know/unsure	14%	8
Other (please specify)		27
<i>Number of respondents</i>		57

Q8. Other (please specify)		
Reason	Percent	Count
If the recipient asked	22%	6
Was told to do so	22%	6
Clients may not know/it's a good idea	44%	12
We have not been told to tell clients how to use their cash	11%	3
<i>Number of respondents</i>		27

Q9. If needed, can you order a recipient a replacement card?		
Answer Options	Percent	Count
Yes	27%	23
No	60%	51
I don't know/unsure	13%	11
<i>Number of respondents</i>		85

Q10. How do you order a replacement card for a recipient?		
Answer Options	Percent	Count
Order it for the client in New Heights	9%	2
Ask a clerk to order it for them	9%	2
Tell the client to call the vendor's 1-888 number	82%	18
Other (please specify)		0
<i>Number of respondents</i>		22

Q11. How often do you order a replacement card for a recipient?		
Answer Options	Percent	Count
Daily	0%	0
Weekly	6%	1
Monthly	41%	7
I've never done it	53%	9
Other (please specify)		0
<i>Number of respondents</i>		17

Q12. If a cardholder comes to the district office saying they no longer need their card and want their case closed, or if they mail it back to the office, what do you do with the card?		
Answer Options	Percent	Count
Throw it away	0%	0
Destroy it at the district office with scissors	14%	8
Destroy it at the district office with a shredder	2%	1
Send it back to the DHHS headquarters (Brown building in Concord)	8%	5
Refuse to accept the card from the recipient, but close the case	29%	17
I don't know/unsure	47%	28
Other (please specify)		23
<i>Number of respondents</i>		59

Q12 Other (please specify):	
	Count
FSSs do not touch the cards	6
I would tell them to keep it	12
I would give it to someone else (DO supervisor or clerk)	5
A client has never returned a card to me	6
<i>Number of respondents</i>	
23	

Q13. Do you deactivate the card first?		
Answer Options	Percent	Count
Yes	11%	6
No	35%	20
Sometimes	0%	0
I don't know/unsure	14%	8
Not applicable	40%	23
<i>Number of respondents</i>		57

Q14. In your opinion, how adequate are policies and procedures and training related to EBT card processes?					
Answer Options	Less than adequate	Adequate	More than adequate	I don't know/unsure	Count
Policies and procedures	8	57	12	2	79
Training	11	57	12	2	82
<i>Number of respondents</i>					85

Q15. Are there any more areas of training you like to receive related to EBT cards or cash assistance?		
Answer Options	Percent	Count
Yes	11%	9
No	67%	57
I don't know/unsure	22%	19
If yes, please specify		9
<i>Number of respondents</i>		85

Q15. Other (please specify)		
	Percent	Count
More training on the EBT system	67%	6
Eligibility requirements	11%	1
Refreshers on all aspects	11%	1
Don't know at this time	11%	1
<i>Number of respondents</i>		9

Q16. Please provide any other comments you may have related to EBT cards or cash assistance:		
	Count	
EBT is useful system to administer benefits	1	
Public has a misperception that cash benefits are Food Stamps	1	
More information for clients on deposit dates would be helpful to the FSS	1	
More focus on ways to limit the use of EBT cash use like Food Stamps	1	
Should not give the option of EFT for cash assistance (only allow EBT)	1	
Place penalties on inappropriate use of cash assistance	1	
Payments should be on a vendor payment system (e.g., rent, utilities)	1	
Limit Emergency Assistance only to those with no on-going monthly cash assistance benefits	1	
Clients choose EBT over EFT because they have overdrawn bank accounts	1	
Eligibility criteria are unfair	1	
<i>Number of respondents</i>		7

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**STATE OF NEW HAMPSHIRE
DIVISION OF FAMILY ASSISTANCE
ELECTRONIC BENEFITS TRANSFER CARDS**

**APPENDIX C
DISTRICT OFFICE CLERK SURVEY RESULTS**

We surveyed all 35 District Office Clerks. Twenty-nine responded to the survey for a response rate of 83 percent.

Q1. Do you receive active EBT cards at the district office for distribution to recipients (for example, cards for homeless or transient individuals)?		
Answer Options	Percent	Count
Yes	97%	28
No	3%	1
I don't know/unsure	0%	0
<i>Number of respondents</i>		29

Q2. Where do you keep cards that arrive at the district office for homeless or transient individuals?		
Answer Options	Percent	Count
At the front desk – not locked	15%	4
At the front desk – in a locked area	85%	23
The district office supervisor keeps them	0%	0
Give them to the FSS to distribute to the client	0%	0
I don't know/unsure	0%	0
Other (please specify)		0
<i>Number of respondents</i>		27

Q3. How long does the recipient have to collect their card from the District Office?		
Answer Options	Percent	Count
Less than 10 days	0%	0
10 to 30 days	68%	19
31 to 60 days	14%	4
More than 60 days	0%	0
I do not alert anyone	0%	0
I don't know/unsure	18%	5
<i>Number of respondents</i>		28

Q4. What do you do with a card for a homeless or transient individual if they do not pick it up by that time?		
Answer Options	Percent	Count
Ask the FSS or district office supervisor what to do with it	20%	5
Continue to hold it	0%	0
Return it to DHHS headquarters (Brown building in Concord)	48%	12
Destroy it	12%	3
Nothing, the card is given to the FSS/DO supervisor when it arrives	4%	1
I don't know/unsure	16%	4
Other (please specify)		0
<i>Number of respondents</i>		25

Q5. Do you deactivate the card first?		
Answer Options	Percent	Count
Yes	46%	13
No	29%	8
Sometimes	4%	1
I don't know/unsure	21%	6
<i>Number of respondents</i>		28

Q6. If a cardholder comes to the district office saying they no longer need their card and want their case closed, or if they mail the card to the office, what do you do with the card? (check all that apply)		
Answer Options	Percent	Count
Throw it away	0%	0
Destroy it at the district office with scissors or a shredder	46%	13
Send it back to the DHHS headquarters (Brown building in Concord)	25%	7
Deactivate the card	50%	14
Refuse to accept the card from the recipient, but close the case	7%	2
Give to the FSS assigned to the case and tell them what the recipient said	0%	0
Have the recipient write a statement requesting the case be closed	68%	19
I don't know/unsure	4%	1
Other (please specify)		0
<i>Number of respondents</i>		28

Q7. How often do you order a replacement card for a recipient?		
Answer Options	Percent	Count
Daily	0%	0
Weekly	14%	3
Monthly	32%	7
I've never ordered a replacement card	54%	12
Other (please specify)		0
<i>Number of respondents</i>		22

Q8. How often do you re-PIN a recipient's EBT card at the district office?		
Answer Options	Percent	Count
A few times daily	11%	3
A few times a week	36%	10
A few times a month	43%	12
I have never re-PINed a card	11%	3
<i>Number of respondents</i>		28

Q9. How often do you re-set a recipient's PIN status in the EDGE system so they can call the 1-888 number to re-PIN a card?		
Answer Options	Percent	Count
0-5 times per month	96%	27
6-10 times per month	0%	0
10-20 times per month	4%	1
More than 20 times per month	0%	0
<i>Number of respondents</i>		28

Q10. Do you have any blank cards at your District Office? (Cards with no name embossed on it, for example, in case of emergencies)		
Answer Options	Percent	Count
Yes	0%	0
No	93%	26
I don't know/unsure	7%	2
<i>Number of respondents</i>		28

Q11. If a person requests a phone interview rather than an in-person interview do you usually: (check all that apply)		
Answer Options	Percent	Count
Set up the phone interview	78%	21
Get the FSS' approval prior to setting up a phone interview	19%	5
Get the District Office supervisor's approval prior to setting up the phone interview	19%	5
We do not do phone interviews	0%	0
Other (please specify)		0
<i>Number of respondents</i>		27

Q12. In your opinion, how adequate are policies and procedures related to EBT card processes?		
Answer Options	Percent	Count
Less than adequate	4%	1
Adequate	88	25
More than adequate	4%	1
I don't know/unsure	4%	1
Other (please specify)		0
<i>Number of respondents</i>		28

Q12. Other (please specify):	
	Count
EBT mailing policies: clients move often and cards get sent back. Also, even if someone's case has been expedited, they still need to wait 7 - 10 business days for a card which is a concern.	1
<i>Number of respondents</i>	
	1

Q13. Please provide any other comments you may have related to EBT cards or cash assistance:	
The one comment provided was not related to cash assistance benefits.	
<i>Number of respondents</i>	
	1

**STATE OF NEW HAMPSHIRE
DIVISION OF FAMILY ASSISTANCE
ELECTRONIC BENEFITS TRANSFER CARDS**

**APPENDIX D
DISTRICT OFFICE SUPERVISOR SURVEY RESULTS**

We surveyed all 26 District Office Supervisors. Twenty-one responded to the survey for a response rate of 81 percent.

Q1. Which is more time consuming for District Office personnel to manage?		
Answer Options	Percent	Count
Cases with Electronic Benefits Transfer (EBT) cards	19%	4
Cases with Electronic Funds Transfer (EFT)	43%	9
They take personnel about the same amount of time	33%	7
I don't know/unsure	5%	1
<i>Number of respondents</i>		21

Q2a. What are the advantages and drawbacks of EBT cards versus EFT for the client? (Please consider convenience of setup, time, management, fees, etc.)		
Advantages Of EBT For The Client		
	Percent	Count
Convenience of one card for all benefits	21%	4
EBT cards cannot be overdrawn like bank account	16%	3
No delays due to bank accounts closing or changing	21%	4
Ease of use	16%	3
Do not know	5%	1
Negative stigma of EBT cards	5%	1
Bank account more confidential	5%	1
EFT benefits come before the weekend or holiday	5%	1
No stigma because EBT cards look like regular debit cards	5%	1
Recipients have access to EBT card information online	11%	2
EBT cards protect recipients' money	5%	1
<i>Number of respondents</i>		19

Q2b. What are the advantages and drawbacks of EBT cards versus EFT for the client? (Please consider convenience of setup, time, management, fees, etc.)		
Drawbacks Of EBT For The Client		
Answer Options	Percent	Count
Bank accounts can be overdrawn	32%	6
Benefits are stale-dated off if client does not use them	21%	4
Can incur fees for too many EBT withdrawals	21%	4
Bank account numbers close or change causing delays	16%	3
EBT cards are sometimes lost or stolen	11%	2
Stigma of having EBT cards	5%	1
Confusing for client to have Food Stamps and cash on same card	5%	1
EBT cannot be used everywhere	5%	1
Issues at checkout if the client does not know their balance	5%	1
<i>Number of respondents</i>		19

Q3a. What are the advantages and drawbacks of EBT cards versus EFT for the? (Please consider convenience of paperwork, time, management, risk of fraud etc.)		
Advantages Of EBT For The Department		
	Percent	Count
EBT is easier to process	21%	4
EBT is easier to track	21%	4
Client issue (not an issue for the Dept)	11%	2
EBT is more expensive for the State/Dept	11%	2
Staff have to "manage" EBT (returned cards, field questions from clients on card processing time, lost cards, re-pinning, etc)	5%	1
Clients can call 1-800 number (Staff do NOT manage EBT)	5%	1
<i>Number of respondents</i>		19

Q3b. What are the advantages and drawbacks of EBT cards versus EFT for the? (Please consider convenience of paperwork, time, management, risk of fraud etc.)		
Drawbacks Of EBT For The Department		
Answer Options	Percent	Count
Staff have to "manage" EBT (returned cards, field questions from clients on card processing time, lost cards, re-pinning, etc)	21%	4
EBT is more expensive for the State/Dept	16%	3
More opportunity for fraud with EBT	11%	2
Client issue (not an issue for the Dept)	11%	2
EFT has no tracking ability/EBT is easier to track	5%	1
EBT is easier to process	5%	1
I can't think of any	5%	1
<i>Number of respondents</i>		19

Q4. Do you (or your employees) explain to recipients what their CASH ASSISTANCE funds are intended to be used for? (NOT food stamps)		
Answer Options	Percent	Count
I don't know/unsure	0%	0
Yes	79%	15
No	5%	1
Sometimes	16%	3
If sometimes, please specify		3
<i>Number of respondents</i>		19

Q4. Other (please specify):	Count
Only if the client asks	1
Inconsistent among FSSs	1
Only inform client the cash is for bills in some cases	1
<i>Number of respondents</i>	3

Q5. When are recipients informed what the cash assistance is for? (check all that apply)		
Answer Options	Percent	Count
In person at the initial eligibility interview	100%	17
In person at a later date	6%	1
Over the phone prior to confirming the case	6%	1
Via letter/brochure/pamphlet sent in the mail	18%	3
Other (please specify)		0
<i>Number of respondents</i>		17

Q6. What types of things are recipients informed the cash assistance (NOT food stamps) is for? (This question requires an answer. If you don't know, please say "I don't know")		
	Percent	Count
Rent	83%	15
Utilities	56%	10
Daily needs/living expenses	50%	9
Non-food items	39%	7
Clothing	28%	5
Paper products	22%	4
Toiletries	22%	4
Gas	17%	3
Medicine/co-pays	11%	2
Food	11%	2
Childcare	6%	1
Their money to use as they need	6%	1
Rent	83%	15
Utilities	56%	10
<i>Number of respondents</i>		18

Q7. Are recipients reminded what the cash assistance is for: (check all that apply)		
Answer Options	Percent	Count
In future correspondence	0%	0
At redeterminations	44%	7
No, there are no reminders	31%	5
I don't know/unsure	25%	4
Other (please specify)		6
<i>Number of respondents</i>		16

Q7. Other (please specify):		
	Percent	Count
Only if recipient asks	33%	2
If recipient has used the money incorrectly in the past	17%	1
Only if the re-determination is face-to-face instead of over the phone or by mail	33%	2
Not sure if workers do or not	33%	2
<i>Number of respondents</i>		6

Q8. Why do you (or your employees) tell recipients what the cash assistance is for? (check all that apply)		
Answer Options	Percent	Count
Written in formal policy or procedure manual	25%	4
Department administrators have directed us to inform recipients	56%	9
Training instructed us to inform the recipient	56%	9
I don't know/unsure	13%	2
Other (please specify)		3
<i>Number of respondents</i>		16

Q8. Other (please specify)		
	Percent	Count
The recipient asked what the money should be used for	33%	1
Were recently told to tell recipients	33%	1
No policy has been set to tell recipients how to use cash assistance	33%	1
<i>Number of respondents</i>		3

Q9. Do you have any blank cards at your District Office? (Cards with no name embossed on it, for example, in case of emergencies)		
Answer Options	Percent	Count
Yes	22%	4
No	72%	13
I don't know/unsure	6%	1
<i>Number of respondents</i>		18

Q10. How often do you review cash assistance cases completed by your staff (not first year staff)?		
Answer Options	Percent	Count
Cases of established FSSs (not first year) are not reviewed	36%	4
Daily	0%	0
Weekly	9%	1
Monthly	55%	6
Other (please specify)		7
<i>Number of respondents</i>		11

Q10. Other (please specify)		
	Percent	Count
Inconsistently/depends on the experience level of the staff or case type	86%	6
When time allows	14%	1
<i>Number of respondents</i>		7

Q11. How many cases of established FSSs (more than one year) do you typically review per month?		
Answer Options	Percent	Count
0-4	29%	4
5-7	50%	7
8-10	0%	0
More than 10	7%	1
I don't review cases of established FSSs	7%	1
I don't know/unsure	7%	1
<i>Number of respondents</i>		14

Q12. In your opinion, how adequate are policies and procedures related to EBT card processes?		
Answer Options	Percent	Count
Less than adequate	6%	1
Adequate	83%	15
More than adequate	6%	1
I don't know	6%	1
Other (please specify)		0
<i>Number of respondents</i>		18

Q13. Are there any more areas of training District Office personnel (clerks or FSSs) should receive related to EBT cards?		
Answer Options	Percent	Count
Yes	11%	2
No	56%	10
I don't know/unsure	33%	6
If yes, please specify		7
<i>Number of respondents</i>		18

Q13. Other (please specify)		
	Percent	Count
Training to address what to say to recipients regarding use of cash assistance	14%	1
Just had refresher training	57%	4
Ensure all workers have the same level of expertise in EBT system	14%	1
Eligibility process	14%	1
<i>Number of respondents</i>		7

Q14. Please provide any other comments you may have related to EBT cards or cash assistance:	
	Count
Recipients should get a brochure stating what benefits can be used for	1
Should be more restrictions on use of cash assistance	1
Recipients should be required to attend orientation on the use of cash assistance	1
Recently attended a training on EBT which was helpful	1
<i>Number of respondents</i>	4

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**STATE OF NEW HAMPSHIRE
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**APPENDIX E
OTHER STATES SURVEY RESULTS**

We surveyed 23 states about cash assistance benefits issuance. Twelve states responded, for a response rate of 52 percent.

Q1. Which of the following methods does your state use to distribute cash assistance? (check all that apply)		
Answer Options	Percent	Count
Electronic Benefits Transfer (EBT)	58%	7
Electronic Funds Transfer (EFT)	33%	4
Electronic Payment Card (EPC)	33%	4
Check	33%	4
Other (please specify)		0
<i>Number of respondents</i>		12

Q2. How are the following assistance types distributed by your state? (check all that apply)													
Answer Options	EBT		EFT		EPC		Check		Other		N/A		Count
	%	#	%	#	%	#	%	#	%	#	%	#	
Temporary Assistance to Needy Families (TANF)	58%	7	33%	4	42%	5	42%	5	17%	2	0%	0	12
Old Age Assistance	50%	3	33%	2	17%	1	17%	1	17%	1	33%	2	6
Aid to the Needy Blind	50%	3	33%	2	17%	1	17%	1	17%	1	33%	2	6
Aid to the Permanently and Totally Disabled	43%	3	29%	2	29%	2	14%	1	14%	1	29%	2	7
Women, Infants, and Children	0%	0	0%	0	0%	0	17%	1	17%	1	67%	4	6
Supplemental Nutrition Assistance Program	100%	12	0%	0	0%	0	0%	0	0%	0	0%	0	12
Refugee assistance	13%	1	25%	2	25%	2	38%	3	13%	1	38%	3	8
Adoption and foster care assistance	0%	0	29%	2	29%	2	29%	2	14%	1	29%	2	7
Child support	13%	1	50%	4	75%	6	63%	5	13%	1	0%	0	8
Childcare	13%	1	38%	3	50%	4	38%	3	25%	2	0%	0	8
Clothing reimbursement	33%	2	17%	1	33%	2	33%	2	17%	1	0%	0	6

Q2. How are the following assistance types distributed by your state? (check all that apply)													
Answer Options	EBT		EFT		EPC		Check		Other		N/A		Count
	%	#	%	#	%	#	%	#	%	#	%	#	
Transportation reimbursement	29%	2	14%	1	43%	3	29%	2	14%	1	0%	0	7
Unemployment	0%	0	17%	1	33%	2	33%	2	17%	1	17%	1	6
Housing assistance	0%	0	0%	0	0%	0	17%	1	0%	0	83%	5	6
Other 1 (Please specify in the box below)	33%	1	67%	2	0%	0	100%	3	0%	0	0%	0	3
Other 2 (Please specify in the box below)	0%	0	0%	0	0%	0	0%	0	0%	0	100%	1	1
Other 3 (Please specify in the box below)	0%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0
Please clarify if you checked other forms of assistance													6
<i>Number of respondents</i>													12

Q3. Does your state place restrictions on the use of Temporary Assistance to Needy Families (TANF) cash?		
Answer Options	Percent	Count
Yes	50%	6
No	50%	6
I don't know/unsure	0%	0
Other (please specify)		4
<i>Number of respondents</i>		12

Q3. Does your state place restrictions on the use of Temporary Assistance to Needy Families (TANF) cash?	
	Count
In the process of implementing restrictions	3
We explain the restrictions to clients	1
<i>Number of respondents</i>	4

Q4. Where are the restrictions outlined?		
Answer Options	Percent	Count
State law	57%	4
Administrative rules	57%	4
Agency policy	57%	4
Other (please specify)	14%	1
<i>Number of respondents</i>		7

Q4. Other (please specify)	
	Count
Governor's Executive Order	1
<i>Number of respondents</i>	
1	

Q5. What types of restrictions are there for TANF cash assistance? (check all that apply)		
Answer Options	Percent	Count
Recipients are restricted from using TANF cash at certain retailers	86%	6
Recipients are restricted from using TANF cash to purchase certain types of items	57%	4
Recipients are restricted from withdrawing cash at ATMs	14%	1
Other (please specify)	14%	1
<i>Number of respondents</i>		7

Q5. Other (please specify)	
	Count
ATMs are restricted at casinos, adult entertainment establishments, cruise ships, smoke shops, liquor stores that are not authorized by the Food and Nutrition Service to accept SNAP benefits, bail bonds, bingo halls, cannabis shops, gun/ammunition stores, night clubs/saloons/taverns, psychic readers, race tracks, spa/massage salons, and tattoo/piercing shops.	1
<i>Number of respondents</i>	
1	

Q6. How are the restrictions communicated to the recipients? (check all that apply)		
Answer Options	Percent	Count
Caseworker at the time of application	67%	4
Caseworker at other times	33%	2
Literature that comes with the card (card insert)	33%	2
Posters at district offices	50%	3
Recipients are informed of restrictions by the vendor	0%	0
Letters/other mailings	50%	3
Advertisements in public forums	0%	0
Restrictions are not formally communicated to recipients	0%	0
Other (please specify)		3
<i>Number of respondents</i>		6

Q6. Other (please specify)	
	Count
County welfare offices	1
State's EBT website	1
Notices at ATMs	1
On the back of the EBT card	1
<i>Number of respondents</i>	
3	

Q7. Are recipients required to sign anything to acknowledge understanding of the restrictions?		
Answer Options	Percent	Count
Yes	20%	1
No	80%	4
I don't know/unsure	0%	0
Other (please explain if there is some other acknowledgement):		2
<i>Number of respondents</i>		5

Q7. Other (please specify)	
	Count
Recipients sign "Rights and Responsibilities" form	1
Clients are informed of program rules and the application signature is an acknowledgement to comply	1
<i>Number of respondents</i>	
2	

Q8. How is adherence to the restrictions monitored? (check all that apply)		
Answer Options	Percent	Count
Transactions are reviewed by agency personnel	67%	4
Transactions are reviewed by vendor personnel	33%	2
Transactions are monitored by agency software	0%	0
Transactions are monitored by vendor software	0%	0
Transactions are not monitored	0%	0
Other (please specify)		1
<i>Number of respondents</i>		6

Q8. Other (please specify)	
	Count
Other monitoring activities	1
<i>Number of respondents</i>	
1	

Q9. Are there penalties for violators?		
Answer Options	Percent	Count
Yes	50%	3
No	33%	2
I don't know/unsure	17%	1
<i>Number of respondents</i>		6

Q10. What types of penalties? (check all that apply)		
Answer Options	Percent	Count
Removal from the program	33%	1
Removal of program supports (employment program, transportation, other)	0%	0
Financial penalty as a one-time fine taken from cash disbursement	0%	0
Financial penalty in the form of a temporary reduction in cash assistance	33%	1
Financial penalty in the form of a permanent reduction in cash assistance	33%	1
Other (please specify)		1
<i>Number of respondents</i>		3

Q10. Other (please specify)	
	Count
Disqualification for period of time based on number of occurrences	1
<i>Number of respondents</i>	
1	

Q11. Does your state place restrictions on the use of state Old Age Assistance, Aid to the Needy Blind, or Aid to the Permanently and Totally Disabled? (check all that apply)		
Answer Options	Percent	Count
Yes, restrictions on Old Age Assistance	0%	0
Yes, restrictions on Aid to the Needy Blind	0%	0
Yes, restrictions on Aid to the Permanently and Totally Disabled	0%	0
No restrictions on these types of assistance	67%	6
I don't know/unsure	33%	3
Other (please specify)		0
<i>Number of respondents</i>		9

Q12. Where are the restrictions outlined?		
Answer Options	Percent	Count
State law	0%	0
Administrative rules	0%	0
Agency policy	0%	0
Other (please specify)		0
<i>Number of respondents</i>		0

Q13. What types of restrictions are there for Old Age Assistance, Aid to the Needy Blind, or Aid to the Totally and Permanently Disabled? (check all that apply)		
Answer Options	Percent	Count
Recipients are restricted from using cash for certain retailers	0%	0
Recipients are restricted from using cash for purchasing certain items	0%	0
Recipients are restricted from withdrawing cash at ATMs	0%	0
Other (please specify)		0
<i>Number of respondents</i>		0

Q14. How are the restrictions communicated to the recipients? (check all that apply)		
Answer Options	Percent	Count
Caseworker at the time of application	0%	0
Caseworker at other times	0%	0
Literature that comes with the card (card insert)	0%	0
Posters at district offices	0%	0
Recipients are informed of restrictions by the vendor	0%	0
Letters/other mailings	0%	0
Advertisements in public forums	0%	0
Restrictions are not formally communicated to recipients	0%	0
Other (please specify)		0
<i>Number of respondents</i>		0

Q15. Are recipients required to sign anything to acknowledge understanding of the restrictions?		
Answer Options	Percent	Count
Yes	0%	0
No	0%	0
I don't know/unsure	0%	0
Other (please explain if there is some other acknowledgement):		0
<i>Number of respondents</i>		0

Q16. How is adherence to the restrictions monitored? (check all that apply)		
Answer Options	Percent	Count
Transactions are reviewed by agency personnel	0%	0
Transactions are reviewed by vendor personnel	0%	0
Transactions are monitored by agency software	0%	0
Transactions are monitored by vendor software	0%	0
Transactions are not monitored	0%	0
Other (please specify)		0
<i>Number of respondents</i>		0

Q17. Are there penalties for violators?		
Answer Options	Percent	Count
Yes	0%	0
No	0%	0
I don't know/unsure	0%	0
<i>Number of respondents</i>		0

Q18. What types of penalties? (check all that apply)		
Answer Options	Percent	Count
Removal from the program	0%	0
Removal of program supports (employment program, transportation, other)	0%	0
Financial penalty as a one-time fine taken from cash disbursement	0%	0
Financial penalty in the form of a temporary reduction in cash assistance	0%	0
Financial penalty in the form of a permanent reduction in cash assistance	0%	0
Other (please specify)		0
<i>Number of respondents</i>		0

Q19. How have restrictions impacted cash assistance recipients? (Please consider both positive and negative impacts of the restrictions. Please also consider the impacts of any penalties for violations.)	
	Count
Recipients who had used restricted ATMs have to find alternative cash access locations.	1
<i>Number of respondents</i>	1

Q20. How has implementing restrictions impacted your agency?	
	Count
Restrictions are consistent with program goals for use of benefits. We are in compliance with the federal law to ban withdrawal from various types of locations.	1
<i>Number of respondents</i>	1

Q21. How has implementing restrictions impacted the use of taxpayer dollars?	
	Count
Impact is unknown, as the state is unable to track the use of cash benefits withdrawn from cash access locations.	1
<i>Number of respondents</i>	1

Q22. Are recipients required to take budgeting, personal finance, or banking courses?		
Answer Options	Percent	Count
Yes	10%	1
No	90%	9
I don't know/unsure	0%	0
If yes, please specify:		1
<i>Number of respondents</i>		10

Q22. If yes, please specify:	
	Count
TANF program has a money management class but is not available everywhere	1
<i>Number of respondents</i>	1

Q23. Does your state use electronic purchasing cards (EPC)?		
Answer Options	Percent	Count
Yes	64%	7
No	27%	3
No, but we are considering it	9%	1
No, but we have considered it previously	0%	0
I don't know/unsure	0%	0
Other (please specify)		1
<i>Number of respondents</i>		11

Q24. Amount of administrative time expended by your agency: (1 = the lowest amount of administrative time and 5 = highest amount of administrative time)													
Answer Options	1		2		3		4		5		I don't know or N/A		Count
	%	#	%	#									
Electronic Benefit Transfer card (EBT)	27%	3	18%	2	18%	2	9%	1	18%	2	9%	1	11
Electronic Funds Transfer (EFT)	27%	3	9%	1	9%	1	27%	3	0%	0	27%	3	11
Electronic Payment Card (EPC)	27%	3	27%	3	9%	1	0%	0	0%	0	36%	4	11
Check	36%	4	0%	0	9%	1	18%	2	36%	4	0%	0	11
Other method used by your state	17%	1	0%	0	0%	0	0%	0	17%	1	67%	4	6
Other (please specify)													3
<i>Number of respondents</i>												11	

Q25. Amount of vendor fees charged to your agency: (1 = the fewest vendor fees and 5 = the most vendor fees)													
Answer Options	1		2		3		4		5		I don't know or N/A		Count
	%	#	%	#	%	#	%	#	%	#	%	#	
EBT	36%	4	9%	1	18%	2	0%	0	18%	2	18%	2	11
EFT	10%	1	20%	2	10%	1	0%	0	0%	0	60%	6	10
EPC	27%	3	18%	2	0%	0	0%	0	0%	0	55%	6	11
Check	30%	3	10%	1	10%	1	0%	0	0%	0	50%	5	10
Other method used by your state	17%	1	0%	0	0%	0	0%	0	0%	0	83%	5	6
Other (please specify)	0%		0%		0%		0%		0%		0%		1
<i>Number of respondents</i>													11

Q26. Amount of transaction costs paid by your agency: (1 = the lowest transaction costs and 5 = the highest transaction costs)													
Answer Options	1		2		3		4		5		I don't know or N/A		Count
	%	#	%	#	%	#	%	#	%	#	%	#	
EBT	18%	2	36%	4	9%	1	0%	0	18%	2	18%	2	11
EFT	0%	0	30%	3	10%	1	0%	0	0%	0	60%	6	10
EPC	20%	2	20%	2	0%	0	0%	0	0%	0	60%	6	10
Check	30%	3	0%	0	20%	2	10%	1	0%	0	40%	4	10
Other method used by your state	0%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0
Other (please specify)													0
<i>Number of respondents</i>													11

Q27. Amount of fees charged to the recipients: (1 = the fewest fees charged to recipients and 5 = the most fees charged to recipients)													
Answer Options	1		2		3		4		5		I don't know or N/A		Count
	%	#	%	#	%	#	%	#	%	#	%	#	
EBT	40%	4	0%	0	10%	1	10%	1	10%	1	30%	3	10
EFT	10%	1	20%	2	0%	0	0%	0	0%	0	70%	7	10
EPC	18%	2	9%	1	0%	0	0%	0	9%	1	64%	7	11
Check	30%	3	20%	2	0%	0	0%	0	0%	0	50%	5	10
Other method used by your state	0%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0
Other (please specify)													0
<i>Number of respondents</i>													11

Q28. Difficulty of use for the recipients: (1 = the most difficult for the recipients to use and 5 = the easiest for recipients to use)													
Answer Options	1		2		3		4		5		I don't know or N/A		Count
	%	#	%	#	%	#	%	#	%	#	%	#	
EBT	27%	3	9%	1	0%	0	18%	2	36%	4	9%	1	11
EFT	36%	4	0%	0	0%	0	0%	0	27%	3	36%	4	11
EPC	18%	2	0%	0	9%	1	27%	3	9%	1	36%	4	11
Check	27%	3	0%	0	18%	2	18%	2	36%	4	0%	0	11
Other method used by your state	0%	0	0%	0	0%	0	0%	0	0%	0	100%	0	0
Other (please specify)													0
<i>Number of respondents</i>													11

Q29. Potential for fraud by state employees: (1 = the lowest potential for fraud and 5 = the greatest potential for fraud)													
Answer Options	1		2		3		4		5		I don't know or N/A		Count
	%	#	%	#									
EBT	45%	5	9%	1	9%	1	0%	0	9%	1	27%	3	11
EFT	27%	3	9%	1	9%	1	0%	0	0%	0	55%	6	11
EPC	50%	5	0%	0	10%	1	0%	0	0%	0	40%	4	10
Check	36%	4	27%	3	0%	0	0%	0	0%	0	36%	4	11
Other method used by your state	0%	0	0%	0	0%	0	0%	0	0%	0	100%	4	4
Other (please specify)													0
<i>Number of respondents</i>													11

Q30. Potential for fraud by recipients: (1 = the lowest potential for fraud and 5 = the greatest potential for fraud)													
Answer Options	1		2		3		4		5		I don't know or N/A		Count
	%	#	%	#									
EBT	10%	1	10%	1	10%	1	30%	3	10%	1	30%	3	10
EFT	27%	3	18%	2	0%	0	0%	0	0%	0	55%	6	11
EPC	27%	3	9%	1	0%	0	18%	2	0%	0	45%	5	11
Check	27%	3	27%	3	9%	1	9%	1	0%	0	27%	3	11
Other method used by your state	0%	0	0%	0	0%	0	0%	0	0%	0	100%	5	5
Other (please specify)													0
<i>Number of respondents</i>													11

Q31a. Please list any other benefits or drawbacks for both the state and recipients that you can think of. If you do not know, please write "I don't know."

Benefits Of EBT

	Count
No stigma compared to vouchers	2
EBT is easy to use/accepted in many places	2
Faster access to benefits	1
State can track transactions	1
More secure for recipients without bank accounts	1
<i>Number of respondents</i>	6

Q31b. Please list any other benefits or drawbacks for both the state and recipients that you can think of. If you do not know, please write "I don't know."

Drawbacks Of EBT

	Count
Not as much access as a card with major credit card company logo	3
Increased potential for fraud both internally and externally	2
High Fees	1
Volume of cards that need to be replaced	1
<i>Number of respondents</i>	5

Q31c. Please list any other benefits or drawbacks for both the state and recipients that you can think of. If you do not know, please write "I don't know."

Benefits of EFT

	Count
Fewer fees for recipients when accessing their money	2
Recipient gains money management skills	1
<i>Number of respondents</i>	2

Q31f. Please list any other benefits or drawbacks for both the state and recipients that you can think of. If you do not know, please write "I don't know."

Drawbacks Of EFT

	Count
Hard for the state to monitor how money is used	1
Use is only limited to recipients who can obtain a bank account	1
<i>Number of respondents</i>	2

Q31e. Please list any other benefits or drawbacks for both the state and recipients that you can think of. If you do not know, please write "I don't know."

Benefits of EPC

	Count
Accepted in many places	2
No lost or stolen checks	1
<i>Number of respondents</i>	3

Q31f. Please list any other benefits or drawbacks for both the state and recipients that you can think of. If you do not know, please write "I don't know."

Drawbacks Of EPC

	Count
High fees for recipient	2
<i>Number of respondents</i>	2

Q32. Are recipients encouraged to use one distribution method over the others?

Answer Options	Percent	Count
EBT	56%	5
EFT	0%	0
EPC	33%	3
Check	0%	0
Another method used by your state:	11%	1
<i>Number of respondents</i>		9

Q33. Are EBT cardholders charged for any of the following: (check all that apply)

Answer Options	Percent	Count
Initial card	0%	0
Monthly or semi-monthly card funding	0%	0
ATM fees	58%	7
Balance inquiries	17%	2
Re-PIN a card	0%	0
Replacement cards	8%	1
Customer service inquiries	8%	1
We do not charge any fees	25%	3
Other (please specify)		2
<i>Number of respondents</i>		12

Q22. Other (please specify):	
	Count
Charged for ATM after two free each month	1
I don't know	1
<i>Number of respondents</i>	2

Q34. If EBT cardholders are charged fees for only some of these items, or if cardholders are not charged any fees, why not? (check all that apply)		
Answer Options	Percent	Count
We charge recipients for all possible fees	0%	0
State law restricts what we can charge for	25%	2
Federal law restricts what we can charge for	25%	2
Technical capabilities restrict what we can charge for	0%	0
It has been our agency policy to not charge for some items	75%	6
We tried to charge for some items and there was pushback from politicians/the public	0%	0
Other (please specify)		0
<i>Number of respondents</i>		8

Q35. Please provide any other thoughts, concerns, or comments you would like to share.	
	Count
None	
<i>Number of respondents</i>	0

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