
HOUSE RESOLUTION

REQUESTING THE DEPARTMENT OF HUMAN SERVICES TO EXAMINE THE OCCURRENCE OF FRAUD IN THE SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM AND ADOPT METHODS TO ELIMINATE FRAUD AND MAINTAIN PROGRAM INTEGRITY.

1 WHEREAS, the Supplemental Nutrition Assistance Program
2 (SNAP) assists persons with low and no income to purchase food
3 and is funded exclusively by the federal Department of
4 Agriculture (USDA), Food and Nutrition Service (FNS); and
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6 WHEREAS, the benefits of SNAP are distributed by the
7 Department of Human Services (DHS) through Electronic Benefit
8 Transfer (EBT) cards that are issued to authorized persons to
9 redeem the SNAP benefit; and
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11 WHEREAS, in fiscal year 2015, Hawaii's SNAP program had
12 188,895 individual participants, 95,545 household participants,
13 and expended \$505 million of federal funds (Supplemental
14 Nutrition Assistance Program State Activity Report FY 2015); and
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16 WHEREAS, persons authorized to use the EBT card include
17 certified members and authorized representatives of the
18 household, and any individual who is permitted to purchase food
19 on behalf of the household; and
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21 WHEREAS, the use of the EBT card is secured by a Personal
22 Identification Number (PIN) and the EBT card user cannot be
23 required to produce any other forms of identification; and
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25 WHEREAS, imprinting the authorized person's photograph on
26 the EBT card is permitted, but the photograph will not prevent
27 fraudulent transactions by unauthorized persons and complicit
28 retailers; and



1 WHEREAS, when the cost estimates of operating a photo EBT
2 policy are weighed against the limited expectation of altering
3 the behavior of would-be traffickers, the conclusion suggests
4 that photo EBT cards are not a cost-effective approach to deter
5 fraud; and

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7 WHEREAS, DHS performed no pre-certification investigations
8 and performed 1,063 post-certification investigations that
9 yielded \$693,642 in fraudulent redemptions, which is equivalent
10 to 0.04 percent of the total statewide expenditures; and

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12 WHEREAS, the experience nationwide with fraud
13 investigations resulted in pre-certification investigations
14 detecting 60 percent of fraudulent transactions and post-
15 certification investigation detecting the remaining 40 percent
16 for a total of \$432 million in curtailed fraudulent redemptions,
17 which is equivalent to 0.62 percent of the total expenditures;
18 and

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20 WHEREAS, Hawaii's fraud detection rate of 0.04 percent is
21 significantly lower than the nationwide rate of 0.62 percent;
22 and

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24 WHEREAS, the State's external auditor's review for fiscal
25 year 2015 of 60 SNAP case files revealed multiple variances from
26 acceptable procedure according to DHS Financial Statements June
27 30, 2015; and

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29 WHEREAS, the Urban Institute's study, Assessing the Merits
30 of Photo EBT Cards in the Supplemental Nutrition Assistance
31 Program, March 2015, identified potential avenues to curtail
32 fraud, including intensive electronic surveillance by FNS's
33 ALERT system of patterns of retailer transactions and
34 redemptions and recipient trafficking behavior; and

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36 WHEREAS, other prevention strategies include, to the extent
37 permitted by law:

- 38
39 (1) Mandating beneficiaries to contact the State when
40 requesting replacement cards;



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- 1 (2) Mandating the use of photographic identification on
- 2 EBT cards;
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- 4 (3) Adopting best practices in quality control to maintain
- 5 program integrity through the use of data validated by
- 6 USDA in case files to determine accurate levels of
- 7 benefits;
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- 9 (4) Establishing a process for precertification fraud
- 10 detection;
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- 12 (5) Mandating the recruitment of the public to participate
- 13 in curtailing fraud by distributing the Fraud and
- 14 Abuse poster published by USDA and by providing the
- 15 capability to the public to report abuse to the State
- 16 by electronic means including email and internet
- 17 website; and
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- 19 (6) Utilizing data from FNS's ALERT system to identify
- 20 client households for suspected trafficking
- 21 violations, including the frequent replacement of EBT
- 22 cards; now, therefore,
- 23

24 BE IT RESOLVED by the House of Representatives of the
 25 Twenty-ninth Legislature of the State of Hawaii, Regular Session
 26 of 2017, that the Department of Human Services is requested to
 27 examine the occurrence of fraud in SNAP and adopt methods to
 28 eliminate fraud and maintain program integrity; and

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 30 BE IT FURTHER RESOLVED that the Department of Human
 31 Services consider:

- 32
- 33 (1) The adherence of current Hawaii SNAP procedures and
- 34 administrative rules to the fraud prevention
- 35 initiatives of SNAP; and
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- 37 (2) The Department's efforts to estimate fraud and the
- 38 efficacy of the enforcement proceedings at pre- and
- 39 post-certification stages; and

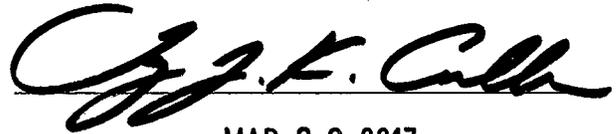


1 BE IT FURTHER RESOLVED that the Department of Human
2 Services is requested to provide metrics on the efficacy of the
3 fraud prevention program, including a cost-benefit analysis to
4 implement the program; provided that the cost-benefit analysis
5 should consider each program initiative independently to
6 facilitate a determination of the best combination of
7 initiatives for fighting fraud and maintaining program
8 integrity; and
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10 BE IT FURTHER RESOLVED that the Department of Human
11 Services submit a report of its findings and recommendations,
12 with proposed legislation if necessary, to the Legislature no
13 later than 20 days before the convening of the Regular Session
14 of 2018; and
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16 BE IT FURTHER RESOLVED that certified copies of this
17 Resolution be transmitted to the Governor and Director of Human
18 Services.
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OFFERED BY:



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