



U.S. Department of Agriculture  
Office of Inspector General  
Western Region  
Audit Report

FOOD STAMP PROGRAM  
ELECTRONIC BENEFIT TRANSFER  
SYSTEM DEVELOPMENT REVIEW  
STATE OF WASHINGTON



Report No.  
27099-14-SF  
April 2001



UNITED STATES DEPARTMENT OF AGRICULTURE  
OFFICE OF INSPECTOR GENERAL  
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DATE: April 13, 2001

REPLY TO  
ATTN OF: 27099-14-SF

TO: Allen Ng  
Regional Administrator  
Western Region  
Food and Nutrition Service

ATTN: Tony Sommer, Sr.  
Acting Director  
Financial Management

SUBJECT: Electronic Benefit Transfer System for the Food Stamp Program –  
System Development Review  
State of Washington

This report presents the results of our review of the development of the Food Stamp Program (FSP) electronic benefit transfer (EBT) system in the State of Washington. With funding from the Food and Nutrition Service (FNS), the Washington Department of Social and Health Services (DSHS) contracted with Citicorp Services to develop the system. Our objectives were to determine the adequacy of internal controls and to assess whether those controls were functioning as designed. Overall, our review did not disclose any conditions that would cause us to question the integrity of the system. We concluded that FNS and DSHS appeared to have sufficient controls and procedures to ensure that benefit cards were properly issued, unissued benefit cards were secure, and EBT data was protected against unauthorized access.

## **BACKGROUND**

FNS administers the FSP, which assists low-income households by increasing their ability to purchase food. The FSP is a Federal-State partnership with the Federal Government paying the full cost of recipient benefits and at least half of the expenses incurred by the States to administer the program.

In 1977, the Food Stamp Act authorized FNS to issue program benefits using electronic data processing such as an EBT system. EBT provides benefit access through automated teller machines and point-of-sale terminals located at approved

retailers. It replaces the paper-based coupon system with an electronic system. The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 provided that all States must implement EBT systems before October 1, 2002.

The State of Washington began its pilot EBT system in April 1999 with seven counties.

Each month, the State added additional counties until statewide participation was completed in November 1999. The State contracted with Citicorp Services, Inc. and implemented an on-line magnetic card EBT system that uses the existing card technology developed by credit card companies. DSHS provides a plastic benefit card to each FSP household. The card has a magnetic strip containing basic information to make food purchases. At an authorized FSP retailer, the recipient presents the card and enters a personal identification number into a point-of-sale terminal. The terminal communicates with a central database, which maintains recipient account balance information. DSHS' central database verifies the amount of benefits available, authorizes the transaction, and deducts the purchase amount from the household's account.

The system also calculates the cumulative FSP sales for each retailer and authorizes payment electronically to the retailers' bank accounts daily. FNS field offices authorize retailer participation in the FSP. Citicorp Services, Inc. has access to FNS' Retailer EBT Data Exchange System, which lists retailers that have current authorization.

## **OBJECTIVE**

Our objectives were to evaluate the adequacy of internal controls and to assess whether those controls were functioning as designed.

## **SCOPE**

This audit was part of a nationwide review of the EBT system. We reviewed the State of Washington's EBT system since its inception in April 1999 and the controls established by DSHS to ensure the integrity of the system. Fieldwork was performed from May 15, 2000, through August 10, 2000, at the (1) FNS Regional Office in San Francisco, California, (2) DSHS State Office in Lacey, Washington, (3) local field office in Tumwater, Washington, and (4) two Safeway stores located in Vancouver, Washington.

This audit was performed in accordance with generally accepted government auditing standards.

## **METHODOLOGY**

To accomplish our objectives, we performed the following procedures:

- We interviewed officials and reviewed EBT policies, program procedures, and correspondence at FNS and DSHS;

- At DSHS, we also reviewed EBT operating controls to ensure the integrity of the system; and
- At the field office, we identified and assessed internal controls in key operating areas.

### **AUDIT RESULTS**

Overall, our review did not disclose any conditions that would cause us to question the integrity of the system. We concluded that FNS and DSHS appeared to have sufficient controls and procedures to ensure that benefit cards were properly issued, unissued benefit cards were secure, and EBT data was protected against unauthorized access.

Since we have no findings or recommendations to report, we will notify the Office of the Chief Financial Officer that no further action is required by FNS.

We appreciate the assistance and cooperation of your staff during our review.

/s/ by B. Gladfelter for

SAM W. CURRIE  
Regional Inspector General  
for Audit

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## EXHIBIT A - AUDIT SITES

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OFFICE	LOCATION
FOOD AND NUTRITION SERVICE, WESTERN REGIONAL OFFICE	San Francisco, California
DEPARTMENT OF SOCIAL AND HEALTH SERVICES	Lacey, Washington
LOCAL AREA OFFICE	Tumwater, Washington
SAFEWAY STORE	2913 NE 72 <sup>nd</sup> Avenue Vancouver, Washington
SAFEWAY STORE	6611 NE 63 <sup>rd</sup> Street Vancouver, Washington