

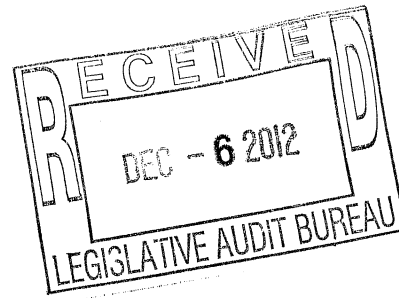


State of Wisconsin
Department of Health Services

Scott Walker, Governor
Dennis G. Smith, Secretary

December 3, 2012

Senator Kathleen Vinehout
Co-Chair Joint Legislative Audit Committee
Room 316 South, State Capitol
P.O. Box 7882
Madison, WI 53707-7882



Representative Samantha Kerkman
Co-Chair Joint Legislative Audit Committee
Room 315 North, State Capitol
P.O. Box 8952
Madison, WI 53708

Dear Senator Vinehout and Representative Kerkman:

The Department of Health Services (DHS) is pleased to have the opportunity to report to the Joint Legislative Audit Committee on our efforts to implement the recommendations provided in the April 2012 audit of Wisconsin's FoodShare program. DHS is committed to promoting the integrity of the FoodShare program in order to assist Wisconsin's low-income families with gaining access to income support programs while acting as a responsible steward of taxpayer dollars.

The purpose of this letter is to provide an update on the Department's activities related to each of the recommendations included in the audit. Specifically, the Department will report on the following items:

1. Its plans to verify social security numbers provided by FoodShare applicants;
2. The results of its efforts to improve the timeliness with which eligibility determinations are completed;
3. Its findings regarding the effectiveness of charging a fee for FoodShare replacement cards as a means to discourage unallowable EBT use and its plans to address instances in which frequent requests for replacement cards appear to be an indication of unallowable use;
4. Its plans to provide additional training to Income Maintenance workers in order to better identify cases of incarcerated individuals and prevent them from being reopened while they remain incarcerated, and efforts to implement processes for identifying ineligible individuals due to incarceration and establishing benefit recoveries when appropriate;
5. Plans to identify and seek overpayment of benefits from FoodShare recipients who are ineligible for benefits because they are fleeing to avoid prosecution or confinement for a felony offense or are in violation of a condition of probation or parole;
6. Plans to improve training and procedures to be used in disqualifying FoodShare recipients who have intentionally violated program rules; and
7. Discuss how DHS will administer fraud prevention and investigation services for the FoodShare program moving forward.

DHS has taken multiple steps towards fulfilling these recommendations and further strengthening our program integrity efforts. The remainder of this letter addresses the actions taken specific to each of the recommendations outlined above.

1. Verification of Social Security Numbers

DHS has issued updated instructions to Income Maintenance (IM) Workers on how to most effectively use the data exchange with the Social Security Administration in order to find and verify social security numbers for purposes of public assistance program eligibility. These updated instructions have been issued through the Department's Process Help Manual which provides instructions to Income Maintenance workers on how to navigate through the multiple public assistance programs' business processes and eligibility systems. Since the release of the April FoodShare Audit, DHS staff have reviewed the 48 unverified SSNs identified in the audit and has taken appropriate action on these cases. We can provide only the non-confidential details on the results at your request.

Additionally, DHS is working with the Social Security Administration to implement a systems improvement that will allow for the real-time verification of social security numbers for both ongoing members and new applicants. The Department has a target date of March 2013 for implementation of the real-time verification process for Social Security numbers. It is important to note that the Department currently verifies social security numbers through a batch process.

2. Improved Eligibility Determination Timeliness

DHS recently implemented a series of initiatives designed to improve timeliness of FoodShare eligibility determinations and better manage program operations. In August 2012, the Department launched the Workload Dashboard, a new tool that allows Consortia to better manage workload and monitor the accuracy of case processing. The Workload Dashboard provides a single summarized view of outstanding work that IM workers are responsible for in order to help them better prioritize and complete their work within the established timeliness requirements. In addition, the tool will serve to measure performance at the consortia and county level and the state as a whole. The information included in this Dashboard is updated continuously throughout the day allowing for the real-time monitoring of Consortia workload. The Department also took steps to modernize its existing client scheduling tool, which allows consortia more flexibility to tailor their client scheduling procedures to their unique business model. The client scheduling tool, when paired with the new Workload Dashboard tool creates even greater efficiencies for the Consortia, allowing for better management of workload and increased timeliness of application processing.

Although these projects have been only recently launched, we have demonstrated noticeable improvements in our FoodShare timeliness processing rates. Our timeliness rate for Federal Fiscal Year 2011 was 80.07%. However, our timeliness rate from the period of October 2011 through June 2012 is estimated to be over 87%. It is also worthy to note that the 2013 IM Contracts will include performance standards that mandate a timeliness standard of 95%.

3. Replacement Cards

We are currently piloting a project that involves reaching out to card recipients that have requested excessive card replacements (six or more cards in a twelve month period). A similar effort, which is described in greater detail below, has produced positive results in the state of North Carolina.

Under the North Carolina model, on a quarterly basis, the state identifies households that have requested multiple replacement cards. From July 2011 through May 2012, North Carolina mailed 1,144 letters to SNAP recipients who had requested excessive replacement EBT cards in the previous 12 months.

Out of the 1,144, only 121 households continued to request replacement cards. These 121 cases were referred to the local county Program Integrity Unit for investigation. These 121 cases fell in to 3 groups:

- a) Those admitting they sold their cards when confronted with the evidence.
- b) Homeless households and/or recipients with a mental impairment.
- c) Card activity looked suspicious but North Carolina felt they had insufficient evidence to prosecute.

As part of our pilot project, DHS has created a letter similar to the letter used by North Carolina. Staff from the Trafficking Enforcement and Audit Unit will review an EBT Replacement Card Report on a quarterly basis and send this letter to households that have requested at least six permanent replacement cards in a twelve month period. We plan to review the cases that received the letter at six month intervals to track the incidence of any additional cards being requested. The OIG will follow-up with households who requested additional cards after receipt of the letter. We will continue to look for other methods to curtail multiple card replacements. We have mailed the first letters to the 22 cases identified in the audit as requesting excessive replacement cards and we are monitoring their subsequent card activity.

DHS is also exploring the feasibility of working with stakeholders, including food retailers, to more widely distribute information explaining that it is illegal to purchase FoodShare cards and provide the OIG hotline and website information for individuals to report instances in which they have witnessed the sale of FoodShare cards.

Federal regulations allow states to charge a fee to replace EBT cards. However, if a state chooses to adopt this option, federal regulations require that the fee may not to exceed the cost to replace the card. In consulting with FNS and states that charge a fee to replace cards, DHS could find no clear evidence that charging a replacement fee (likely around \$2.50) for FoodShare replacement cards is effective in discouraging unallowable use, or worth the costs required to complete the systems work necessary to identify excessive card replacement and put a hold on future card issuance until approval by state or county staff person.

4. Incarcerated Individuals

In August 2012 the Prisoner Data Match project implemented a new batch interface with the Social Security Administration (SSA) to perform an automated prisoner's data match for all program participants and then subsequently alerts the appropriate agency and worker of possible incarceration. Implementation of this new process was announced to local agencies through Operations Memo 12-51.

As part of this process, CARES, Wisconsin's integrated eligibility determination system, sends a monthly request for prisoner match data from the SSA for all individuals included in eligibility determinations who are 18 years old and older. Based on the match, alerts are generated to agencies for cases requiring immediate worker follow up for individuals who have been incarcerated for more than 30 days.

This data match will improve our program integrity efforts and prevent future overpayments by ensuring that ineligible incarcerated individuals are not receiving MA and/or FoodShare benefits that they are not entitled to. DHS worked with Department of Children and Families (DCF) staff to ensure that Wisconsin Works (W-2) and Child Care cases would also be identified through this data match consistent with each of their program policies. The new process also reduces agency workload for those agencies that previously managed ad hoc matches.

Operations Memo 12-51 instructed workers that if an individual is open for MA and/or FoodShare and is verified to be ineligible due to incarceration in a federal, state or county facility, the following action must be taken in accordance with existing policy for the programs impacted:

- Terminate eligibility for the incarcerated individual with respect to program rules.
- Determine if an overpayment occurred according to the program's change reporting requirements and if an overpayment has occurred, calculate the amount and establish a benefit recovery claim.
- Make appropriate updates to the case to ensure accurate benefits are issued for others in the assistance group going forward.

Future CARES enhancements include implementing real time online queries that will allow the Prisoner Discrepancy process to conduct real time checks at application, renewal, person and program additions to cases.

Based on the Prisoner Data Match performed in October 2012, approximately 2,000 new CARES adult recipients were identified as potentially incarcerated. Approximately 332 individuals were confirmed incarcerated and their benefits have been terminated. This results in potential future savings of around \$611,976 of which \$266,400 is related to FoodShare benefits (the remaining \$345,576 is from MA benefits). Future savings is derived by using the amount of benefits terminated from the month the discrepancy was identified and using a six-month multiplier, assuming these benefits could continue that long before being discovered at the next case review (LAB used seven months in their estimate). Annual savings from this match could be as much as \$7 million based on the monthly estimate.

Investigators from the Investigation and Technical Assistance Unit in the OIG will be working with the agencies in their assigned regions in the first quarter of 2013 to assure that these agencies will continue to promptly and correctly act on these discrepancies.

Additionally, since the release of the April FoodShare Audit, DHS and local agency staff has reviewed the 447 individuals identified in the audit as potentially incarcerated and has taken appropriate action on these cases. We can provide only the non-confidential details on the results at your request.

5. Fleeing Felons or Probation and Parole Violators

Even though USDA still has not established requirements for the procedures that should be used to verify the status of fleeing felons or probation and parole violators, DHS agrees with the LAB determination that we can do better in identifying fleeing felons, determine if they are eligible for FoodShare according to federal regulations, and seek repayment of any benefits to which they are not entitled. In August 2012, DHS established policy and published Operations Memo 12-46 to make sure that all local agencies that administer the FoodShare Program were informed that individuals who: (1) are pursued by law enforcement for outstanding felony charges, (2) are actively evading arrest, or (3) have been found to be in violation of probation or parole are not eligible for FoodShare benefits.

The memo also announced CARES changes made to accommodate data collection needs about this population.

In order to identify whether an applicant or member is a fleeing felon or in violation of probation or parole, a new question was added to CARES Worker Web (CWW). This question is required for all FoodShare applications, person additions, and renewals. Answering "Yes" to this question will fail FoodShare benefit eligibility for this individual.

Agencies and their staff were instructed that FoodShare policy allows self-declaration of status as a fleeing felon or violator of probation or parole. However, if an agency becomes aware of a felony conviction or probation/parole violation through a data base, media or through other sources, the agency must take action to deny or terminate FoodShare benefits when both of the following conditions are met:

1. The individual is intentionally fleeing to avoid being arrested, and
2. Law enforcement is actively pursuing the individual.

If an agency has reason to suspect that a person is deliberately fleeing active pursuit from law enforcement, the agency must contact the authorities to determine if law enforcement deems the legal infraction worth pursuing, or if a warrant was issued for a matter that is not being actively pursued.

The OIG is also exploring the feasibility of mirroring the LAB process described in the Legislative Audit Bureau's Wisconsin FoodShare Audit Report (p.56) to regularly match the names, social security numbers, and dates of birth of individuals receiving FoodShare benefits with information provided by the Department of Justice and Department of Corrections on individuals with active felony warrants and probation and parole violations to identify any violators not identified through other means.

Additionally, since the release of the April FoodShare Audit, DHS staff has reviewed the 1,192 individuals identified in the audit as potentially being a fleeing felon or probation/parole violators and corrected the cases and benefits accordingly. We can provide only the non-confidential details on the results at your request. This work helped us to develop our policies and procedures.

6. Fraud Administration and Training

In CY 2011, DHS focused on implementing a statewide Fraud Prevention and Investigation Program (FPIP) model, for the first time, to encourage local agencies to provide consistent investigations and data from those investigations. In CY 2012, we focused on increasing investigations and more promptly disqualifying individuals from the FoodShare Program who intentionally violate program rules.

The Fraud Prevention and Investigation Program (FPIP) produced measurable results in its first year of statewide implementation in CY 2011:

- \$4.6 million in overpayments established (FoodShare and MA)
- 3,800 investigations completed
- Overall savings (cost avoidance, overpayments) of \$11.3 million
- A benefit savings to cost ratio (for every dollar invested by DHS how much did we save) of 18.49 to 1.
- 102 individuals were disqualified from the FoodShare Program for intentionally violating program rules.

In August 2011 a work group was formed to develop recommendations for a FPIP model that worked within and supported the new IM Consortia model that would start in January 2012. Ultimately, the work group recommended that DHS continue using a similar model in CY 2012 so local agencies could focus on changing other aspects of their operations as they implemented the IM Consortia model.

The work group reconvened in the fall of 2012 to develop recommendations for a FPIP model in 2013 that would be based on recommendations from the LAB audit and a better understanding of the IM Consortia model after a full year of operation. The work group unanimously agreed that the best approach is to continue with the current model in CY 2013 and plan for the transition of aligning FPIP and IM Consortia effective January 2014. The work group made this recommendation for several key reasons:

- FPIP performance in CY 2012 has exceeded CY 2011 numbers to date and, if current trends continue, the program will:
 - Establish approximately \$1.2 million in additional overpayment claims;
 - Complete about 1000 additional investigations;
 - Establish an additional \$3 million in total savings in 2012 compared to 2011.
- This model is conducive to budgetary and business decisions agencies have already made for CY 2013 and provides IM Consortia the chance to continue maturing.
- DHS and local agencies can start planning for FPIP and IM Consortia alignment early in 2013 to ensure an efficient and effective transition and address any policy, process, systems and fiscal implications prior to 2014.

Investigators from the Investigation and Technical Assistance Unit will be assigned to each IM Consortia and will be directly involved in assisting agencies to make the alignment of FPIP and IM Consortia as seamless as possible and determine how each Consortium can operate in a more unified manner without negatively impacting program performance.

The OIG will provide training and technical assistance to each consortium and agency in 2013 regarding the procedures to be used in disqualifying FoodShare recipients who have intentionally violated program rules. As mentioned earlier, the OIG has worked actively with local agencies in CY 2012 to make sure that intentional program violation (IPV) sanctions are pursued more consistently and actively statewide. In CY 2011, 102 persons were disqualified for IPVs. According to FPIP data through the month of October 2012, we are on pace to disqualify about 200 persons for IPVs in CY 2012.

7. Program Integrity Efforts

One of the primary goals of Governor Walker's establishment of the Office of the Inspector General (OIG) in October 2011 was to consolidate, coordinate and improve program integrity and fraud prevention efforts within DHS. DHS is committed to providing correct benefits to recipients of the public assistance programs we administer while also protecting the taxpayers of Wisconsin from misuse of programs including FoodShare.

As the Legislative Audit Bureau noted in their report, Act 32 provided the OIG with the authority for 19 additional positions to support program integrity activities beginning in July 2012. Since July, the OIG has worked as quickly as possible to recruit and hire the staff we believe will allow us to effectively identify benefits provided to ineligible individuals and work with our local agency partners to take appropriate action on these cases.

Based on the recommendations from the audit and in consultation with local agencies, we created two new units in the Fraud Prevention and Investigation (FPI) Section within the OIG to combat fraud and abuse in the FoodShare and MA Programs as follows:

1. The Trafficking Enforcement and Audit Unit:
 - Liaison with Food and Nutrition Services (FNS) on vendor fraud issues;
 - Conducts Quest/ForwardHealth trafficking and misuse audits;
 - Supports local agencies and provides guidance on trafficking issues;
 - Leads benefit recovery operations for cases investigated by the OIG; and
 - Manages performance monitoring and reporting for the Section.

The supervisor for this unit has been hired and we are actively recruiting additional staff that will be hired as early as January 2013. Specifically, we plan to hire three Card Trafficking Auditors to identify and investigate potential Quest and ForwardHealth Card trafficking violations using reports from our EBT vendor, FNS and other referral sources; four Public Assistance Reporting Information System (PARIS)/Benefit Recovery staff to identify cases that may be receiving FoodShare and/or MA benefits in Wisconsin and at least one other state, complete overpayment determinations and claims establishment for all cases processed by the Section and provide benefit recovery guidance to state and local staff; and one Data Research Analyst who will analyze data and make informed recommendations on the management of the FPIP based on changes to the programs, available funding and caseloads. Additionally, the Data Research Analyst will implement, and maintain metrics for the assessment and monitoring of performance and compliance by local agencies.

2. The Investigation and Technical Assistance Unit:
 - Liaison with local agencies for the FPIP;
 - Conducts investigations based on referrals received and audits conducted;
 - Provides training and technical assistance to local agencies;
 - Updates and manages distribution of program guidance materials; and
 - Represents the OIG on all IT projects related to recipient fraud and trafficking.

The supervisor for this unit has been hired and we are currently recruiting eight investigator positions to be hired as early as January 2013. These positions will investigate recipient fraud and trafficking based on referrals from our fraud hotline and online portal, local agencies and the audits we conduct in the Trafficking Enforcement and Audit Unit. They will provide training and technical assistance to local agencies and facilitate the Intentional Program Violation sanction process. Finally, these staff will also act as a special operations team for agency reviews if needed.

We have also hired a data analyst for this unit, with primary responsibility to receive, review and track recipient fraud complaints received from the OIG fraud hotline and website, and research the complaint to determine if further investigation is warranted. This position is also responsible for developing, implementing, and maintaining metrics for the assessment and monitoring of performance and compliance by both state and local staff that receive recipient fraud allegations.

Other recent examples of our commitment to program integrity include:

- Adopting a ten-year sanction policy for FoodShare recipients that fraudulently collect FoodShare benefits in Wisconsin and another state at the same time;
- Being recognized by FNS in August of 2012 for increasing the number of FoodShare Program overpayment claims as well as the dollar amount of these claims in the past federal fiscal year (FY):
 - Number of claims established increased from 3,110 in FY 2010 to 5,020 in FY 2011, an increase of 61.4%.
 - Dollars of claims established increased even more, from \$2,454,819 in FY 2010 to \$5,475,366 in FY 2011, an increase of 123%.

Additionally, DHS and the OIG will continue to find innovative ways to make it difficult for people to commit FoodShare fraud and traffic their FoodShare card, such as by entering into a State Law Enforcement Bureau (SLEB) agreement with FNS, the organization with primary responsibility for FoodShare Program vendor fraud enforcement, to pursue vendors that accept illegal exchanges. We believe this approach allows DHS to coordinate recipient and retailer fraud detection and prevention, just as FNS allows us to do for the WIC Program. FNS has agreed to work with us to facilitate an effective SLEB process.

We appreciate the work of the LAB staff in evaluating Wisconsin's FoodShare program. As outlined in this letter, the Department has successfully addressed each of the recommendations included in the April FoodShare Audit. DHS remains committed to strengthening program integrity efforts in order to ensure the long-term sustainability of our program and to ensure correct benefits are provided only to Wisconsin's eligible residents. DHS will continue to seek to identify additional strategies to further strengthen Wisconsin's FoodShare program.

Sincerely,



Dennis G. Smith
Secretary