



State of Wisconsin
Department of Health Services

Scott Walker, Governor
Dennis G. Smith, Secretary

August 7, 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 February 2012 audit for FoodShare benefits spent outside of Wisconsin. DHS is committed to promoting the integrity of the FoodShare program in order to provide low-income individuals and families of Wisconsin access to nutritious food while acting as a responsible steward of taxpayer dollars.

The February 2012 audit included three recommendations for DHS:

- more promptly close the cases of assistance groups that have moved out of Wisconsin;
- identify instances in which FoodShare benefits spent primarily outside of Wisconsin are unallowable;
- recover benefits spent outside of Wisconsin by assistance groups that intentionally violated program rules or received overpayments as a result of error;

In order to fulfill these recommendations and further strengthen our program integrity efforts, DHS is implementing several strategies to fight fraud in the FoodShare program on multiple levels, including addressing inappropriate use of out-of-state EBT usage. First, DHS has developed an operations memo issued to all Income Maintenance Consortia to remind income maintenance workers of the current policies related to residency reporting requirements. This memo includes instructions on how to use available reports to more effectively identify out-of-state FoodShare transactions. DHS will provide local agencies with access to these reports, and assistance in using these reports where necessary. These reports will assist agencies in more promptly closing cases of non-residents and initiate benefit recovery efforts if necessary. DHS has conducted research on the most effective methods of use for these reports so agencies can quickly and accurately identify assistance groups that no longer reside in Wisconsin or spend FoodShare benefits in violation of program rules.

Additionally, DHS will continue to use the Public Assistance Reporting Information System interstate match (PARIS) which, through the exchange of information, allows states to identify individuals or families who may be receiving FoodShare in other states, as well as Wisconsin, simultaneously. As was reported in the April Legislative Audit Bureau (LAB) report, participation in this interstate project has been successful. The Department has significantly increased our duplicate issuance prevention efforts for calendar year (CY) 2012. Beginning January through May 2012 we have reconciled 1,935 records, established overpayments of approximately \$370,000 (\$273,000 specific to FoodShare) and avoided future improper benefits in the amount of about \$167,000 (\$62,000 specific to FoodShare) in these five months. This projects to almost \$1.3 million in total savings for CY 2012 for the work of the two positions assigned to this task. This data is for FoodShare and Wisconsin Medicaid programs administered by DHS and does not include any overpayment or cost avoidance for DCF administered programs. DHS will continue to explore ways to further expand use of the PARIS data exchange.

DHS has made it easier for anyone to report their suspicion of fraudulent activity involving any of our programs by promoting our toll free fraud hotline and online fraud reporting portal. Anyone visiting our home page can easily access this information, and the response from the public has been positive. Since inception of the new toll free fraud hotline, which opened in December of 2011, DHS has received 475 allegations of FoodShare fraud alone. Since the online fraud reporting portal was made available in mid-March 2012, DHS has received 468 online allegations of FS fraud. OIG staff review all allegations received through our hotline and portal to determine if the information has already been reported, and then forward all questionable allegations to the appropriate county or tribal fraud unit for further investigation. The count of hotline and portal allegations received are a portion of the allegations that each county and tribal agency receives; they also receive additional allegations through their own hotlines, e-mails or letters and even cases that their own staff identify as potentially fraudulent. Prior to the statewide hotline and portal becoming available in 2012 there were 3,759 fraud referrals completed statewide in CY 2011, and 3,211 of those were related to cases that received FoodShare benefits. With the statewide availability of the hotline and portal, we expect to see our overall number of fraud referrals completed in 2012 to increase, and based on the number of referrals completed so far this year it is likely that we will see at least 4200 fraud referrals completed in CY 2012.

The 2011-13 biennial budget provided additional staffing to the Office of Inspector General (OIG) beginning July 2012. The OIG was authorized by Governor Walker to better coordinate and improve program integrity and fraud prevention efforts within DHS. The OIG will fill several Audit and Investigative staff positions by fall of 2012, including additional PARIS resources. The responsibilities of these staff members will include centrally reviewing reports to identify fraudulent activity, including out-of-state transactions, and providing technical assistance to local agencies to improve their fraud prevention and detection efforts. These additional resources will also help promote efficiency and consistency between DHS and local agencies. We will be better able to accurately identify instances where unallowable purchases were made outside of Wisconsin and recover the benefits from assistance groups that received or used these benefits inappropriately. Furthermore, DHS has requested that FNS delegate the

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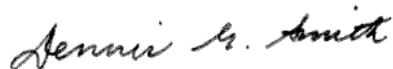
authority to investigate FoodShare vendor fraud to the State of Wisconsin. We believe that the current system, allowing the state to pursue member fraud but to have the federal government pursue vendor fraud, is disjointed and ineffective. State officials whose jobs are to administer the

FoodShare program should have the tools and authority to investigate vendors who are defrauding the FoodShare system, as we do for the Medicaid and WIC programs.

Last, while DHS' focus on fighting fraud is based on our responsibility to the citizens of Wisconsin, fraudulent activity in public programs is a concern of states nationwide. DHS is evaluating the efforts of other states in our region and nationally to determine additional strategies we can implement to further support our program integrity and fraud prevention activities. DHS program integrity staff, including our FoodShare Program Director, attended a Program Integrity Conference sponsored by the United States Department of Agriculture (USDA, the federal oversight agency for FoodShare) in June to meet with representatives of other Midwest and Mountain Plains states to exchange information on challenges and best practices in fraud prevention and detection.

We appreciate the work of the LAB staff in evaluating FoodShare benefits spent outside of Wisconsin. DHS remains committed to strengthening program integrity efforts to ensure that correct benefits are provided Wisconsin's eligible residents. We are making progress on the recommendations included in the April 2012 FoodShare audit and look forward to providing a report on the Department's responses to these additional recommendations in December.

Sincerely,



Dennis G. Smith
Secretary

Cc: Joe Chrisman