

**Report 12-8**  
**April 2012**

# **FoodShare Wisconsin**

*Department of Health Services*

STATE OF WISCONSIN



Legislative Audit Bureau ■



# **FoodShare Wisconsin**

*Department of Health Services*

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FoodShare Recipients and Benefit Amounts

**Response**

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From the Department of Health Services



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Joe Chrisman  
State Auditor

April 27, 2012

Senator Robert Cowles and  
Representative Samantha Kerkman, Co-chairpersons  
Joint Legislative Audit Committee  
State Capitol  
Madison, Wisconsin 53702

Dear Senator Cowles and Representative Kerkman:

As requested by the Joint Legislative Audit Committee, we have completed an audit of FoodShare Wisconsin, which is the State's program implementing the federal Food Stamp Act of 1964 to assist low-income individuals and families in purchasing food. The program is administered by the Department of Health Services (DHS). In February 2012, we released a related report on FoodShare benefits spent outside of Wisconsin (report 12-3).

FoodShare expenditures, including administrative costs, totaled \$1.2 billion in fiscal year 2010-11. The number of FoodShare recipients increased from 462,204 in 2003 to 1.1 million in 2011. In addition to the economic recession, several factors account for the increase, including policy changes that have increased the number of individuals eligible for benefits, facilitated the application process, and decreased work- and education-related requirements.

In recent years, the accuracy with which FoodShare applicants' eligibility is determined and benefit amounts are calculated has improved. However, the percentage of FoodShare applications processed within federal time limits decreased from 90.3 percent in federal fiscal year (FFY) 2005-06 to 74.9 percent in FFY 2009-10.

In addition, we quantified problems with program integrity, and we identified concerns associated with the provision of benefits to ineligible recipients. For example, we identified 1,639 individuals who received FoodShare benefits in January 2012 even though they were ineligible: 447 recipients because they were incarcerated in state prisons and 1,192 recipients because they are fleeing to avoid prosecution or confinement for a felony offense or because they are in violation of a condition of probation or parole. We provided information on these cases to DHS and law enforcement for appropriate action. We identify several important questions for DHS to consider in effectively addressing fraud prevention and investigation efforts statewide, including how best to facilitate coordination of these functions among counties.

We appreciate the courtesy and cooperation extended to us by DHS, county agencies, and the advocacy organizations we contacted in completing our review. DHS's response follows the appendix.

Respectfully submitted,

Joe Chrisman  
State Auditor

JC/PS/ss





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## Report Highlights ■

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***In 2011, 1.1 million individuals received \$1.1 billion in FoodShare benefits.***

***In June 2004, eligibility was expanded to those with gross incomes up to 200 percent of the federal poverty level.***

***FoodShare applications processed within federal time limits decreased from 90.3 percent in FFY 2005-06 to 74.9 percent in FFY 2009-10.***

***Current practices allow recipients who repeatedly violate program rules to reapply and continue to receive FoodShare benefits.***

***Most county fraud consortia have not functioned as intended.***

FoodShare Wisconsin is the State's program implementing the federal Food Stamp Act of 1964, which assists low-income individuals and families in purchasing food. The program is administered at the federal level by the United States Department of Agriculture (USDA) and in Wisconsin by the Department of Health Services (DHS), counties, and other local agencies. Currently, all program benefits are federally funded, while most administrative expenditures are shared equally by the State and the federal government. In 2011, 1.1 million individuals received \$1.1 billion in FoodShare benefits. In January 2012, 58.7 percent of recipients were children, disabled, or older than age 59. Eligibility is based on the composition of an "assistance group," which generally includes all members of a household. The average assistance group included two individuals and received a benefit of \$246 in January 2012.

To address concerns about the growth in program costs and participation, the accuracy and timeliness of benefit determination, and the extent of fraud in the program, we reviewed:

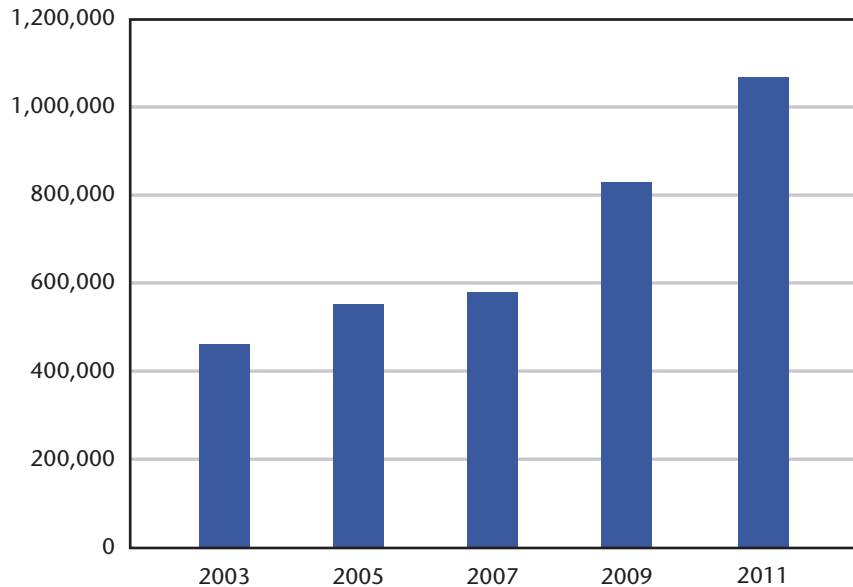
- trends in program expenditures and participation;
- eligibility determination policies and practices;
- indicators of potential fraud and abuse in the program;
- efforts undertaken by state and local agencies to identify and address fraud and abuse; and
- best practices in identifying and preventing fraud and abuse.

## Program Recipients and Expenditures

The number of FoodShare recipients increased from 462,204 in 2003 to 1.1 million in 2011, as shown in Figure 1. In January 2012, more than one-half of recipients were white, and more than one-half were female. In that same month, approximately two-thirds of all recipients lived in households that received Medical Assistance, and approximately two-thirds lived in households that had no earned income. The total value of FoodShare benefits increased from \$360.2 million in fiscal year (FY) 2006-07 to \$1.1 billion in FY 2010-11, or by 206.9 percent. During the same period, administrative expenditures increased by 20.1 percent, from \$85.5 million to \$102.7 million.

Figure 1

FoodShare Recipients



## Factors Contributing to Program Growth

The national economic recession that occurred from December 2007 to June 2009, and an increase in poverty, especially among children, contributed to the increase in participation. Policy changes also reduced barriers to participation and increased the number eligible for benefits. For example, DHS expanded eligibility for FoodShare benefits to those with gross incomes up to 200 percent of the federal

poverty level and eliminated net income and asset limits for most recipients. DHS also implemented changes to make it easier to apply for benefits and complete recertification requirements, such as allowing online applications for benefits and allowing application and recertification requirements to be completed via telephone interviews.

Although program participation has increased, it is difficult to determine the extent to which eligible individuals receive FoodShare benefits. Estimates of participation for 2009 ranged from a low of 42.1 percent, which likely understates the participation rate, to a high of 76.5 percent, which likely overstates the participation rate.

### **Accuracy and Timeliness**

Federal law requires states to approve or deny applications within 30 days of submission or within 7 days for those who are determined eligible for expedited benefits. The percentage of FoodShare applications processed within the required time limits decreased each year from 90.3 percent in federal fiscal year (FFY) 2005-06 to 74.9 percent in FFY 2009-10. USDA has required Wisconsin to develop timeliness improvement plans since FFY 2007-08.

USDA assesses the extent to which assistance groups were incorrectly denied benefits, which is referred to as the “negative error rate.” In FFY 2007-08, Wisconsin’s negative error rate was above the national average at 12.9 percent, but declined to 4.6 percent in FFY 2008-09. As a result, Wisconsin received a bonus payment of approximately \$967,000 from USDA.

USDA requires states to calculate a “benefit payment error rate,” which is a measure of both the extent to which ineligible individuals received benefits and the extent to which the value of benefits provided was calculated incorrectly. Historically, Wisconsin has had one of the highest benefit payment error rates in the nation. To address the problem, DHS hired a contractor to analyze FoodShare policies and review cases. Subsequently, Wisconsin’s benefit payment error rate declined from 7.4 percent in FFY 2007-08 to 2.0 percent in FFY 2009-10. As a result, Wisconsin received bonus payments of approximately \$3.4 million from USDA.

### **Identifying Violations of Program Rules**

In FY 2010-11, 107,288 assistance groups were issued permanent replacement cards, including 22 groups that received ten or more cards. We found that 21 of these 22 assistance groups had been issued a total of 86 replacement cards at the time their accounts had

balances of less than one dollar. This may be an indication that these recipients were selling their cards for cash.

Although federal law prohibits incarcerated individuals from receiving FoodShare benefits, we identified 447 state prison inmates who received FoodShare benefits while incarcerated. We limited our analysis to single-person assistance groups. From the time of incarceration through March 2012, we estimate 293 of these inmates received \$413,000 in FoodShare benefits, or an average of \$1,410 per inmate.

Similarly, we identified 1,192 recipients who are ineligible because they are fleeing to avoid prosecution for a felony, fleeing to avoid incarceration after conviction of a felony, or violating a condition of probation or parole. Of these, 847 were single-person assistance groups and we estimate they received \$1.4 million in benefits, or an average of \$1,690 per person, from the time they became ineligible through March 2012. We provided information on these cases to DHS and law enforcement for appropriate action.

Recipients who are found to have intentionally violated program rules are to repay the benefits they received and be disqualified from receiving future benefits for a period of time. However, we found that recipients who appear to have intentionally violated program rules are often not disqualified, which allows individuals who repeatedly violate program rules to reapply for FoodShare benefits and immediately begin receiving them.

### **Coordinating Fraud Investigation Efforts**

County fraud consortia were recently created in an attempt to enhance local fraud prevention and investigation efforts. However, most have not functioned as intended because the extent of collaboration in providing these services has been limited.

To ensure an effective and efficient approach to fraud prevention and investigation statewide, DHS will need to determine how best to facilitate the coordination of these efforts among counties, as well as the role of DHS's newly created Office of Inspector General in coordinating local efforts and providing fraud prevention and investigation services directly.

## Recommendations

We recommend the Department of Health Services report to the Joint Legislative Audit Committee by December 3, 2012, on:

- ☑ its plans to verify the social security numbers provided by FoodShare applicants (*p. 35*);
- ☑ the results of its efforts to improve the timeliness with which eligibility determinations are completed (*p. 39*);
- ☑ its determination of whether the advantages of charging a fee for FoodShare replacement cards to discourage unallowable use outweigh related administrative costs and effects on recipients (*p. 53*);
- ☑ its plans to review and address instances in which frequent requests for FoodShare replacement cards appear to be an indication of unallowable use (*p. 53*);
- ☑ its plans to provide additional training to caseworkers to help prevent the cases of incarcerated individuals from being reopened while they remain incarcerated (*p. 55*);
- ☑ its efforts to implement an effective process to identify recipients who are ineligible because of incarceration and to seek repayment of FoodShare benefits provided to them (*p. 55*);
- ☑ its plans to implement a process for regularly identifying 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 and to seek repayment of FoodShare benefits provided to them (*p. 57*);
- ☑ its plans to improve the training provided to state and local staff on the procedures to be used in disqualifying FoodShare recipients who have intentionally violated program rules (*p. 59*); and
- ☑ how it will administer fraud prevention and investigation services for the FoodShare program in the future (*p. 67*).





## Introduction ■

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***Eligibility for benefits is determined based on the composition of an “assistance group.”***

Under federal law, FoodShare benefits are an entitlement available to those who meet both financial and nonfinancial eligibility requirements. Benefit amounts are determined based on the composition of an “assistance group,” which generally includes all or most members living in a household. Benefits are distributed monthly as cash assistance posted electronically to recipients’ FoodShare accounts, which they access through debit cards issued by the program. Benefits can only be used to purchase food, excluding certain items such as beer, wine, liquor, pet food, and ready-to-eat foods that have been heated by the vendor for consumption.

### **Program Administration**

In administering the FoodShare program, federal regulations require DHS to:

- ensure proper certification of applicant households;
- oversee the issuance of benefits, which are dispensed monthly through electronic debit cards;
- maintain adequate records of expenditures and participation;

- submit regular, required reports to the federal government, including reports on program utilization and the extent to which benefit amounts have been determined accurately; and
- administer federal Supplemental Nutrition Assistance Program Employment and Training services, under which recipients age 16 and older may choose to participate in job-related activities and educational programs in order to improve their basic skills and enhance employability.

***In January 2012, counties formed consortia to assist in FoodShare program administration.***

In practice, many of these functions are performed at the local level. Historically, individual counties have been responsible for the day-to-day management of the FoodShare program, including processing and verifying application materials, determining eligibility for services, providing program information, and conducting certain quality assurance activities. However, in January 2012, 70 counties formed the ten income maintenance consortia shown in Figure 2 to provide administrative support in processing applications, making eligibility determinations, conducting ongoing case management functions, and operating call centers. Since January 2010, DHS staff have performed these functions for Milwaukee County, as required by 2009 Wisconsin Act 15.

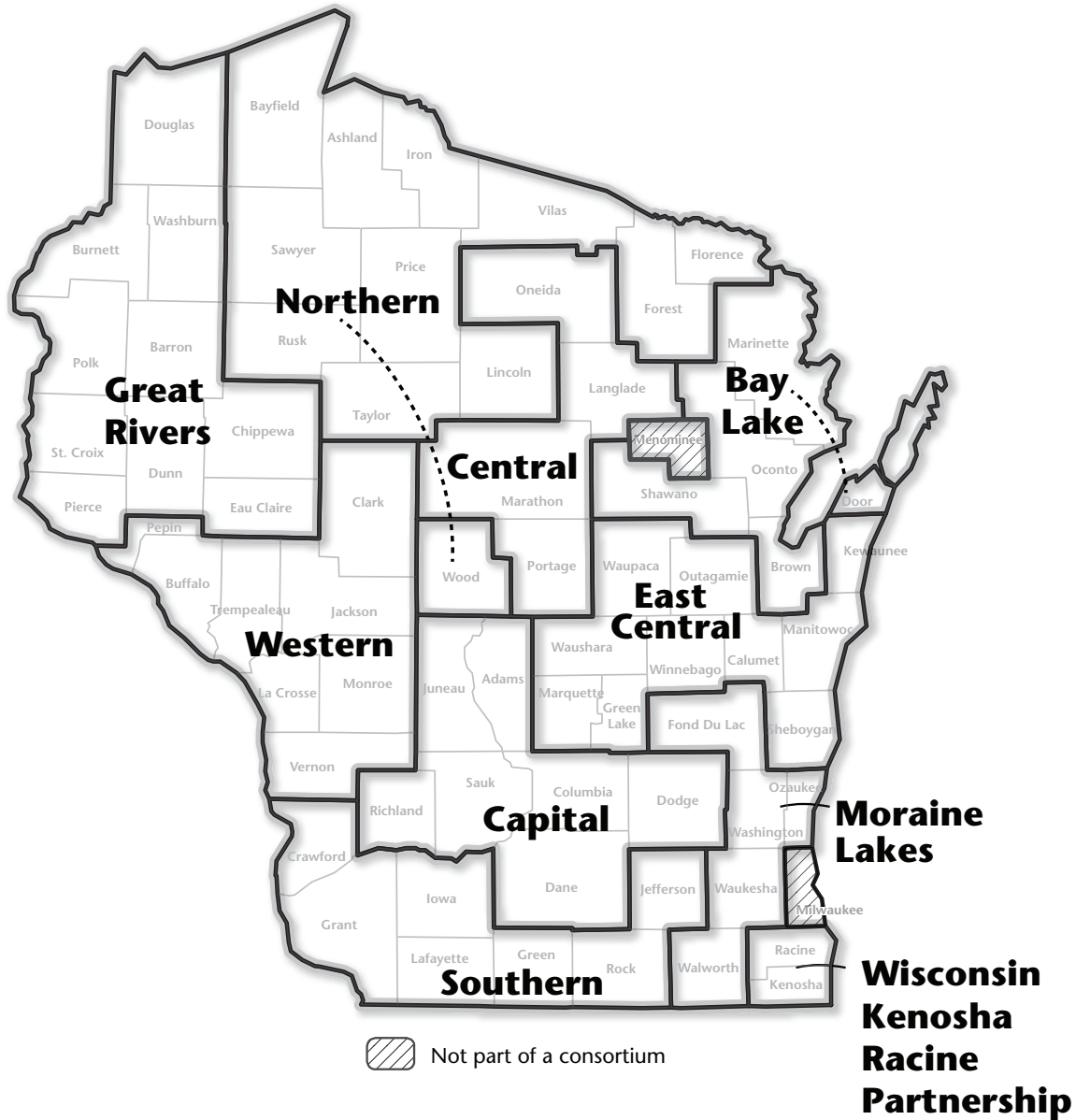
Prior to establishment of the consortia, services for all FoodShare recipients without dependent children were provided through the Enrollment Services Center, which began operations in June 2009 and was staffed largely by employees of a private vendor contracted by DHS. We released a report regarding the Enrollment Services Center in June 2011.

Under federal law, eligibility determinations must be made by public employees. Because contract workers at the Enrollment Services Center were performing these functions, DHS risked losing federal matching funds provided for FoodShare administrative expenses if it continued to use contract workers in this way. As a result, 2011 Wisconsin Act 32 transferred responsibility for eligibility determination from the Enrollment Services Center to the county consortia. Although DHS will continue to use contract workers, the majority will work in a central document processing unit that maintains electronic case files and performs mailroom operations.



Figure 2

**Income Maintenance Consortia<sup>1</sup>**



<sup>1</sup> Northern Consortium includes Wood County, and Bay Lake Consortium includes Door County.

Since FY 2007-08, DHS has contracted with Fidelity National Information Services, Inc., to distribute benefits electronically through debit cards issued to recipients. The contract was executed in August 2007 and extends through October 2013 with two options for two-year renewals. DHS paid its vendor \$3.0 million for its services in FY 2010-11.

## Eligibility and Benefits

***Under federal regulations, qualified individuals must be encouraged to apply for FoodShare benefits.***

Federal regulations require that prospective recipients be made aware that program benefits are available to those who qualify and that qualified individuals be encouraged to apply on the first day they learn of the availability of benefits. Applicants who are determined eligible must receive FoodShare benefits within 30 days of application unless they are eligible for expedited benefits, which must be provided within 7 days of application.

To be eligible to receive benefits, individuals must:

- be United States citizens or qualified resident aliens;
- live in Wisconsin and not reside in certain institutions that provide meals as part of their normal operations, such as nursing homes and prisons;
- typically provide social security numbers for all members of the assistance group; and
- meet certain work requirements, such as not reducing their hours of work below 30 per week if they are currently employed.

***For the FoodShare program, 200 percent of the federal poverty level is \$44,700 annually for a four-member household.***

In addition, the assistance group must also meet established income limits that vary based on assistance group size. Eligibility is based on income at the time of application. To be eligible for benefits, assistance groups generally must have gross incomes no greater than 200 percent of the federal poverty level, which for the program is \$44,700 annually for a four-member household, and net incomes that allow them to qualify for assistance after a portion of their income is considered as a required contribution toward purchasing food. However, an assistance group may have gross income that exceeds 200 percent of the federal poverty level if it includes an individual who is elderly or disabled and has a net income of no more than 100 percent of the federal poverty level.

In addition, certain assistance groups are ineligible to receive benefits if their assets exceed established limits. For example, assistance groups that qualify based on the presence of an elderly or disabled member and have gross incomes that exceed 200 percent of the federal poverty level are limited to no more than \$3,250 in countable assets, which includes the value of cash on hand, savings and checking accounts, stocks, bonds, and mutual funds.

***Applicants are not currently required to attend in-person interviews as part of the application process.***

Applicants are not currently required to attend in-person interviews as part of the application process. Applicants have been permitted to complete applications online since June 2006 and to conduct telephone interviews since June 2008. Supporting documentation that applicants are requested to provide may be mailed or provided via facsimile or through another electronic device. State rules do not require applicants to submit verification in person.

While most benefits are federally funded, states have the option of providing state-funded benefits to nondisabled adult immigrants who have entered the United States legally, resided in the country for fewer than five years, and meet all other program requirements. The federal government funds benefits for legal adult immigrants who have lived in the United States for five or more years, as well as for legally admitted disabled adults and children under 18 years of age, regardless of their length of residency.

Until July 2011, Wisconsin provided benefits to legally admitted adult immigrants who had resided in the United States for fewer than five years. In FY 2010-11, the last year state-funded benefits were provided to this group, DHS spent \$1.7 million for these benefits, which were funded entirely with general purpose revenue (GPR). In June 2011, FoodShare benefits were provided to 1,464 legally admitted adult aliens who had resided in the United States for fewer than five years.

Table 1 shows monthly gross and net income limits for assistance groups of various sizes, as well as the maximum monthly FoodShare benefit for FFY 2011-12. In January 2012, the average assistance group in Wisconsin included two individuals and received a benefit of \$246 per month.

Once approved, most assistance groups are certified to receive FoodShare benefits for a 12-month period. However, assistance groups are required to report certain income changes that result in their monthly gross income exceeding 130 percent of the federal poverty level by the tenth day of the month following the month in which the income change occurs.

Table 1

**FoodShare Income Limits and Benefits**  
October 2011 through September 2012

Number of Members in Assistance Group	Monthly Gross Income Limit for Assistance Group	Monthly Net Income Limit for Assistance Groups with Elderly or Disabled Members <sup>1</sup>	Maximum Monthly FoodShare Benefit Amount <sup>2</sup>
1	\$1,816	\$ 908	\$ 200
2	2,452	1,226	367
3	3,090	1,545	526
4	3,726	1,863	668
5	4,362	2,181	793
6	5,000	2,500	952
7	5,636	2,818	1,052
8	6,272	3,136	1,202
9	6,910	3,455	1,352
10 <sup>3</sup>	7,548	3,774	1,502

<sup>1</sup> Applies only to assistance groups with gross income above 200 percent of the federal poverty level.

<sup>2</sup> The actual benefit is typically less than these amounts.

<sup>3</sup> For each additional assistance group member greater than ten, \$638 is added to monthly gross income, \$319 to monthly net income, and \$150 to the maximum monthly benefit amount.

***Assistance groups must generally be recertified to receive FoodShare benefits every 12 months.***

In general, assistance groups must be recertified to receive FoodShare benefits every 12 months. This process is similar to the initial application process and includes either an in-person or telephone interview between the head of an assistance group and a caseworker. The caseworker is also required to attempt to verify information provided by the recipient, including using state and federal databases containing employment, wage, social security, and other information. Every six months between recertification periods, most assistance groups are required to complete a form that requests updates of certain information that may affect continued eligibility, such as changes in household composition, income, or address. However, caseworkers are required to verify this information only if it differs from that reported on the initial application or during the previous recertification period.

**FoodShare benefits are issued monthly on electronic debit cards.**

FoodShare benefits are issued monthly to eligible recipients. Since 2000, benefits in Wisconsin have been issued on electronic debit cards, which replaced the paper coupons that had been used previously. One of the reasons Wisconsin implemented the use of electronic benefit cards, and the federal government subsequently mandated their use, was to reduce fraud by providing an electronic record of every purchase and limiting recipients' ability to sell coupons for cash.

Actual benefits received by assistance groups varied substantially. In January 2012, 13.1 percent of assistance groups received benefits of \$50 or less per month, whereas 11.9 percent received more than \$500 per month, as shown in Table 2.

Table 2

**Value of Wisconsin FoodShare Benefits Received by Assistance Groups  
January 2012**

Benefits	Number of Assistance Groups	Percentage of Total
\$10 or Less	651	0.2%
\$11 through \$50	51,063	12.9
\$51 through \$100	34,122	8.6
\$101 through \$200	165,975	42.0
\$201 through \$300	29,746	7.5
\$301 through \$400	49,549	12.5
\$401 through \$500	17,466	4.4
More than \$500	46,948	11.9
<b>Total</b>	<b>395,520</b>	<b>100.0%</b>

Table 3 provides a profile of FoodShare recipients in Wisconsin in January 2012. In that month, 65.7 percent of assistance groups also received Medical Assistance benefits, and 8.9 percent received child care subsidies. For those assistance groups with earnings, average earned income was approximately \$15,050 annually.

Table 3

**Profile of FoodShare Recipients**  
January 2012

	Number	Percentage
<b>Age of Recipients</b>		
Under 18	353,496	42.5%
18 to 59 (nondisabled)	343,474	41.3
18 to 59 (disabled)	74,466	9.0
Over 59	59,978	7.2
<b>Total</b>	<b>831,414</b>	<b>100.0%</b>
<b>Gender of Recipients</b>		
Female	455,755	54.8%
Male	375,659	45.2
<b>Total</b>	<b>831,414</b>	<b>100.0%</b>
<b>Ethnicity of Recipients</b>		
White	436,185	52.5%
African-American	193,499	23.3
Hispanic/Latino	90,648	10.9
Other/Unknown	70,559	8.5
Asian	24,623	2.9
American Indian	15,900	1.9
<b>Total</b>	<b>831,414</b>	<b>100.0%</b>
<b>Earned Income of Assistance Groups</b>		
Number with No Earned Income	262,531	66.4%
Number with Earned Income	132,989	33.6
<b>Total</b>	<b>395,520</b>	<b>100.0%</b>
<b>Support Services for Assistance Groups</b>		
Medical Assistance	259,865	65.7%
Wisconsin Shares (child care subsidy)	35,230	8.9
Wisconsin Works (W-2)	18,309	4.6

## Program Expenditures and Participation

***FoodShare benefit expenditures increased from \$360.2 million in FY 2006-07 to \$1.1 billion in FY 2010-11.***

As shown in Table 4, the total value of FoodShare benefits provided to recipients increased from \$360.2 million in FY 2006-07 to \$1.1 billion in FY 2010-11, or by 206.9 percent. During the same period, administrative expenditures increased by 20.1 percent, from \$85.5 million to \$102.7 million. Most administrative expenditures are shared equally between the State and the federal government.

Table 4

### FoodShare Program Expenditures (in millions)

Fiscal Year	Benefit Expenditures	Administrative Expenditures <sup>1</sup>	Total
2006-07	\$ 360.2	\$ 85.5	\$ 445.7
2007-08	402.2	85.7	487.9
2008-09	594.9	88.1	683.0
2009-10	934.2	100.6	1,034.8
2010-11	1,105.4	102.7	1,208.1

<sup>1</sup> Estimated based on federal fiscal year totals.

### Administrative Expenditures

For FFY 2009-10, USDA reported that administrative expenditures for the Midwest ranged from Minnesota's high of 16.6 percent of total program expenditures to Ohio's low of 7.4 percent. Wisconsin ranked second highest among seven midwestern states reported by USDA with administrative expenditures totaling 9.5 percent of total FoodShare expenditures. In FY 2010-11, DHS dedicated 72.5 full-time equivalent (FTE) state positions to administer the FoodShare program. In our December 2011 report on the Medical Assistance program (report 11-15), we found that DHS did not separately account for administrative expenditures funded with GPR for the Medical Assistance and FoodShare programs, and we recommended that DHS begin doing so. Table 5 estimates the administrative expenditures associated with Wisconsin's FoodShare program.

Table 5

**Estimated FoodShare Administrative Expenditures<sup>1</sup>**  
(in millions)

Type	FY 2006-07	FY 2010-11	Percentage Change
Eligibility Determination <sup>2</sup>	\$29.3	\$ 38.6	31.7%
Contract Services <sup>3</sup>	12.4	28.7	131.5
Information Technology	12.8	18.0	40.6
FoodShare Employment and Training Program	13.1	8.8	(32.8)
Nutrition Education	13.2	4.4	(66.7)
Benefit Payment Accuracy Measurement	2.2	1.4	(36.4)
Fair Hearings	1.2	1.2	0.0
Fraud Prevention and Investigation	1.3	1.1	(15.4)
Outreach Activities <sup>4</sup>	–	0.5	–
<b>Total</b>	<b>\$85.5</b>	<b>\$102.7</b>	<b>20.1%</b>

<sup>1</sup> Estimated based on federal fiscal year expenditures.

<sup>2</sup> Primarily includes payments to counties for determining eligibility.

<sup>3</sup> Includes services such as electronic benefit issuance, overpayment collections, and other administrative services.

<sup>4</sup> Represents informational activities intended to alert prospective recipients to the availability of benefits.

## Benefit Expenditures

Growth in overall FoodShare expenditures can be explained, in part, by increases in the amount of benefits for which assistance groups were eligible under federal law. From FFY 2006-07 through FFY 2011-12, the maximum monthly benefit increased by approximately 29 percent. For example, the maximum monthly benefit for a four-person assistance group increased from \$518 to \$668. The largest single increase occurred in April 2009, when the maximum benefit amount increased by 13.6 percent. In addition, changes to federal law in 2008 increased the minimum monthly benefit for one- and two-person assistance groups from \$10 to \$16.

***The primary reason for increased benefit expenditures is the growth in caseloads.***

Despite these changes, the primary reason for increased benefit expenditures is the growth in caseloads. As shown in Table 6, the number of FoodShare recipients increased from 462,204 in 2003 to 1,060,818 in 2011. Data for 2011 on the number of recipients and amount of benefits by county and tribe are provided in the appendix.



Table 6

**FoodShare Recipients**

Calendar Year	Total <sup>1</sup>	Percentage Change
2003	462,204	–
2004	523,413	13.2%
2005	552,066	5.5
2006	554,020	0.4
2007	580,790	4.8
2008	647,560	11.5
2009	830,325	28.2
2010	979,192	17.9
2011	1,060,818	8.3

<sup>1</sup> Represents the total unduplicated number of individuals who received benefits at any time during the year.

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## Growth in FoodShare Participation ■

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A number of factors explain the increase in program participation over the past several years among those eligible for FoodShare benefits, including the economic recession and changes associated with administration of the FoodShare program.

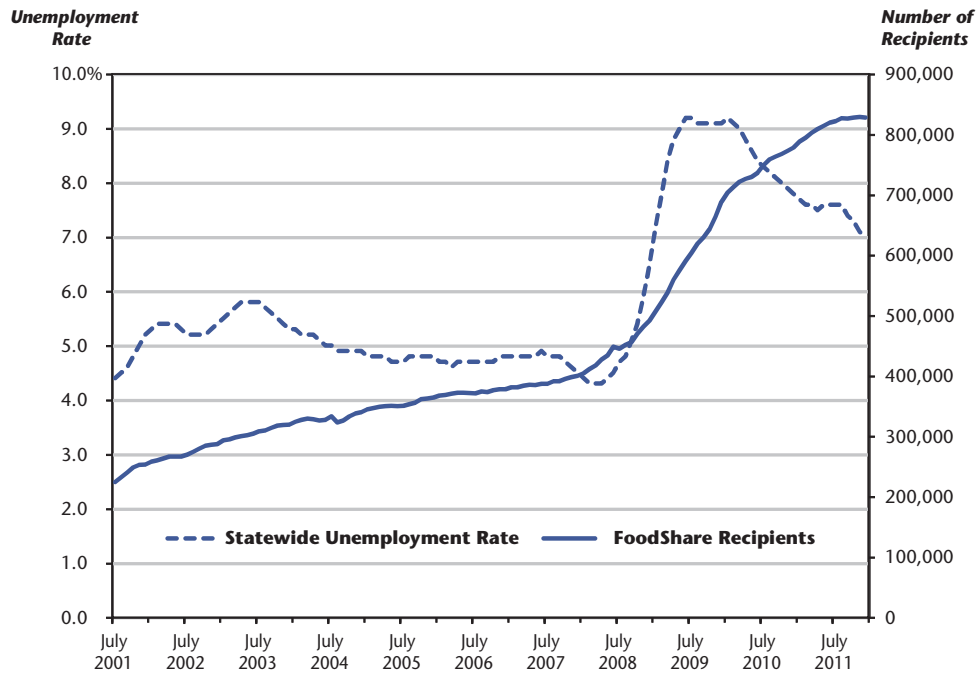
### **Economic Factors Affecting Participation**

***The largest increase in the number of recipients began in October 2008 and generally paralleled an increase in the unemployment rate.***

One of the reasons for growth in the FoodShare program in recent years is the economic recession, which official measures of the nation's economy indicate occurred between December 2007 and June 2009. The statewide unemployment rate has remained elevated since that time. As Figure 3 illustrates, the number of FoodShare recipients increased by 605,505, or 271.3 percent, from July 2001 to December 2011. The largest increase began in October 2008 and generally paralleled an increase in the unemployment rate. Since late 2011, the growth in the number of recipients has slowed, but the size of future caseloads will depend primarily on the strength of the economy.

Figure 3

Comparison of the Number of FoodShare Recipients and the Unemployment Rate



**According to official U.S. Census Bureau estimates, poverty in Wisconsin has increased over the past several years.**

Over the past several years, another economic factor contributing to growth in FoodShare participation is an increase in poverty as measured by official U.S. Census Bureau estimates. As shown in Table 7, the total number of individuals in Wisconsin living in poverty increased 24.1 percent from 2006 through 2010, during which time Wisconsin’s population grew by only 2.5 percent. In addition, the number of children living in poverty grew by 31.2 percent, whereas the total number of children in Wisconsin increased by only 1.5 percent over this period. In 2010, 13.2 percent of all Wisconsin residents and 19.0 percent of children were living in poverty.

Table 7

**Estimated Number of Individuals Living in Poverty in Wisconsin<sup>1</sup>**

	2006	2010	Percentage Change
<b>All Individuals</b>			
Total Population	5,407,128	5,542,152	2.5%
Number in Poverty	589,377	731,564	24.1
Percentage in Poverty	10.9%	13.2%	
<b>Children<sup>2</sup></b>			
Population	1,290,313	1,310,126	1.5
Number in Poverty	189,676	248,924	31.2
Percentage in Poverty	14.7%	19.0%	

<sup>1</sup> Based on data published by the United States Census Bureau.

<sup>2</sup> Includes individuals who were younger than 18 years old.

## Administrative Changes Affecting Participation

In addition to economic factors, several programmatic and policy changes have also likely contributed to an increase in program participation.

### Expanding Eligibility

Historically, federal rules limited food stamp eligibility to assistance groups with gross incomes of no more than 130 percent of the federal poverty level, net incomes of no more than 100 percent of the federal poverty level, and assets of \$2,000 or less. Since 1999, federal regulations have allowed state agencies to expand eligibility up to the income limits states have established for programs funded by the Temporary Assistance for Needy Families program. In Wisconsin this income limit is established at 200 percent of the federal poverty level for certain services. Federal rules also allow state agencies to eliminate net income and asset limits for most recipients.

***In June 2004, DHS expanded eligibility to those with gross incomes up to 200 percent of the federal poverty level.***

In June 2004, DHS used the discretion granted to it under federal regulations to expand eligibility for FoodShare benefits to those with gross incomes up to 200 percent of the poverty level and to eliminate net income and asset limits for most recipients. DHS indicated these changes were made in order to decrease workloads for local agency staff who would no longer be required to verify an applicant's assets. As a result, DHS also anticipated a reduction in potential errors associated with verification. With the implementation of these changes, FoodShare administrative expenditures decreased by approximately \$260,000 from FY 2003-04 to FY 2004-05.

***In January 2012, 14.3 percent of FoodShare recipients had gross incomes exceeding 130 percent of the federal poverty level.***

In 2012, 25 states limit program eligibility to those with gross incomes up to 130 percent of the federal poverty level, whereas 13 states, including Wisconsin, limit participation to those with gross incomes up to 200 percent of the federal poverty level, as shown in Figure 4. In January 2012, 56,373 assistance groups, or 14.3 percent of those receiving FoodShare benefits in Wisconsin, had gross incomes exceeding 130 percent of the federal poverty level. However, 23,727 of these assistance groups contained elderly or disabled members who may have been eligible for benefits under program rules in place before June 2004 that did not restrict eligibility on the basis of gross income.

Because of these differences, questions have been raised about the extent to which individuals may choose to move to Wisconsin to receive FoodShare benefits. To determine the number of FoodShare recipients who previously resided outside of Wisconsin, we analyzed data obtained by caseworkers responsible for determining eligibility for the FoodShare program. Because prior residence information is not required for determining eligibility, caseworkers do not systematically record the date on which FoodShare applicants moved to Wisconsin, or their previous state or country of residence. Therefore, these data likely underestimate the number of recipients who previously resided elsewhere. It should also be noted that people move for many reasons, including to be closer to family members, and no data are collected on the reasons recipients move to Wisconsin.



Table 8

**New FoodShare Recipients Who  
Previously Resided Outside of Wisconsin<sup>1</sup>**

Fiscal Year	Total New Recipients	Number Who Previously Resided Outside of Wisconsin	Percentage of New Recipients
2008-09	134,230	13,328	9.9%
2009-10	167,608	13,848	8.3
2010-11	151,432	12,997	8.6
<b>Total</b>	<b>453,270</b>	<b>40,173</b>	<b>8.9</b>

<sup>1</sup> Includes only those individuals for whom information on prior residence was recorded.

***More than one-half of those moving to Wisconsin resided in the state for more than 12 months before receiving FoodShare benefits.***

From FY 2008-09 through FY 2010-11, 22,430 recipients, or 55.8 percent of those who moved to Wisconsin, had resided in the state for more than 12 months before they received FoodShare benefits, as shown in Table 9. This suggests that obtaining FoodShare benefits was likely not a motivating factor in the decision of most recipients to move to Wisconsin. In contrast, 7,179 individuals (17.9 percent) received benefits within their first month of residence.

Table 9

**Length of Wisconsin Residency before  
Receipt of FoodShare Benefits<sup>1</sup>  
FY 2008-09 through FY 2010-11**

	Number	Percentage
Up to 1 month	7,179	17.9%
More than 1 month up to 3 months	4,908	12.2
More than 3 months up to 6 months	1,873	4.7
More than 6 months up to 12 months	1,853	4.6
More than 12 months	22,430	55.8
Unknown	1,930	4.8
<b>Total</b>	<b>40,173</b>	<b>100.0%</b>

<sup>1</sup> Includes only those individuals for whom information on prior residence was recorded.



We also reviewed where recipients had resided before they moved to Wisconsin. As shown in Table 10, 87.2 percent of those who enrolled in the FoodShare program within their first three months of moving to Wisconsin came from other states and territories, including 3,171 individuals who previously resided in Illinois and 1,126 individuals who previously resided in Minnesota. An additional 1,544 recipients came from other countries.

Table 10

**State or Country of Prior Residence<sup>1</sup>**  
FY 2008-09 through FY 2010-11

	Number	Percentage
<b>Other States and United States Territories</b>		
Illinois	3,171	26.2%
Minnesota	1,126	9.3
Puerto Rico	638	5.3
California	614	5.1
Michigan	411	3.4
Other	4,583	37.9
<b>Subtotal</b>	<b>10,543</b>	<b>87.2</b>
<b>Other Countries</b>		
Myanmar (formerly Burma)	605	5.0
Iraq	255	2.1
Thailand	99	0.8
Somalia	88	0.7
Nepal	70	0.6
Other	427	3.6
<b>Subtotal</b>	<b>1,544</b>	<b>12.8</b>
<b>Total</b>	<b>12,087</b>	<b>100.0%</b>

<sup>1</sup> Includes only those individuals for whom information on prior residence was recorded, and who began receiving FoodShare benefits within their first three months of moving to Wisconsin.

## Facilitating Application and Recertification

***DHS implemented policy changes to make it easier for recipients to apply for benefits initially and to be recertified to receive them.***

Over the past several years, DHS has implemented a number of policy changes to make it easier for recipients to apply for benefits initially and to complete subsequent recertification requirements. Specifically:

- In June 2006, DHS began allowing online applications for FoodShare benefits. Previously, individuals were required to either mail or fax a completed application form or apply for FoodShare benefits in person, which was difficult for some assistance groups whose head of household worked or lacked transportation.
- In June 2008, DHS began allowing applicants to complete initial application and recertification requirements via telephone interviews.
- In January 2010, DHS began allowing recipients to submit recertification documents and six-month reporting forms online. Although individuals could apply for benefits online since June 2006, until 2010 recipients still needed to mail in their recertification forms and their six-month reporting forms or visit a county office in person.
- In January 2012, DHS began allowing recipients to attest to the accuracy of the information provided during their initial application and recertification interviews over the telephone. At the end of the interview, the caseworker is allowed to read the applicant or recipient the answers recorded by the caseworker and ask for a verbal confirmation that the recorded information is accurate. Previously, a caseworker mailed a paper copy of the individual's responses, which had to be signed and sent back to the county office.

In addition, DHS believes that the expansion of Medical Assistance benefits to adults without dependent children beginning in January 2009 increased enrollment in the FoodShare program, because these individuals would likely have been encouraged to apply for FoodShare benefits at the same time they enrolled in the Medical Assistance program.

## Reducing Program Recertification Requirements

Historically, assistance groups were required to report all changes in circumstances that could affect program eligibility. Changes to federal law in 2002 allowed state agencies the option of permitting certain assistance groups to report only those changes that increased their gross incomes above 130 percent of the federal poverty level. In July 2003, DHS adopted this provision for most assistance groups. In addition to reducing the reporting requirements for many recipients, DHS found the change beneficial because it also reduced the potential for errors in determining benefits and decreased local agency workloads by simplifying administrative requirements.

***In February 2004, DHS decreased reporting requirements associated with recertification of recipient eligibility.***

In addition, prior to February 2004, recertification was required every six months, including participation in an in-person interview with a caseworker. Since that time, recipients are required only to complete a reporting form by the sixth month following either their initial application or annual recertification in order to report any changes in their circumstances, such as changes in household composition, income, or address. Both the initial application and the annual recertification require an interview with a caseworker.

## Reducing Work and Educational Requirements

As noted, federal law requires states to administer Supplemental Nutrition Assistance Program Employment and Training services through which they may require certain recipients to participate in educational and job-related activities in order to improve their basic skills and enhance their employability. Before March 2008, DHS required most FoodShare recipients to participate in education and training activities each week based on their needs and other factors, such as the number of hours they worked per week.

***2007 Wisconsin Act 20 generally made participation in the FoodShare Employment and Training program voluntary.***

2007 Wisconsin Act 20 generally made participation in the FoodShare Employment and Training (FSET) program voluntary, and DHS implemented the change in March 2008. This change was made to focus employment and training resources on those individuals who wanted to receive them, while ensuring that needy individuals would continue to receive assistance. As a result, participation in the FSET program decreased from 8,126 in February 2008, which was the month of highest participation, to 5,453 in March 2008. In February 2012, 6,158 recipients participated in the FSET program. In February 2008, 2.0 percent of all recipients participated in the FSET program, compared to 0.7 percent in February 2012.

Despite the changes made in March 2008, federal work requirements remain in place for able-bodied adults without dependent children who are 18 to 49 years old. These individuals are required to work or participate in the FSET program for a combined total of 80 hours per month or face potential sanctions to their benefits. However, DHS received waivers of the sanction requirement beginning in April 2002 based on high levels of unemployment in Wisconsin. Unless renewed, the current waiver will expire in September 2012.

## Estimating Participation Levels

***It is difficult to determine the extent to which individuals who are eligible for FoodShare benefits receive them.***

Although program participation has increased, it is difficult to determine the extent to which individuals who are eligible for FoodShare benefits receive them. Data maintained by state and local agencies do not permit a definitive analysis of the number of eligible individuals who did not apply for or receive benefits. For example, if applicants for social services indicate they do not wish to apply for FoodShare benefits, not all of the income, asset, and deductible expense information needed to determine eligibility for the program is collected.

Tax returns submitted to the Wisconsin Department of Revenue provide some useful information, but the data are limited because those most likely to qualify for benefits are not required to submit tax returns based on their limited income. For example, single individuals earning less than \$10,110 and married couples earning less than \$18,340 in 2011 were generally not required to file Wisconsin income tax returns.

Because data needed to definitively determine FoodShare participation rates are unavailable, estimates vary greatly. We reviewed data published by USDA and the United States Census Bureau. We also reviewed information published by two research organizations: Mathematica, Inc., a private policy research company, and the University of Wisconsin-Madison's Institute for Research on Poverty, which serves as the Center for National Food and Nutrition Assistance Research for USDA and is one of three National Poverty Research Centers sponsored by the United States Department of Health and Human Services.

As shown in Table 11, both Mathematica and the Institute for Research on Poverty estimated that the FoodShare participation rate in 2009 was approximately 76 percent, based on estimates of the number of individuals at or below 130 percent of the federal poverty level. Mathematica did not estimate a FoodShare participation rate for individuals at or below 200 percent of the federal poverty level, but the Institute for Research on Poverty estimated it to be 42.1 percent.

Table 11

**Estimates of FoodShare Wisconsin Participation Rates  
2009<sup>1</sup>**

Organization	Percentage of Federal Poverty Level	Estimated Participation Rate
Mathematica, Inc.	130%	76.0%
Institute for Research on Poverty <sup>2</sup>	130	76.5
	200	42.1

<sup>1</sup> Most recent year for which data were available.

<sup>2</sup> We calculated participation rates based on the Institute for Research on Poverty's estimate of the number of individuals eligible for FoodShare benefits with one assistance group per household.

FoodShare participation estimates using 130 percent of the federal poverty level to determine the number of eligible individuals may overstate the rate of participation because, as noted, Wisconsin allows participation for most individuals up to 200 percent of the federal poverty level. Conversely, estimates using 200 percent of the federal poverty level may understate the rate of participation because individuals are ineligible for benefits when their required contributions toward purchasing food, defined as 30 percent of net income, exceed the maximum benefits they could have received under program rules.

Since 2005, USDA has estimated "program access" using 125 percent of the federal poverty level as its measurement threshold. It is not intended to be a precise measure of the extent to which all eligible individuals are receiving food stamp benefits. Rather, it is intended to estimate the general extent to which low-income individuals have access to food stamp benefits.

USDA estimated a program access rate of 66.0 percent for Wisconsin's FoodShare program in 2009. This estimate is broadly comparable to the 2009 participation rates that can be estimated using data published by Mathematica and the Institute for Research on Poverty, given the differences in the federal poverty level used by these groups. USDA's estimated program access rates for 2009 averaged 62.9 percent nationally and ranged from 96.3 percent in Maine to 39.8 percent in Wyoming. In that year, Wisconsin ranked 28 among the 50 states and the District of Columbia.

***Wisconsin received a \$1.5 million bonus for improving access to FoodShare benefits for 2008.***

Wisconsin was awarded a \$1.5 million bonus by USDA for having the third most improved access rate for 2008. Program access rates increased each year from 2007 through 2009, growing from 49 percent to 66 percent. Similarly, Mathematica estimated that FoodShare participation rates in Wisconsin increased each year over this period, growing from 69 percent in 2007 to 76 percent in 2009.

Those who are eligible for but do not participate in the FoodShare program may receive assistance from other sources, such as food pantries; may be unaware of their eligibility for benefits; may have been unable to access program information in their native language; may have been incorrectly denied benefits; may be uninterested in receiving public assistance; or may believe the level of benefits for which they are eligible does not justify the effort.

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## Accuracy and Timeliness of Benefit Determinations ■

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Federal law requires that Wisconsin verify the eligibility of FoodShare applicants and meet minimum standards for timeliness and accuracy in determining their eligibility for benefits. USDA awards bonuses to those states with the best performance, requires states that do not meet timeliness standards to develop plans for improvement, and imposes financial sanctions on states that do not meet minimum standards for accuracy in determining eligibility and benefit amounts. We reviewed trends in Wisconsin's performance and assessed DHS's efforts to improve the timeliness and accuracy with which FoodShare applications are processed and benefit amounts are calculated.

### **Verifying the Eligibility of Applicants and Recipients**

***Inmates, those fleeing prosecution or confinement for a felony, and those who violated probation or parole are ineligible for benefits.***

To be eligible to receive FoodShare benefits, state and federal laws require that applicants meet residency and income requirements, as well as provide information to verify their identities, including a social security number. In addition, state and federal laws prohibit the provision of FoodShare benefits to certain individuals, including those who are incarcerated, those who are fleeing prosecution or confinement based on a felony conviction, and those who are in violation of a condition of probation or parole.

***Applicants must submit documentation of Wisconsin residency, unless they indicate they are homeless or migrant workers.***

## **Verifying Residency and Income**

FoodShare applicants are required to submit documentation verifying their Wisconsin residency, unless they indicate they are either homeless or migrant farm workers. Federal law allows recipients to provide a variety of different types of documentation, some of which provide a greater degree of reliability in verifying residency than do others. As evidence of Wisconsin residency, applicants may provide documentation such as:

- a current rent receipt or lease agreement;
- a utility bill for the address where the applicant claims to reside;
- a Wisconsin driver's license;
- a piece of mail with the applicant's name that was received at the address where the applicant claims to reside; or
- a written statement from a non-relative that supports the applicant's residency claim.

***FoodShare eligibility is based on income at the time of application.***

Because FoodShare eligibility is based on income at the time of application, income cannot be verified using an electronic data match, which provides information only on wages earned during the previous quarter. Further, the employment status of applicants may have changed since that time. Therefore, caseworkers verify income by reviewing documentation submitted by applicants, such as paycheck stubs. However, such documentation is not available for individuals who report having no income but who may be employed.

We attempted to determine the sources of information used by caseworkers to verify residency and income. However, the manner in which information was recorded by caseworkers in the electronic data system used to administer the FoodShare program did not enable us to do so.

## **Verifying Identity**

DHS has established an electronic system for local agencies to use in verifying social security numbers submitted by applicants. The system checks social security numbers against national records to determine whether they correspond to the identity information submitted by the applicants. However, in limited instances individuals are allowed to receive FoodShare benefits even if no



social security number is provided, or if the number provided is determined to be invalid. For example, federal law provides exemptions for newborns who have not yet received a social security number, individuals who are religiously opposed to providing a social security number, and certain individuals who must be issued benefits within seven days after application because they have gross monthly incomes of less than \$150 and available cash on hand of less than \$100.

***Of the 831,414 individuals receiving FoodShare benefits in January 2012, we found only 48 with unverified social security numbers.***

Among the 831,414 individuals receiving FoodShare benefits in January 2012, we identified only 48 recipients with unverified social security numbers, including 27 recipients who had not provided a social security number and 21 recipients who had provided an invalid social security number. There was no documentation that any of these 48 recipients were exempt from providing a social security number.

Until 2010, the Department of Children and Families performed regular checks to identify recipients with unverified social security numbers. DHS staff told us that these checks were discontinued based on staffing reductions. Verifying social security numbers provided by applicants is important because this information is subsequently used in other data matches to identify individuals who are ineligible because they:

- are receiving food stamps in another state;
- were disqualified from receiving benefits in another state because they committed fraud;
- subsequently obtained employment and became ineligible for benefits or for a smaller amount of benefits; or
- are deceased.

In August 2011, three Milwaukee County caseworkers were charged with inappropriately obtaining approximately \$350,000 in FoodShare benefits by creating fictitious recipient records, including some for which a social security number was not provided. If DHS resumed efforts to verify the social security numbers provided by FoodShare applicants, it may be able to prevent the occurrence of similar problems in the future.

#### **Recommendation**

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*We recommend the Department of Health Services report to the Joint Legislative Audit Committee by December 3, 2012, on its plans to verify the social security numbers provided by FoodShare applicants.*

## Measuring Timeliness and Assessing the Accuracy of Benefit Amounts

***DHS staff review a sample of FoodShare cases to determine the timeliness of eligibility determinations and the accuracy of benefit amounts.***

To determine whether eligibility determinations are made in a timely manner and whether the benefit amounts issued are correct, DHS staff review samples of cases that are opened, denied eligibility, and closed during each month. In addition to measuring the duration between application submission and eligibility determination, DHS staff independently determine whether an applicant was eligible for FoodShare benefits and calculate the amount of benefits that should have been issued. To do so, DHS staff review documents submitted at the time of initial application and additional information collected by the caseworker who initially processed the application. They also review other information that may not have been used by the caseworker in making the eligibility determination.

Based on its findings, DHS directs local agencies to issue retroactive payments to those applicants incorrectly denied benefits and to assistance groups issued benefit amounts that were less than the amounts to which they were entitled. DHS also directs local agencies to recover benefits from assistance groups that were issued benefit amounts greater than those to which they were entitled.

***USDA assesses quality assurance processes for all states each federal fiscal year.***

USDA assesses all states' quality assurance processes by reviewing a sample of the cases that have already been reviewed by each state in order to confirm their findings and to calculate timeliness and error rates for each federal fiscal year. These data are used as a basis for comparing the relative performance of states with respect to the timely issuance of benefits and the accuracy of the benefit amounts issued. Based on its results, USDA may provide states with a cash bonus, require them to develop an improvement plan to address deficiencies, or require them to pay a financial sanction for failing to address deficiencies identified in prior years.

### Delays in Determining Eligibility

Federal law requires states to approve or deny applications within 30 days after an application is submitted, or within 7 days for assistance groups that are determined eligible for expedited benefits, which are available to assistance groups with gross monthly incomes of less than \$150 and cash on hand of less than \$100. Annually, USDA awards the six states that processed the highest percentage of their applications within the required time limits with a total of \$6.0 million in bonus payments. Bonus payment awards are distributed based on the size of each winning state's respective caseload. In addition, states that do not process at least 89.0 percent

of their applications within the required time limits must develop plans for improving the timeliness of their eligibility determinations.

**FoodShare applications processed within required time limits decreased from 90.3 percent in FFY 2005-06 to 74.9 percent in FFY 2009-10.**

As shown in Table 12, the percentage of FoodShare applications processed within the required time limits decreased each year from 90.3 percent in FFY 2005-06 to 74.9 percent in FFY 2009-10. In addition, Wisconsin’s rank among other states and territories declined from 28th in FFY 2005-06 to 48th in FFY 2009-10.

Table 12

**Timeliness of Eligibility Determinations**

Federal Fiscal Year	Percentage of FoodShare Applications Processed within Federal Time Limits	Wisconsin’s Rank <sup>1</sup>
2005-06	90.3%	28
2006-07	90.2	25
2007-08	81.6	43
2008-09	79.7	44
2009-10	74.9	48

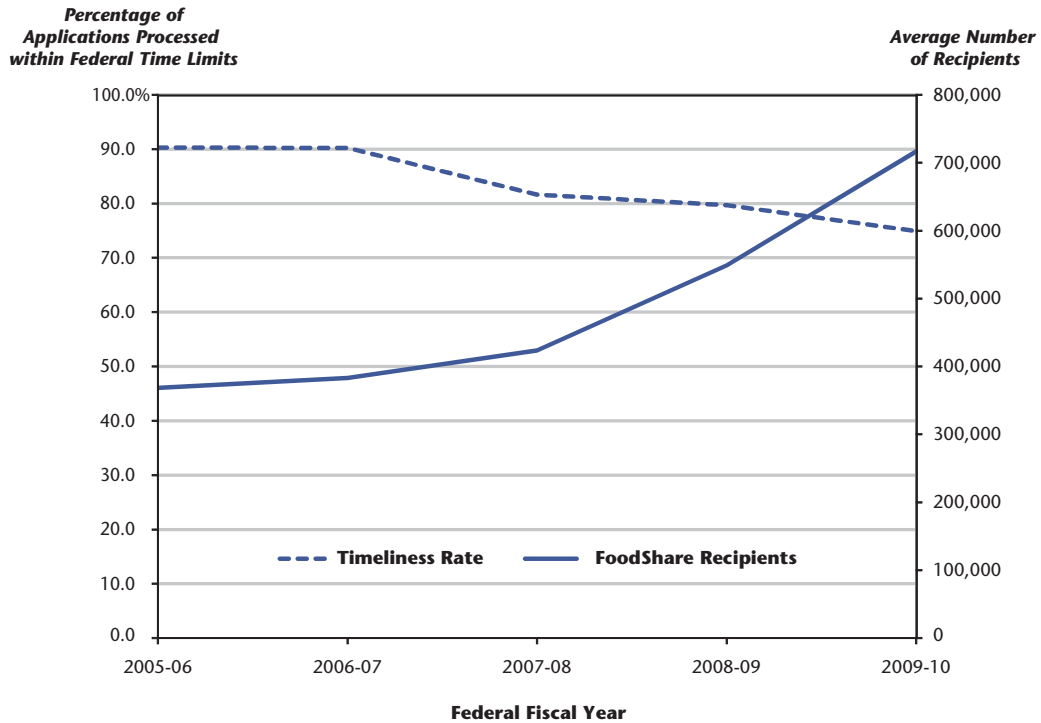
<sup>1</sup> USDA includes 53 entities in its rankings—the 50 states, the District of Columbia, Guam, and the United States Virgin Islands.

As shown in Figure 5, decreases in the percentage of applications processed in a timely manner generally coincide with increases in FoodShare enrollment.

Delays in processing FoodShare applications in Milwaukee County, which includes approximately one-third of the FoodShare caseload, led to a federal lawsuit brought by Milwaukee County residents in July 2008. As part of its investigation into the lawsuit, DHS determined that 28.3 percent of applications for FoodShare and other public assistance programs in 2008 were not completed by Milwaukee County staff within federally required time limits. DHS also determined that less than 5.0 percent of telephone calls to the Milwaukee County Call Center were answered. In response to these findings, DHS began directly administering online program enrollment and call center functions for Milwaukee County in July 2009, and it assumed all program enrollment and caseload management functions for the county in January 2010.

Figure 5

**FoodShare Eligibility Determinations Completed within Federal Time Limits**



DHS staff indicated that continued delays in processing FoodShare applications during FFY 2009-10 were due, in part, to problems at the Enrollment Services Center, which was operated by a private contractor responsible for administering services for adults without dependent children for both the FoodShare and Medical Assistance programs. As we noted in our June 2011 report, caseloads for both programs were almost immediately higher than expected when the Enrollment Services Center began receiving FoodShare applications during June 2009. As a result, a backlog of 400 applications related to all programs administered by the Enrollment Services Center developed by December 2010.

***USDA has required Wisconsin to develop timeliness improvement plans since FFY 2007-08.***

Because Wisconsin has failed to process at least 89.0 percent of all applications within the federally required time limits since FFY 2007-08, USDA has required DHS to develop timeliness improvement plans since that time. As part of its most recent plan, DHS received a waiver from the federal government in January 2011 that DHS believes will help it address those cases for which eligibility determinations must be expedited and completed within seven days.

The federal waiver allows caseworkers to delay interviewing the heads of assistance groups for up to 30 days, as long as benefits are provided to them within 7 days of application. In addition, DHS transferred all FoodShare cases administered by the Enrollment Services Center to county caseworkers. The transfer of cases began in November 2011 and was completed in March 2012.

DHS also recently determined that many FoodShare cases were untimely because FoodShare benefits were provided to recipients after the 30-day time limit, despite the fact that eligibility determinations were made in a timely manner. To address this issue, DHS now requires benefits to be provided on the same day recipients are determined eligible for the program.

The effect of the waiver on improving the timeliness of FoodShare eligibility determinations is currently unknown. However, because few applications must be processed within seven days, we question whether the waiver will significantly improve the overall timeliness of application processing.

#### Recommendation

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*We recommend the Department of Health Services report to the Joint Legislative Audit Committee by December 3, 2012, on the results of its efforts to improve the timeliness with which FoodShare eligibility determinations are completed.*

### **Eligible Individuals Incorrectly Denied Benefits**

***The extent to which assistance groups were incorrectly denied benefits is known as the “negative error rate.”***

USDA also assesses the extent to which assistance groups were incorrectly denied benefits. This is known as the “negative error rate.” To determine the percentage of eligible assistance groups that were incorrectly denied benefits, DHS reviews a sample of cases for individuals who were determined to be ineligible for FoodShare benefits or who had their cases closed. USDA provides bonuses to the four states with the lowest negative error rates and the two states with the most improved negative error rates. USDA requires states with high negative error rates to develop improvement plans.

Although Wisconsin’s negative error rate improved from FFY 2000-01 through FFY 2002-03, there has been no consistent pattern since that time. As shown in Table 13, Wisconsin’s negative error rate rose above the national average in FFY 2005-06 and FFY 2007-08.

Table 13

**Percentage of Cases Incorrectly Denied FoodShare Benefits**

Federal Fiscal Year	Wisconsin	National Average
2000-01	14.2%	8.3%
2001-02	10.3	7.9
2002-03	5.5	7.6
2003-04	6.5	6.5
2004-05	6.2	6.9
2005-06	9.5	8.0
2006-07	8.4	10.9
2007-08	12.9	11.0
2008-09 <sup>1</sup>	4.6	9.4
2009-10	7.9	8.4

<sup>1</sup> USDA awarded Wisconsin a bonus of approximately \$967,000 for being one of the two states demonstrating the most improvement in FFY 2008-09.

DHS staff reported that the high negative error rate in FFY 2007-08 was due, in part, to problems in Milwaukee County that caused DHS to assume control of its FoodShare operations. As part of the investigation into the federal lawsuit that was filed by Milwaukee County residents in July 2008, DHS determined that 19.5 percent of all FoodShare applicants and recipients in Milwaukee County in 2008 were incorrectly denied benefits.

***Wisconsin reduced its negative error rate from 12.9 percent in FFY 2007-08 to 4.6 percent in FFY 2008-09.***

Wisconsin reduced its negative error rate from 12.9 percent in FFY 2007-08 to 4.6 percent in FFY 2008-09. As a result, it received a bonus payment of approximately \$967,000 from USDA for being one of the two states demonstrating the greatest improvement in that year. DHS used the bonus payment to fund upgrades to its computerized data processing system and support other administrative expenditures. Although the negative error rate rose to 7.9 percent in FFY 2009-10, it remained below the national average.

**Improving the Accuracy of Benefit Amounts Issued**

USDA also requires states to calculate a “benefit payment error rate,” which is a measure of both the extent to which ineligible individuals received benefits and the extent to which the value of benefits provided to eligible recipients was calculated incorrectly.

Annually, USDA provides the seven states with the lowest benefit payment error rates and the three states with the most improved benefit payment error rates a total of \$24.0 million, which is distributed based on each state’s relative caseload size. In addition, USDA may impose financial sanctions on states that during two consecutive years have benefit payment error rates of 6.0 percent or more and exceed 105.0 percent of the national average.

**Wisconsin’s benefit payment error rate declined to 1.1 percent in FFY 2008-09.**

Historically, Wisconsin has had one of the highest benefit payment error rates in the nation. As shown in Table 14, USDA last sanctioned Wisconsin’s FoodShare program in FFY 2001-02, for an initial amount of \$3.5 million. It later waived approximately \$1.74 million of the sanction amount and required DHS to invest the remainder on projects that would improve payment accuracy and service delivery. DHS reported that it used this revenue to help fund payment accuracy staff positions, a program improvement study, and call center system upgrades. Wisconsin’s benefit payment error rate increased to 7.4 percent in FFY 2007-08 before declining to 1.1 percent in FFY 2008-09. Wisconsin was awarded bonuses of \$1.9 million for FFY 2008-09 and \$1.5 million for FFY 2009-10 for having one of the lowest benefit payment error rates in the nation.

Table 14

**FoodShare Benefit Payment Error Rates**

Federal Fiscal Year	Wisconsin’s Error Rate	National Average	Wisconsin’s Error Rate As a Percentage of the National Average
2000-01	13.1%	8.7%	150.6%
2001-02 <sup>1</sup>	12.7	8.3	153.0
2002-03	9.3	6.6	140.9
2003-04	6.7	5.9	113.6
2004-05	5.6	5.8	96.6
2005-06	6.2	6.0	103.3
2006-07	5.9	5.6	105.4
2007-08	7.4	5.0	148.0
2008-09 <sup>2</sup>	1.1	4.4	25.0
2009-10 <sup>3</sup>	2.0	3.8	52.6

<sup>1</sup> Wisconsin was sanctioned \$3.5 million for having one of the highest benefit payment error rates.

<sup>2</sup> Wisconsin was awarded a \$1.9 million bonus for having one of the lowest benefit payment error rates.

<sup>3</sup> Wisconsin was awarded a \$1.5 million bonus for having one of the lowest benefit payment error rates.

***To avoid federal sanctions, DHS hired a private contractor in December 2008 to help address benefit payment errors.***

Because Wisconsin's benefit payment error rate in FFY 2007-08 was considerably more than 105.0 percent of the national average, Wisconsin faced sanctions if its error rate was not reduced in FY 2008-09. To improve its benefit payment error rate, DHS hired a contractor in December 2008 to analyze Wisconsin's FoodShare policies and conduct a review of cases that were used in calculating Wisconsin's benefit payment error rate. The contractor also analyzed differences between how benefit amounts were calculated by DHS staff and by local caseworkers who initially worked on the cases.

The contractor identified several instances in which DHS staff incorrectly categorized as errors certain types of calculations frequently made by local caseworkers that USDA does not consider to be errors:

- For expedited FoodShare cases in which benefits are to be provided within seven days of application, caseworkers are instructed to verify only the applicant's identity at the time of application. All other information may be verified within 30 days after benefits are issued. Although information received after benefits are issued may result in changes to the amount of benefits provided to the assistance groups, USDA does not require that changes to benefit amounts be considered errors.
- Although federal law requires caseworkers to accept any of several different sources of verification of earned income, including letters from employers, some DHS staff were determining certain types of verification to be unallowable and were recording them as eligibility determination errors.
- Federal law states that an applicant's income is to be calculated based upon regular earning amounts that are to be averaged over a certain time period. However, some DHS staff counted as errors instances in which caseworkers did not also include irregular income amounts, such as tips, in the calculation of income, which is not a requirement under federal law.

Based on its findings, the contractor conducted training sessions for DHS staff and recommended clarifications to DHS's FoodShare policies.



***From December 2008 through December 2011, DHS paid its contractor approximately \$607,000 to help address benefit payment errors.***

Under the terms of the initial agreement, DHS was required to pay the contractor 15.0 percent of any bonus awards DHS received from USDA for FFY 2008-09. Because Wisconsin received almost \$2.9 million in bonus payments in that year, the contractor was paid approximately \$429,000 in July 2010. In February 2010, DHS entered into a new agreement with the contractor to provide ongoing consulting services on a fixed-fee basis, which includes payment of approximately \$7,000 for monthly consultations and \$15,000 for an on-site workshop. The fixed-fee contract was extended twice and is currently effective through June 2013. Through December 2011, the contractor was paid \$178,000 under the fixed-fee agreement.

To date, the efforts of the DHS contractor have focused primarily on improving the accuracy of work performed by DHS quality review staff, rather than on improving the accuracy of work performed by local caseworkers. County staff we interviewed indicated that the accuracy of eligibility determinations could likely be improved through enhanced training and by updating FoodShare policy and procedure documents issued by DHS. Given that benefit payment error rates are currently low, the usefulness of focusing resources on this area at this time is unclear, especially given that DHS has already taken steps to improve the accuracy of eligibility determinations performed by its own staff in Milwaukee County through enhanced training efforts. However, additional attention may be needed if the frequency of benefit payment errors rises in the future.

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Identifying and Investigating Fraud and Abuse  
Frequent Replacement of FoodShare Cards  
Identifying Benefits Provided to Inmates  
Identifying Benefits Provided to Other Ineligible Individuals  
Sanctioning Recipients Who Violate Program Rules  
Retailer Certification and Investigation

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## Identifying Violations of Program Rules ■

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Responsibility for ensuring the integrity of the FoodShare program is shared by state, local, and federal agencies. We reviewed efforts to prevent and investigate fraud and abuse in Wisconsin's FoodShare program, including concerns about the frequency with which recipients reported their electronic debit cards lost, damaged, or stolen, and the receipt of benefits by individuals who are ineligible because they are incarcerated or fleeing from law enforcement. We also reviewed efforts undertaken by the federal government to address retailer fraud.

### Identifying and Investigating Fraud and Abuse

***Investigations are conducted  
when information provided  
by an applicant or recipient  
appears to be incorrect  
or cannot be verified.***

DHS allocates funds to counties and tribes for fraud investigations. Counties and tribes perform investigations when there is suspicion that information provided by an applicant or recipient is incorrect and the information cannot be verified using electronic data systems. Penalties are imposed on recipients when these investigations determine that recipients have intentionally received or transferred FoodShare benefits inappropriately.

An investigation may be initiated at any time, including during an initial application or recertification process, when it is known as a "front-end verification." County and tribes are required to create a list of circumstances under which an applicant's information should receive additional verification, including when the applicant has submitted questionable or contradictory documentation of income.

Investigations performed after a recipient has started receiving benefits are referred to as “fraud investigations” and may involve recipients suspected of selling or otherwise providing their benefits to individuals who do not belong to their assistance group. Counties and tribes use information obtained from investigations to deny benefits to ineligible applicants, identify and collect overpayments, and impose penalties on recipients who intentionally receive or transfer FoodShare benefits inappropriately.

From 2002 through 2009, DHS required county and tribal agencies to independently conduct their own fraud investigation activities for the FoodShare and Medical Assistance programs, and it provided funding to agencies based on the average program integrity expenditures made by each local agency over the preceding two years. From 2002 through 2005, DHS also offered local agencies the alternative of receiving fraud investigation services from a private company under contract with DHS rather than conducting their own investigations.

Until 2005, county allocations for program integrity functions were funded entirely by program revenue generated through recoveries from FoodShare and Medical Assistance recipients who received benefits to which they were not entitled. In 2005, DHS supplemented the funding with GPR because program revenue amounts were insufficient to cover program integrity costs. In 2006, several counties raised concerns that they were unable to perform many program integrity activities because DHS did not provide each county with funding sufficient to employ a full-time investigator.

***In 2008, DHS provided \$1.9 million to local agencies for program integrity activities.***

In 2008, DHS provided \$1.9 million to local agencies for program integrity activities. In that year, local agencies recovered approximately \$2.1 million in FoodShare and Medical Assistance benefits, but federal law requires that the majority of recovered funds be returned to the federal government. As a result, approximately \$320,000 was retained by counties and \$200,000 by DHS to help fund program integrity activities. In part because expenditures exceeded revenues in 2008, 2009 Wisconsin Act 28, the 2009-11 Biennial Budget Act, reduced local program integrity funding by \$1.1 million for 2009 and eliminated all program integrity funding for 2010. As a result, the number of reported investigations performed by local agencies decreased by 40.4 percent, from 3,722 in FY 2006-07 to 2,217 in FY 2009-10, as shown in Table 15.

Table 15

**Reported Investigations of FoodShare Recipients**

Fiscal Year	Front-End Verifications	Fraud Investigations	Total
2006-07	2,284	1,438	3,722
2007-08	1,877	1,381	3,258
2008-09	2,301	1,518	3,819
2009-10	1,162	1,055	2,217
2010-11	1,063	1,253	2,316
<b>Total</b>	<b>8,687</b>	<b>6,645</b>	<b>15,332</b>

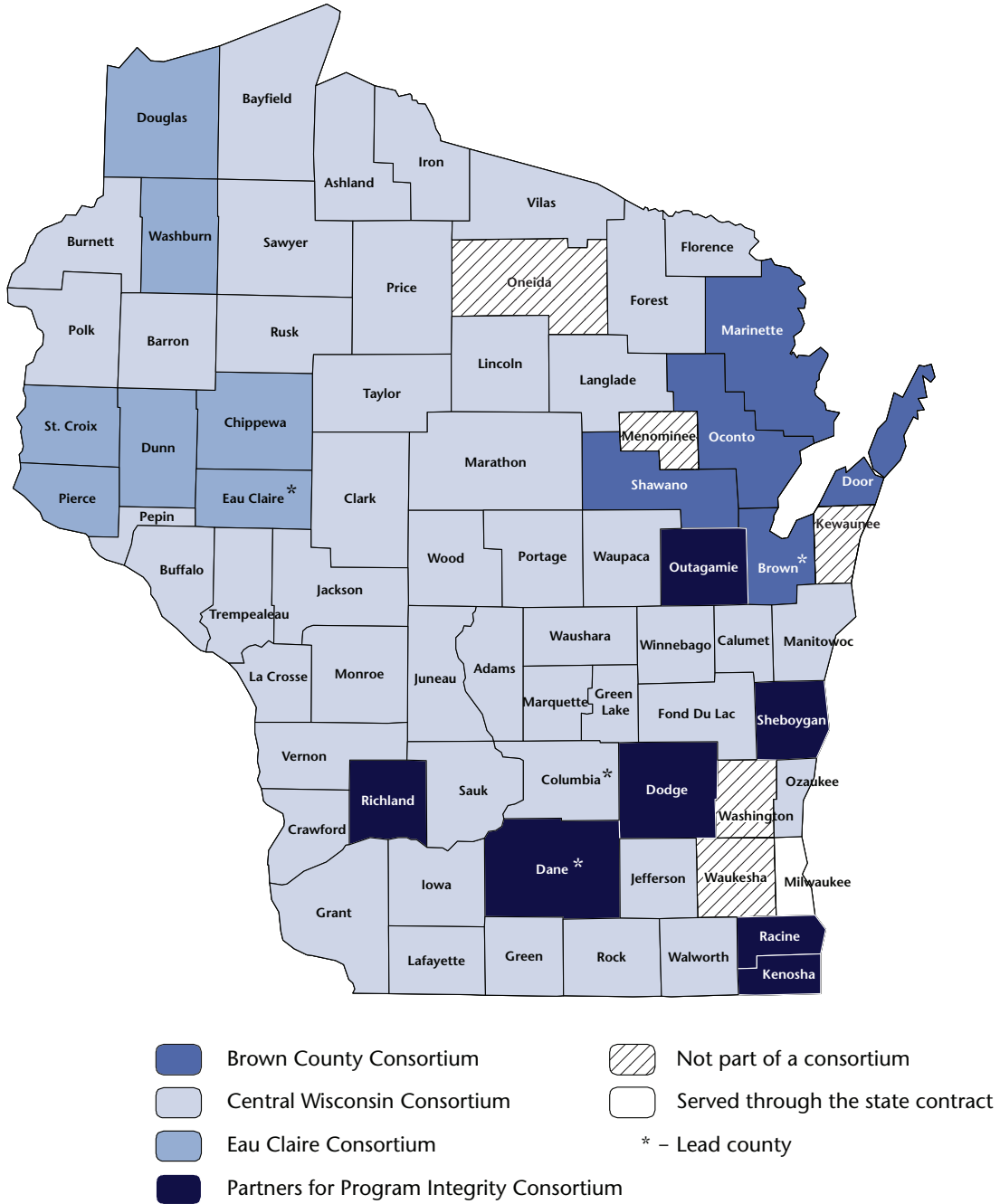
***DHS allocated \$500,000 for FoodShare and Medical Assistance program integrity activities in 2011.***

From federal funds it received as part of an award for improved FoodShare participation rates in 2008, DHS allocated \$500,000 for FoodShare and Medical Assistance program integrity activities in 2011. To help ensure that local agencies had adequate staffing for these activities, DHS revised its method for allocating funding. Counties and tribes were encouraged to either join a consortium for the purpose of providing program integrity services or agree to receive services from a private investigative firm through a contract administered by DHS. Figure 6 shows current county participation in fraud prevention and investigation consortia statewide. Milwaukee County is the only county that receives fraud prevention and investigation services through a DHS contract with a private vendor.

Counties and tribes that chose to continue operating independently were not eligible to receive funds from DHS, and those that joined a consortium were allocated funds based on their combined 2010 FoodShare and Medical Assistance caseloads. They were also required to provide a 10.0 percent local match of the funds they received from DHS. In 2012, DHS again allocated \$500,000 for FoodShare and Medical Assistance program integrity activities. However, DHS eliminated the requirement for counties to provide a 10.0 percent match if they chose to join a consortium.

Figure 6

Fraud Prevention and Investigation Consortia  
2012



***DHS staff reported that few fraud investigations took place in Milwaukee County from January 2011 through August 2011.***

DHS staff reported that few fraud investigations took place in Milwaukee County from January 2011 through August 2011 because DHS did not contract for investigative services until September of that year, when it awarded a private vendor \$25,000 to investigate the high-priority cases that had been identified by caseworkers. In January 2012, DHS awarded the same vendor a \$150,000 contract that extends through June 2012.

During our review, we interviewed program integrity staff from seven counties—Brown, Columbia, Dane, Eau Claire, Kenosha, Rock, and Waukesha—in order to determine the types of efforts undertaken by local agencies to identify and investigate fraud and abuse, as well as best practices for preventing them. In addition, we interviewed staff in Milwaukee Enrollment Services, which is operated by DHS but administers the FoodShare program for Milwaukee County in a manner similar to county-administered programs. We found that in addition to the electronic data matching systems that DHS instructs local agencies to use, the counties we interviewed reported using several other strategies to identify individuals who are ineligible to receive benefits. For example:

- Six counties regularly review local county jail rosters to verify that no inmates are receiving FoodShare benefits. From August 2011 through September 2011, 1,238 Milwaukee County inmates were removed from the FoodShare program, and in September 2011, 36 Kenosha County inmates were removed.
- Four counties review instances of recipients routinely spending FoodShare benefits in other states in order to identify individuals who may not reside in Wisconsin.
- Three counties monitor local newspapers to identify any events that may affect recipient eligibility, such as deaths in a household or references to FoodShare cards seized as part of arrests for other offenses.
- Three counties pay for access to privately operated databases that allow staff to determine the residence address associated with telephone numbers provided by applicants.
- One county uses the Consolidated Court Automation Programs (CCAP) website to identify recipients who have outstanding warrants and report those individuals to the county sheriff.

- One county contacts public assistance program staff in other states to identify any open cases associated with applicants who report a recent move to Wisconsin.
- One county instructs caseworkers to flag suspicious cases that may not justify an investigation at the present time so that any caseworkers who handle the case in the future will be aware of the issues that require special attention.

### **Frequent Replacement of FoodShare Cards**

***Federal regulations require states to replace electronic debit cards that recipients report as lost or stolen.***

Assistance groups are generally issued only one electronic debit card for the entire group and federal regulations require states to replace electronic debit cards that recipients report as lost or stolen and take steps to ensure holds are placed on the related accounts to prevent unauthorized access to benefits. Wisconsin administrative code requires DHS to replace the cards within five business days of when the loss is reported. Although federal regulations allow recipients to be charged a fee for replacement cards that is limited to the actual cost of card replacement, no charges for replacement cards are currently assessed on Wisconsin's FoodShare recipients.

In 2011, media reports raised concerns that replacement cards were being issued with increasing frequency, which could be an indicator of recipients selling their cards for cash. Program integrity staff in seven of the eight counties we contacted indicated they have identified instances of recipients selling their cards for cash or offering to buy groceries for individuals in exchange for cash. This form of FoodShare fraud is known as "benefit trafficking." Representatives of food pantries and some county staff we interviewed indicated that FoodShare recipients may sometimes sell their cards to obtain cash to pay rent, purchase gasoline, or make other necessary expenditures that are not allowed under FoodShare program rules.

Federal regulations require that replacement cards be provided whenever they are requested. To obtain a better understanding of the extent to which replacement cards have been issued, we analyzed the number of cards issued to all assistance groups in FY 2010-11. It should be noted that the loss of a card may result in two or more replacement cards being issued, because recipients typically receive a temporary card to use until a permanent replacement card is issued. Therefore, we focused our analysis on the number of permanent cards issued to assistance groups.



***In FY 2010-11, 107,288 assistance groups were issued permanent replacement cards.***

Of the 476,313 assistance groups that received FoodShare benefits in FY 2010-11, 107,288 (22.5 percent) were issued a replacement card in that year. As shown in Table 16, 77.3 percent of these 107,288 assistance groups that were issued permanent replacement cards were issued only one replacement card each. In contrast, 1,091 assistance groups, or 1.0 percent, were each issued more than four replacement cards in that year.

Table 16  
**Number of Permanent Replacement Cards Issued<sup>1</sup>**  
 FY 2010-11

Number of Cards	Number of Assistance Groups	Percentage
1	82,886	77.3%
2	16,767	15.6
3	4,859	4.5
4	1,685	1.6
5	653	0.6
6	223	0.2
7	116	0.1
8	51	<0.1
9	26	<0.1
10	8	<0.1
11	7	<0.1
12	3	<0.1
More than 12	4	<0.1
<b>Total</b>	<b>107,288</b>	<b>100.0%</b>

<sup>1</sup> Excludes temporary replacement cards issued to FoodShare recipients.

We reviewed the 22 assistance groups that received ten or more permanent replacement cards in FY 2010-11. Of these 22 assistance groups, we found that 21 assistance groups were issued a total of 86 replacement cards at the time their accounts had balances of less than one dollar. This may be an indication of benefit trafficking. For example, in one of these cases the recipient's social worker reported in July 2010 and again in August 2011 that the recipient was selling FoodShare cards to obtain drugs. No investigations were conducted, and the individual's case was closed for other reasons in October 2011. However, because no sanctions were issued against

the individual, the case was reopened in February 2012 and remained open in April 2012.

***A report issued by DHS in March 2012 questions the effectiveness of requiring recipient photos to be placed on electronic debit cards.***

As required by 2011 Wisconsin Act 32, DHS issued a report to the Joint Committee on Finance in March 2012 detailing the costs and feasibility of requiring a photo of FoodShare recipients to be placed on their benefit cards. DHS reported that planning and implementation would take approximately two years to complete, would cost between \$1.8 million and \$7.4 million for one-time technology upgrades, and would require an additional \$1.6 million to \$2.0 million annually for additional staffing and operating costs. DHS questioned the effectiveness of the requirement because federal law does not authorize it to require retailers to verify that the person using a card to make a purchase matches the photo on the card, in part, because any member of an assistance group must be able to use the card to purchase food.

Staff in the counties we interviewed identified several practices they use to address concerns with multiple FoodShare replacement cards:

- Six counties regularly identify recipients who have requested a large number of replacement cards and send mailings notifying the individuals that their activities have been noticed and informing them of potential penalties for misuse of FoodShare benefits.
- Five counties limit the number of cards that a recipient may request in a given year. However, because federal regulations do not permit the denial of replacement cards, recipients are instructed to contact DHS directly for any replacements over the maximum established by the counties.
- Two counties work with local food retailers to post information explaining that it is illegal to purchase FoodShare cards and providing a telephone number for individuals to report to county staff instances in which they have witnessed the sale of FoodShare cards.

**☑ Recommendation**

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*We recommend the Department of Health Services report to the Joint Legislative Audit Committee by December 3, 2012, on its determination of whether the advantages of charging a fee for FoodShare card replacement in order to discourage unallowable use outweigh related administrative costs and effects on recipients. We further recommend the Department report on its plans to develop procedures to review and address instances in which frequent requests for FoodShare replacement cards appear to be an indication of unallowable use.*

### **Identifying Benefits Provided to Inmates**

***Federal law prohibits individuals incarcerated in local, state, and federal correctional institutions from receiving FoodShare benefits.***

Federal law prohibits individuals incarcerated in local, state, and federal correctional institutions from receiving FoodShare benefits, but it requires state agencies to disenroll inmates only after they have been incarcerated for more than 30 days. DHS provides caseworkers with access to an electronic system through which they can verify the incarceration status of applicants, but instructs them to do so only when there is suspicion that an applicant may be incarcerated. Individuals who become incarcerated while receiving FoodShare benefits are required to report their status when they renew their eligibility to receive benefits, which may be as long as six months after their incarceration began.

As part of our FY 2009-10 compliance audit of the expenditure of federal funds by state agencies (report 11-4), we found that some individuals incarcerated in Wisconsin state prisons received FoodShare benefits during May 2010. In response, DHS indicated it would create an automated system by April 2011 in order to identify instances in which incarcerated persons were receiving FoodShare benefits. However, DHS now indicates that the automated system will not be implemented until July 2012.

***Additional caseworker training is needed to prevent cases of incarcerated individuals from being reopened.***

We believe that additional caseworker training is needed to prevent incarcerated individuals from continuing to receive FoodShare benefits. For example, we found that DHS closed the case of one of the inmates we identified as receiving benefits in our 2011 report, but a caseworker in the Enrollment Services Center subsequently reauthorized the individual to receive FoodShare benefits after the inmate or someone using the inmate's identity reapplied for benefits in May 2011. Although DHS staff working as part of a quality improvement task force closed the case again in June 2011, a different caseworker in the Enrollment Services Center reopened the case after the inmate or someone using the inmate's identity applied for a third time in January 2012. Notes were attached to the

individual's electronic case file each time the case was closed indicating that this individual was incarcerated and the case should not be reopened. However, it appears that the caseworkers who reopened the case did not review these notes. The individual received approximately \$3,000 in FoodShare benefits from May 2006 through March 2012, during which time the individual was continuously incarcerated.

To determine the extent to which FoodShare benefits were provided to individuals incarcerated in Wisconsin state prisons, we matched the names, social security numbers, and dates of birth of the 831,414 individuals who were receiving FoodShare benefits during January 2012 to information provided by the Department of Corrections for individuals who were incarcerated at that time. We identified a total of 447 incarcerated individuals who received FoodShare benefits while they were incarcerated, including 314 individuals who were the sole recipients in their respective assistance groups and 133 who were part of multiple-person assistance groups.

***We estimate 293 inmates received \$413,000 in FoodShare benefits while they were incarcerated in state prisons.***

Because determining the precise amount of overpayments for multiple-person assistance groups is complex, we focused our analysis on the 314 single-person assistance groups, which represented 70.2 percent of the total. We analyzed a random sample of 118 of these assistance groups, and we used statistical procedures to estimate the length of time all inmates in single-person assistance groups had received FoodShare benefits from the time they were incarcerated through March 2012 and the amounts they received. When only those inmates who were incarcerated for more than 30 days while receiving FoodShare benefits are included, we estimate 293 inmates received a total of \$413,000 in FoodShare benefits, or an average of \$1,410 per inmate. In addition, we estimate that the average length of time these inmates had received benefits was approximately seven months.

Incarcerated individuals are unable to use their benefits themselves. However, DHS and county staff reported instances in which the relatives or friends of incarcerated individuals have spent the inmates' benefits. They also reported instances in which monthly benefits, which accrue in an inmate's account, have been spent by the inmate upon release from prison. Benefits not spent within one year after they are issued must be returned to the federal government. This limits the amount of benefits that incarcerated individuals can spend, once released, to the maximum yearly benefit amount for a single-person assistance group. This amount is currently \$2,400.

We also analyzed the extent to which benefits issued to inmates had been spent. However, data on expenditures were available only for the past 12 months. We found that expenditures had been made

from the accounts of 101 of the 118 inmates in our sample, and we estimate that 96 percent of benefits issued to these 101 inmates during the past twelve months had been spent. We provided information on the cases for the 447 incarcerated individuals to DHS.

### Recommendation

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*We recommend the Department of Health Services report to the Joint Legislative Audit Committee by December 3, 2012, on its plans to:*

- *provide additional training to caseworkers in order to help prevent the cases of incarcerated individuals from being reopened while they remain incarcerated;*
- *ensure the process it will implement in July 2012 is effective in regularly identifying FoodShare recipients who are ineligible for benefits because of incarceration; and*
- *identify and seek repayment of FoodShare benefits provided to inmates in violation of program rules.*

## **Identifying Benefits Provided to Other Ineligible Individuals**

***Federal law prohibits fleeing felons and those who violated their probation or parole from receiving FoodShare benefits.***

Federal law prohibits individuals who are fleeing to avoid prosecution for a felony, fleeing to avoid incarceration after conviction of a felony, or violating a condition of probation or parole from receiving FoodShare benefits. DHS does not attempt to identify these individuals independently. Instead, it requests that applicants disclose on their initial applications whether they meet one of these conditions. DHS instructs caseworkers to deny benefits to individuals who respond affirmatively, but it does not require workers to report the individuals to law enforcement unless a law enforcement officer requests the information in writing.

In August 2011, USDA reported that state agencies have not uniformly enforced these provisions, in part, because USDA has not established requirements for the procedures that should be used to verify the status of fleeing felons or probation and parole violators. USDA reported that the requirement is intended to prevent individuals who are intentionally fleeing from law enforcement from receiving food stamp benefits and to aid law enforcement in locating and apprehending them. However, some states have incorrectly

denied benefits to some of these individuals because they were no longer being sought by law enforcement. USDA indicated that it plans to implement federal rules for identifying, disqualifying, and reporting to law enforcement fleeing felons and probation and parole violators in 2012.

To determine the extent to which FoodShare benefits were provided to fleeing felons and probation and parole violators, we matched the names, social security numbers, and dates of birth of the 831,414 individuals who were receiving FoodShare benefits during January 2012 to information provided by the Department of Justice and Department of Corrections on individuals with active felony warrants and probation and parole violations.

We identified a total of 1,192 individuals who received FoodShare benefits in January 2012 and also had an active felony warrant or were in violation of a condition of probation or parole, including:

- 876 who were in violation of a condition of probation or parole;
- 274 who had active felony warrants for crimes such as assault, burglary, and drug offenses; and
- 42 who both were in violation of a condition of probation and parole and had an active felony warrant.

Among the 1,192 recipients, 847 were single-person assistance groups and 345 were part of multiple-person assistance groups. We again focused our analysis on the 847 single-person assistance groups, which represented 71.1 percent of all assistance groups that had an active felony warrant or were in violation of a condition of probation or parole.

***We estimate 847 fleeing felons and probation and parole violators received \$1.4 million in FoodShare benefits.***

We analyzed a random sample of 155 of the 847 single-person assistance groups, and we used statistical procedures to estimate the length of time all of those in single-person assistance groups had received FoodShare benefits from the time they became ineligible for benefits through March 2012 and the amounts they received. We estimate these individuals received a total of \$1.4 million in FoodShare benefits, or an average of \$1,690 per person. In addition, we estimate that the average length of time they received benefits while they were ineligible was approximately nine months.

We also analyzed the extent to which benefits issued to recipients with active warrants or probation and parole violations had been spent. However, data on expenditures were available only for the past 12 months. We found that expenditures had been made from

the accounts of 152 of the 155 individuals in our sample, and we estimate that 98 percent of the benefits issued to these 152 individuals during the past twelve months had been spent. We provided information on all 1,192 cases to DHS and law enforcement for appropriate action.

### Recommendation

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*We recommend the Department of Health Services report to the Joint Legislative Audit Committee by December 3, 2012, on its plans to:*

- *implement a process for regularly identifying FoodShare recipients who are not eligible 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; and*
- *identify and seek repayment of FoodShare benefits provided to these individuals that are consistent with the rules to be issued by the United States Department of Agriculture in 2012.*

## **Sanctioning Recipients Who Violate Program Rules**

***Those who intentionally violate program rules are to repay benefit amounts and be disqualified from the program for a period of time.***

Federal law requires that recipients who are found to have intentionally violated program rules repay the benefits they received and be disqualified from receiving future benefits for a period of time. Under state and federal law, the period of disqualification is one year for a first offense, two years for a second offense, and permanent disqualification for a third offense. In addition, those convicted of benefit trafficking can be disqualified permanently for a first offense. Local agencies may pursue program violation sanctions against a recipient by:

- requesting that an administrative disqualification hearing be conducted by the Department of Administration's Division of Hearings and Appeals;
- requesting that the local district attorney criminally charge the recipient in state court; or
- citing the recipient with a local ordinance violation.

Additionally, local agencies may ask recipients suspected of intentionally violating program rules to sign a form affirming their agreement to be disqualified and waiving their right to a hearing. However, federal law requires local agencies to first determine that the evidence is sufficient for a hearing, and federal policies recommend waiting at least one day before the local agency accepts a recipient's waiver form.

***DHS encourages local agencies to pursue administrative disqualification for intentional program violators.***

DHS recommends that local agencies pursue sanctions for intentional program violations through the administrative disqualification process because it is less costly than criminal prosecution. In addition, because individuals found guilty of an intentional program violation in a criminal proceeding will have a criminal record, will likely be required to pay fines and court fees, and may be ordered to serve jail time, DHS recommends that each local agency develop a memorandum of understanding with its local district attorney to determine when it is appropriate to refer a case of suspected FoodShare fraud for prosecution.

Of the eight counties we interviewed during the course of our review:

- three primarily rely on administrative disqualification hearings and waivers signed by recipients;
- two typically pursue criminal prosecution;
- one uses both administrative hearings and criminal prosecutions;
- one pursues sanctions by charging recipients with local ordinance violations; and
- one does not typically pursue sanctions because of a lack of resources needed to gather evidence of fraud.

Each county that does not pursue criminal prosecution told us that most or all potential FoodShare fraud cases do not meet its district attorney's criteria for prosecution and therefore the district attorney's office will not accept FoodShare referrals.

We are concerned that both DHS and county staff we interviewed reported a general lack of understanding about the administrative disqualification process. This may be one reason several counties we interviewed adopted strategies for avoiding the administrative disqualification process, such as simply closing FoodShare cases when program rules appear to have been intentionally violated.



***Current practices allow recipients who repeatedly violate program rules to reapply and continue to receive FoodShare benefits.***

Avoiding the administrative disqualification process may lead to the inconsistent treatment of recipients who violate program rules. It has also permitted individuals who appear to have intentionally violated program rules repeatedly to reapply for FoodShare benefits and immediately begin receiving them.

Many county staff with whom we spoke indicated that they do not receive adequate fraud prevention and investigation training from DHS. Providing state and county staff with training and assistance in pursuing administrative disqualifications would help to prevent FoodShare recipients who intentionally violated program rules from receiving future benefits. Such training would also ensure that state and local staff do not violate recipients' rights based on incomplete information.

#### **☑ Recommendation**

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*We recommend the Department of Health Services report to the Joint Legislative Audit Committee by December 3, 2012, on its plans to improve the training provided to state and local staff on the procedures to be used in disqualifying FoodShare recipients who were found to have intentionally violated program rules and when these procedures should be followed.*

## **Retailer Certification and Investigation**

***USDA is responsible for regulating retailers participating in the FoodShare program.***

USDA authorizes Wisconsin retailers to accept FoodShare benefits, investigates retailers suspected of violating program rules, and disqualifies or imposes monetary sanctions on retailers who are found to have violated program rules. Before authorizing retailers to accept FoodShare benefits, USDA inspects each retailer location to verify that the retailer offers at least three options in the meat, grain, produce, and dairy food groups. Additionally, USDA verifies that retailers applying to accept FoodShare have not been previously disqualified from the program at the time they apply. Retailers approved to accept FoodShare benefits must be reauthorized every five years. In February 2012, a total of 3,474 Wisconsin retailers participated in the FoodShare program.

When purchases are made, funds in the recipient's benefit account are electronically transferred to the retailer's bank account. Federal law prohibits retailers from allowing FoodShare recipients to use their benefits to purchase non-food items, such as alcohol or cigarettes. Additionally, retailers are prohibited from providing cash to recipients in exchange for their FoodShare benefits. This rule is intended to prevent benefit trafficking in which a retailer does not provide a recipient with food but instead provides the recipient with cash in exchange for FoodShare benefits electronically transferred.

**USDA monitors the electronic transaction records of retailers for indications of benefit trafficking.**

USDA monitors electronic transaction records for indications that a retailer may be engaging in benefit trafficking, such as large even-dollar purchase amounts. Additionally, if DHS or county staff suspect that a retailer may be exchanging cash for FoodShare benefits, they are required to inform USDA. While USDA may perform investigations on-site at retailer locations, it is also authorized to disqualify retailers based solely on electronic transaction records showing indications of benefit trafficking.

Retailers who allow recipients to purchase non-food items using FoodShare benefits are temporarily disqualified for a period of six months to five years, depending on the value of the purchases and whether the retailer had been disqualified previously. Retailers who have been disqualified twice previously or who engage in benefit trafficking are permanently disqualified from participating in the program.

**From FY 2006-07 through FY 2010-11, USDA reported disqualifying 87 Wisconsin retailers from the FoodShare program.**

As shown in Table 17, USDA reported to us that it disqualified 87 Wisconsin retailers from the FoodShare program from FY 2006-07 through FY 2010-11, including 49 retailers who were disqualified permanently. The number of Wisconsin retailers disqualified by USDA increased by 166.7 percent over this period, from 12 in FY 2006-07 to 32 in FY 2010-11. USDA did not provide us with information we requested on the reasons retailers were disqualified, but in addition to benefit trafficking, a retailer may be disqualified for submitting false information on its application to accept FoodShare benefits, allowing recipients to purchase non-food items, or allowing recipients to purchase food in exchange for payment of FoodShare benefits in the future.

Table 17

**Wisconsin Retailers Disqualified from the FoodShare Program**

Fiscal Year	Retailers Disqualified Temporarily	Retailers Disqualified Permanently	Total
2006-07	7	5	12
2007-08	5	5	10
2008-09	5	7	12
2009-10	8	13	21
2010-11	13	19	32
<b>Total</b>	<b>38</b>	<b>49</b>	<b>87</b>

As shown in Table 18, 58 (66.7 percent) of all Wisconsin retailers disqualified from FY 2006-07 through FY 2010-11 were located in Milwaukee. Although we note that all of the retailers were located in urban areas, USDA did not provide us with information we requested on how retailers were selected for investigation. In October 2006, the federal Government Accountability Office questioned how USDA selected retailers for investigation and concluded that USDA had not conducted analyses to identify high-risk areas.

Table 18

**Wisconsin Retailers Disqualified, by City**  
FY 2006-07 through FY 2010-11

City	Number of Retailers Disqualified
Milwaukee	58
Racine	15
Green Bay	5
Appleton	3
Kenosha	2
Madison	1
West Allis	1
Janesville	1
Fond du Lac	1
<b>Total</b>	<b>87</b>

***USDA does not regularly pursue civil or criminal penalties for retailers, which may impede efforts to prevent benefit trafficking.***

In addition to being disqualified from participating in the FoodShare program, federal law provides civil and criminal penalties for retailers who engage in benefit trafficking or violate other program rules. In October 2006, the Government Accountability Office reported that USDA did not pursue civil or criminal penalties on a regular basis, which may impede efforts to prevent benefit trafficking. In May 2011, media reports in Wisconsin raised concerns that some retailers who were disqualified continued to accept FoodShare benefits after reapplying for the program using another individual's name on the application.

We compared the addresses of retailers that participated in the FoodShare program in February 2012 to those of the 49 retailers that were permanently disqualified from participating in the program.

We found that 21 retailers were participating in the FoodShare program in these 49 locations, including two retailers that used the same store names for their establishments as those that had been permanently disqualified. However, no data were readily available to allow us to determine whether ownership of the retail establishments had changed.

***In January 2012, DHS sought approval from USDA to investigate FoodShare retailers and refer them for prosecution.***

Allowing retailers that have been disqualified to continue accepting FoodShare benefits impedes efforts to prevent recipient fraud. In January 2012, DHS sought approval from USDA to investigate and refer for prosecution FoodShare retailers who defraud the program, because it believes the current system is “disjointed, inefficient and ineffective.” As noted, the federal government currently has authority to perform these oversight functions, even though DHS conducts investigations of retailer fraud in the Women, Infants and Children (WIC) supplemental food program and of provider fraud in the Medical Assistance program. DHS believes it needs this authority in order to ensure that public funds are used appropriately and to protect FoodShare recipients from being victimized by unscrupulous retailers. In February 2012, DHS received a response that proposes it update an existing agreement with USDA. Updating the agreement may provide DHS with some, but not all, of the authority it is seeking by allowing DHS to partner with state and local law enforcement authorities to investigate and prosecute retailers suspected of trafficking FoodShare benefits.

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## **Coordinating Fraud Investigation Efforts ■**

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County consortia were recently created in an attempt to enhance local fraud prevention and investigation efforts. However, most have not functioned as intended because the extent to which counties have collaborated in providing these services has been limited. To ensure an effective and efficient approach to fraud prevention and investigation statewide, DHS will need to determine how best to facilitate the coordination of these efforts among counties, as well as the role DHS's newly created Office of Inspector General will play in both coordinating local efforts and providing fraud prevention and investigation services directly.

### **Facilitating State and Local Coordination**

The fraud consortia plan implemented by DHS in January 2011 called for counties to form regional fraud prevention and investigation consortia in which a lead county would either:

- provide investigative services to all counties within a consortium;
- administer a contract with a private firm to provide services to all members of the consortium; or
- manage staff from multiple counties working as a unit to conduct investigations for all members of the consortium.

In addition, when DHS required counties to form income maintenance consortia to provide administrative support to the FoodShare program in January 2012, it encouraged but did not require counties to realign their fraud consortia membership to match the membership of their respective income maintenance consortia. Aligning the two types of consortia to include identical county membership would simplify administration, make it easier to distribute resources equitably, and potentially increase effectiveness by allowing the same caseworkers and investigative staff to work jointly on cases.

***The establishment of county fraud consortia did not generally result in the type of collaboration or efficiencies that had been intended.***

We found the establishment of these consortia did not generally result in the type of collaboration or efficiencies intended. Although consortia reported sharing best practices among their member counties, fraud prevention and investigation services in most of the consortia are not provided in a unified manner. For example:

- Four counties—Kewaunee, Oneida, Washington, and Waukesha—have chosen to operate their fraud prevention and investigation functions completely independently and as a result receive no funding from DHS to support these functions.
- The seven counties in the Partners for Program Integrity Consortium—Dane, Dodge, Kenosha, Outagamie, Racine, Richland, and Sheboygan—receive fraud prevention and investigation funding from DHS, but with the exception of Kenosha and Racine, each operates independently by conducting investigations of its own cases using its own staff or through contracts with the local Sheriff's Department.
- All seven counties in the Eau Claire Consortium do not operate jointly. Eau Claire County provides fraud prevention and investigation functions for itself, Chippewa, Douglas, and Washburn counties, whereas Dunn, Pierce, and St. Croix counties have entered into a contract with a private company to provide these services.
- All five counties in the Brown County Consortium do not operate jointly. Brown County contracts with its Sheriff's Department and Marinette County uses its own staff to provide fraud prevention and investigation services, whereas Door, Oconto, and Shawano counties have entered into a contract with a private company to provide these services.

Although DHS encouraged counties to realign their fraud prevention and investigation consortia membership to parallel that of their income maintenance consortia, most did not. The only exception was the Brown County Consortium, which changed its membership to mirror that of the Bay Lake Income Maintenance Consortium. However, the value of having identical county membership across both the fraud prevention and investigation consortium and the income maintenance consortium is substantially reduced by the fragmented approach that the Brown County Consortium has taken to providing fraud prevention and investigation services for its members. In addition, while Kenosha and Racine counties jointly perform fraud prevention and investigation activities, they were unable to form a fraud consortium because they do not meet DHS's requirements, which specify fraud consortia must either have a minimum of six county members or 9.0 percent of the statewide income maintenance caseload.

***Larger counties indicated they prefer to operate their investigative programs independently.***

It appears unlikely that all counties will choose to align their investigative activities with the other counties in their income maintenance consortia, absent a requirement to do so. Investigative staff from several of the larger counties we interviewed indicated that their counties prefer to operate their investigative programs independently, perhaps because they believe there is little incentive for them to collaborate with smaller counties to provide these services jointly. Moreover, some larger counties indicated they have opted to join consortia because DHS requires them to do so in order to receive funding for fraud prevention and investigation functions. Despite their membership in fraud consortia, some of the larger counties have continued to operate independently from other counties within their consortia.

Because many smaller counties have generally not received the type of support from larger counties that DHS had anticipated, and because they do not receive sufficient funding from DHS to independently employ their own investigators, they have increasingly chosen to purchase services from contractors. A total of 54 counties currently receive investigative services from three private contractors. One of the three contractors—O'Brien and Associates—provides the majority of these services. In total, this contractor currently serves 48 counties, including 47 counties through a contract with the Central Wisconsin Consortium, and Milwaukee County through a contract with DHS.

***It is unclear whether some counties are properly referring cases for investigation.***

Although staff we interviewed in counties served by contractors indicated they have generally been pleased with the services they have received, it is unclear whether some counties are properly referring cases for investigation. From January 2011 through June 2011, at least five counties served by the Central Wisconsin

Consortium made no referrals to investigate suspected FoodShare fraud or overpayments, even though they would have incurred no additional fees for doing so. For example, whereas Manitowoc County made no referrals during this time period, Columbia and Portage counties made 11 and 17 referrals respectively, even though they had fewer FoodShare cases.

***DHS's Office of Inspector General will be staffed by 104.8 FTE positions at a cost of \$8.6 million in FY 2012-13.***

In determining how best to facilitate local fraud prevention and investigation efforts, DHS will need to make effective use of its Office of Inspector General (OIG), which it created in October 2011 to identify fraud and overpayments in DHS programs, including the FoodShare program. 2011 Wisconsin Act 32 provided DHS with an additional \$2.0 million in state and federal funds to support expanded fraud prevention and program integrity activities in FY 2012-13. DHS plans to use \$1.3 million of the \$2.0 million to fund 19.0 new FTE positions within OIG, which will bring its total staffing level to 104.8 FTE positions at an estimated annual cost of \$8.6 million for salaries and fringe benefits.

In addition, DHS has dedicated 4.0 FTE positions to staff a recipient fraud and trafficking section within OIG, which it plans to expand using some of the 19.0 FTE positions to be created in July 2012 by Act 32. The Act also requires DHS to provide training and technical assistance to the county consortia, but DHS has not yet determined how it will proceed with these tasks.

As noted, in January 2012 DHS entered into an agreement with a contractor to provide investigative services for Milwaukee County from January 2012 through June 2012. Because Milwaukee County's application processing and ongoing case management functions are administered by DHS, it will need to determine whether any staff in OIG will be used to provide investigative services for Milwaukee County, or whether it would be more effective to continue contracting for these services.

***DHS will have to answer a number of important questions in effectively allocating resources within its Office of Inspector General.***

In developing effective strategies for deploying its limited resources in the future, DHS will have to consider a number of important questions, including:

- How can DHS best address the fragmented efforts of county fraud prevention and investigation consortia?
- To what extent should the differing needs of large and small counties be recognized and addressed separately?



- To what extent should OIG be responsible for directly identifying and investigating suspected fraud or potential overpayments?
- How can fraud prevention and investigation services for Milwaukee County, for which DHS has direct administrative responsibility, best be delivered?

Effective allocation of resources within OIG will be important in ensuring the adequacy and effectiveness of fraud prevention and investigation activities for the FoodShare program statewide, as well as other public assistance programs administered by DHS.

**☑ Recommendation**

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*We recommend the Department of Health Services report to the Joint Legislative Audit Committee by December 3, 2012, on how it will administer fraud prevention and investigation services for the FoodShare program, including the extent to which it will provide these services directly, facilitate the coordination of their provision among county consortia, or contract with private vendors for their provision.*

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Appendix

**FoodShare Recipients and Benefit Amounts  
2011**

Local Agency	Number of Unduplicated Recipients	Benefits
<b>County</b>		
Adams	4,777	\$ 4,226,058
Ashland	4,182	3,714,598
Barron	10,040	8,716,058
Bayfield	1,997	1,651,291
Brown	38,338	36,271,685
Buffalo	2,041	1,720,436
Burnett	3,285	2,815,083
Calumet	4,331	3,139,236
Chippewa	11,130	9,418,411
Clark	4,631	3,651,373
Columbia	7,953	6,678,552
Crawford	2,737	2,142,191
Dane	56,764	57,794,718
Dodge	11,489	9,640,883
Door	3,306	2,840,485
Douglas	9,177	9,010,395
Dunn	7,356	6,226,474
Eau Claire	16,427	14,533,156
Florence	875	712,974
Fond du Lac	13,145	11,586,238
Forest	1,931	1,923,802
Grant	6,202	4,904,102
Green	5,446	4,548,160
Green Lake	2,897	2,220,682
Iowa	3,393	2,789,958
Iron	1,206	977,136
Jackson	3,461	2,810,878
Jefferson	11,499	9,952,491
Juneau	5,326	4,202,039
Kenosha	34,262	35,351,022
Kewaunee	2,440	2,111,352
La Crosse	16,252	15,057,490
Lafayette	2,404	1,921,826
Langlade	4,703	4,370,937

Local Agency	Number of Unduplicated Recipients	Benefits
<b>County</b>		
Lincoln	5,070	\$ 4,487,965
Manitowoc	10,261	8,673,521
Marathon	20,325	18,570,977
Marinette	7,665	6,489,498
Marquette	2,901	2,393,443
Menominee	2,702	2,941,160
Milwaukee <sup>1</sup>	298,950	334,332,215
Monroe	7,811	7,000,580
Oconto	5,399	4,825,273
Oneida	6,157	5,473,733
Outagamie	20,076	16,584,444
Ozaukee	5,390	4,639,700
Pepin	1,067	740,408
Pierce	4,048	3,404,099
Polk	7,119	6,083,252
Portage	8,720	7,502,417
Price	2,508	2,132,290
Racine	38,265	39,432,940
Richland	3,572	3,269,434
Rock	34,830	36,207,351
Rusk	3,724	3,166,139
St. Croix	8,562	7,100,811
Sauk	9,924	8,665,740
Sawyer	4,504	4,285,106
Shawano	6,837	5,666,577
Sheboygan	16,981	15,864,324
Taylor	3,349	2,779,520
Trempealeau	4,388	3,495,352
Vernon	4,305	3,468,732
Vilas	2,709	2,233,426
Walworth	15,954	15,329,647
Washburn	3,845	3,460,090
Washington	11,756	10,104,376
Waukesha	23,145	20,070,116
Waupaca	7,526	6,191,641
Waushara	4,298	3,417,873
Winnebago	22,545	19,803,185
Wood	13,398	12,074,056

Local Agency	Number of Unduplicated Recipients	Benefits
<b>Tribe</b>		
Red Cliff	869	\$ 875,574
Stockbridge-Munsee	362	328,115
Potawatomi	67	58,279
Lac du Flambeau	1,900	2,282,833
Bad River	666	659,694
Sokaogon Tribe	355	326,470
Oneida Nation	3,281	3,313,500
<b>Other</b>		
Enrollment Services Center <sup>2</sup>	161,677	182,297,336
<b>Total<sup>3</sup></b>	<b>1,060,818</b>	<b>\$1,142,135,382</b>

<sup>1</sup> Services for Milwaukee County are provided by Milwaukee Enrollment Services, which is administered by the Department of Health Services.

<sup>2</sup> Until it was closed in 2011, the Enrollment Services Center administered FoodShare cases for adults without dependent children statewide.

<sup>3</sup> The number of unduplicated local agency recipients does not sum to the statewide total because some recipients were served by more than one local agency during the course of the year.





State of Wisconsin  
Department of Health Services

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Scott Walker, Governor  
Dennis G. Smith, Secretary

April 24, 2012

Mr. Joe Chrisman  
State Auditor  
Legislative Audit Bureau  
22 East Mifflin Street, Suite 500  
Madison, WI 53703

Dear Mr. Chrisman:

Thank you for the opportunity to respond to the Legislative Audit Bureau's (LAB) FoodShare Wisconsin audit. You provided a comprehensive overview of the FoodShare Program (FSP) along with recommendations for program improvement. While the Department of Health Services (DHS) agrees with your recommendations and will work expeditiously to implement them, we do want to specifically respond to several issues raised in the report.

We would first like to clarify concerns regarding administrative costs. Although total state administrative costs have increased, when you compare these costs in the context of the corresponding growth in caseload, *the average monthly cost per case actually decreased from \$44.23 per case in federal fiscal year (FFY) 2007 to \$27.48 in FFY 2010. This represents a reduction in state administrative costs of over 38%.*

One issue DHS believes reflects positively on our stewardship of the program is the Public Assistance Reporting Information System (PARIS) Interstate Project. As was highlighted in the LAB report *FoodShare Benefits Spent Outside of Wisconsin 12-3*, DHS has converted two contract positions to state positions. This project is used to identify individuals who are receiving benefits in other states as well as Wisconsin. In 2011, we established 333 claims and recouped \$76,049 through this effort. It is the intention of DHS to expand our efforts to also identify individuals who may be eligible for benefits from other programs, such as those available to qualified veterans.

Regarding fraud prevention activities, calendar year (CY) 2011 was the first year of statewide implementation of the fraud prevention and investigation program (FPIP) model. In spite of only one year of operation, we believe the numbers represent progress in program integrity at the local level:

- For every dollar spent in fraud prevention and investigation, \$18.49 was recouped or saved.
- Just over \$4.6 million in claims for overpaid benefits were established (for FSP and Medicaid).
- Almost 3,800 investigation referrals were completed.

Mr. Joe Chrisman  
April 24, 2012  
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As you mention in your report, an investigation services contract was not procured for Milwaukee County until September of 2011, so the overpayment claims established for CY 2011 only comprise five percent of the statewide total. Full implementation of the FPIP in Milwaukee in CY 2012 will undoubtedly result in an increase in overall investigations and benefits savings.

While not all FPIP consortia share investigation resources, they still share best practices and consistently refer cases for investigation and reported their activity for the first time in many years. This allows us to collect and monitor program performance more effectively going forward.

In CY 2011, DHS focused on implementing a statewide FPIP model to encourage local agencies to provide consistent investigations and data from those investigations. In CY 2012, we will work with them to increase investigations and disqualify individuals from the FSP who intentionally violate program rules, both criminally and administratively.

DHS is committed to providing correct benefits to recipients of all of our programs. This was a compelling reason behind Governor Walker's establishment of an Office of the Inspector General (OIG) within DHS to consolidate and improve program integrity and fraud prevention efforts. The OIG will allow for better coordination of DHS' fraud detection efforts and implementation of fraud prevention budget initiatives.

DHS manages many of the state's largest public assistance programs, including Medicaid, FoodShare and the Women, Infants and Children (WIC) supplemental food program. Until now, our program integrity and anti-fraud efforts were housed within individual programs located throughout the Department. The creation of the OIG brings each of these efforts into one office reporting directly to the Secretary.

The current budget provides the OIG with additional resources to support program integrity activities beginning in July 2012. Some of the additional resources will be used to more effectively identify benefits provided to ineligible individuals and work with our local agency partners to take appropriate action on these cases.

We believe the advent of the consortia model for the rest of income maintenance (IM) service delivery in CY 2012 provides the right environment for collaboration with local agencies to improve benefit delivery and program integrity. The OIG will provide program integrity training and technical assistance to each IM consortia using agency-level program data to determine what type of assistance to provide to each agency.

Currently, FSP retailer or vendor fraud allegations are investigated solely by the United States Department of Agriculture (USDA). DHS is collaborating with USDA to obtain the authority federal regulations allow to investigate FSP vendors who may be defrauding the



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program as currently done in the Medicaid and WIC programs. This will also allow us to be more successful in identifying and pursuing recipients involved in fraud with these vendors.

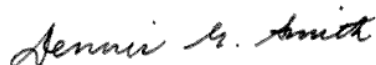
We will determine if any of the assistance groups you identified in your report received unallowable FSP benefits and take appropriate action, including recovery of overpaid benefits and sanctions for those individuals who are determined to have intentionally violated program rules to receive benefits.

Finally, we wish to thank the LAB staff who prepared this report for their diligence and professionalism. We believe that the report will assist us in our efforts to improve our management of the program and look forward to providing a report to the Joint Legislative Audit Committee by December 3, 2012, regarding our success in implementing LAB recommendations, as well as our own initiatives to improve the FSP.

If you have further questions about FSP administration, please contact Brett Davis, Administrator of the Division of Health Care Access and Accountability. If you have questions about our program integrity efforts, please contact DHS Inspector General Alan White.

Thank you again for sharing the report with us.

Sincerely,



Dennis G. Smith  
Secretary