

FoodShare Wisconsin
Department of Health Services

April 2012

Report Highlights ■

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, 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.

Key Facts and Findings

Recipients must generally be recertified to receive FoodShare benefits every 12 months.

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

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

Estimates of FoodShare participation among eligible individuals for 2009 ranged from 42.1 percent to 76.5 percent.

USDA has required Wisconsin to improve the timeliness of application processing.

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

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

Program Recipients and Expenditures

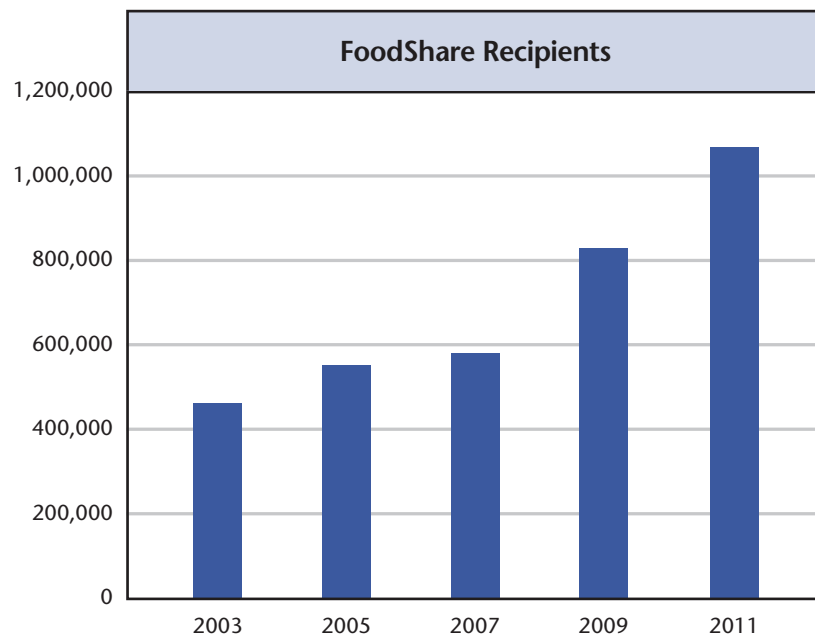
The number of FoodShare recipients increased from 462,204 in 2003 to 1.1 million in 2011. In January 2012, more than one-half of recipients were white, and more than one-half were female. In that same month, approximately two-thirds of all recipients lived in households that received Medical Assistance, 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.

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).

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Additional Information

For a copy of report 12-8, which includes a response from the Department of Health Services, call **(608) 266-2818** or visit our website:



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