

**Report 12-3**  
**February 2012**

# **FoodShare Benefits Spent Outside of Wisconsin**

STATE OF WISCONSIN



Legislative Audit Bureau ■



# FoodShare Benefits Spent Outside of Wisconsin

Joe Chrisman - State Auditor

## Prepared by

Paul Stuber, *Deputy State Auditor for Program Evaluation*  
Zach Ramirez  
Kelly Baker  
Andrew McGuire  
Georges Tippens

Report Design and Production - Susan Skowronski

## Legislative Audit Bureau

22 East Mifflin Street, Suite 500 ■ Madison, WI 53703 ■ (608) 266-2818  
Website: [www.legis.wisconsin.gov/lab](http://www.legis.wisconsin.gov/lab) ■ Toll-free hotline: 1-877-FRAUD-17

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22 East Mifflin Street, Suite 500  
Madison, Wisconsin 53703  
(608) 266-2818  
Fax (608) 267-0410

[www.legis.wisconsin.gov/lab](http://www.legis.wisconsin.gov/lab)

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Joe Chrisman  
State Auditor

February 3, 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:

The Joint Legislative Audit Committee has directed the Audit Bureau to conduct a comprehensive 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. Although our comprehensive evaluation is ongoing, we have identified issues that require further review by the Department of Health Services (DHS) at this time.

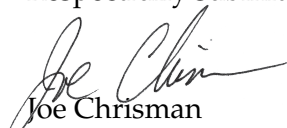
Eligibility for FoodShare benefits is based on the composition of an "assistance group," which generally includes all or most members living in a household. Federal law requires that assistance groups be able to spend benefits anywhere in the country, and \$32.9 million of the \$1.1 billion in fiscal year (FY) 2010-11 FoodShare purchases, or 3.0 percent of the total, were made outside of Wisconsin and in every state in the nation.

It may be more convenient or economical for FoodShare recipients who live in border areas of Wisconsin to purchase food in a contiguous state. However, we identified FY 2010-11 FoodShare purchases made outside of Wisconsin that may indicate inappropriate benefit use. For example, we found 152 assistance groups that had purchases exceeding \$500 that were made exclusively outside of Wisconsin and more than 50 miles from their reported Wisconsin residences. These assistance groups, representing 0.04 percent of the 382,449 assistance groups receiving benefits on June 30, 2011, made purchases totaling \$324,187, including \$151,187 (46.6 percent) that was spent entirely in noncontiguous states. We also identified 334 instances in which a FoodShare card was used to make a purchase in Wisconsin on the same day that the card's account number was entered manually to make a purchase in a noncontiguous state.

We are providing this information to DHS so that it may promptly identify and address instances in which assistance groups used their FoodShare benefits inappropriately.

We appreciate the courtesy and cooperation extended to us by DHS in completing this analysis. DHS's response follows the appendix.

Respectfully submitted,

  
Joe Chrisman  
State Auditor

JC/PS/ss



# **FoodShare Benefits Spent Outside of Wisconsin**

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 Food and Nutrition Service of the United States Department of Agriculture and in Wisconsin by the Department of Health Services (DHS). Nearly all program benefits are federally funded, whereas the cost of program administration is shared equally by the State and the federal government. Eligibility for FoodShare benefits is determined based on the composition of an "assistance group," which generally includes all or most members living in the household.

## **Eligibility and Benefits**

Under federal law, FoodShare benefits are an entitlement available to those who meet both financial and nonfinancial eligibility requirements. 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; and
- generally provide social security numbers for all members of the assistance group.

In addition, the assistance group must meet established income limits that vary based on assistance group size. In general, eligibility is limited to those groups with gross incomes no greater than 200 percent of the federal poverty level and net incomes of no more than 100 percent of the federal poverty level if the assistance group includes an individual who is elderly or disabled.

Table 1 shows monthly gross and net income limits for assistance groups of various sizes, as well as the maximum monthly FoodShare benefit for federal fiscal year 2011-12. In October 2011, the average assistance group in Wisconsin included two individuals and received a benefit of \$243 per month.

Table 1

**FoodShare Income Limitations 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> Only applies to assistance groups with gross incomes greater than 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 gross income, \$319 to net income, and \$150 to the maximum benefit amount.

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 by the 10<sup>th</sup> day of the following month in which their income changes, which may make them ineligible to continue to receive benefits.

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 the assistance group and a caseworker. The caseworker is also required to attempt to verify information provided by the recipient. 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, and address. However, caseworkers are only required to verify this information if it differs from that reported on the initial application or during the previous recertification period.

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 October 2011, 12.0 percent of assistance groups received benefits of \$50 or less per month, while 12.2 percent received more than \$500 per month, as shown in Table 2.

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Table 2  
**Value of Wisconsin FoodShare Benefits Received by Assistance Groups**  
October 2011

| Benefits            | Number of Assistance Groups | Percentage of Total |
|---------------------|-----------------------------|---------------------|
| \$10 or less        | 462                         | 0.1%                |
| \$11 through \$50   | 46,423                      | 11.9                |
| \$51 through \$100  | 32,895                      | 8.4                 |
| \$101 through \$200 | 166,856                     | 42.6                |
| \$201 through \$300 | 29,933                      | 7.6                 |
| \$301 through \$400 | 49,741                      | 12.7                |
| \$401 through \$500 | 17,353                      | 4.4                 |
| More than \$500     | 47,749                      | 12.2                |
| <b>Total</b>        | <b>391,412</b>              | <b>100.0%</b>       |

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### **Out-of-State Expenditures**

As noted, FoodShare recipients are required to reside in Wisconsin. However, federal law requires that recipients be allowed to spend their benefits anywhere in the United States and its territories, regardless of where the benefits were issued, in order to ensure the cost-effective portability of benefits across state borders and enhance the flow of interstate commerce.

Nevertheless, benefits may only be used to purchase food for members of the assistance group. One indicator of potential FoodShare fraud is extensive out-of-state benefit expenditures. To better assess out-of-state FoodShare purchases, we analyzed all FoodShare purchases made in fiscal year (FY) 2010-11. As shown in Table 3, 1.1 million purchases, or 2.6 percent of all FoodShare purchases, were made outside of Wisconsin in FY 2010-11. The number of purchases per month ranged from 75,033 in February 2011 to 99,459 in August 2010. For those assistance groups that made purchases in other states, the number of out-of-state purchases ranged from 1 to 664, and averaged 13 in FY 2010-11.

Table 3

**Number of FoodShare Purchases, by Month**  
FY 2010-11

| Month          | Total Purchases   | Purchases Made Outside of Wisconsin | Percentage |
|----------------|-------------------|-------------------------------------|------------|
| July 2010      | 3,483,685         | 94,662                              | 2.7%       |
| August 2010    | 3,696,827         | 99,459                              | 2.7        |
| September 2010 | 3,317,298         | 85,141                              | 2.6        |
| October 2010   | 3,400,381         | 85,718                              | 2.5        |
| November 2010  | 3,334,565         | 84,487                              | 2.5        |
| December 2010  | 3,268,970         | 82,666                              | 2.5        |
| January 2011   | 3,131,035         | 77,407                              | 2.5        |
| February 2011  | 2,930,621         | 75,033                              | 2.6        |
| March 2011     | 3,424,675         | 93,608                              | 2.7        |
| April 2011     | 3,401,570         | 91,213                              | 2.7        |
| May 2011       | 3,600,050         | 92,436                              | 2.6        |
| June 2011      | 3,596,996         | 98,251                              | 2.7        |
| <b>Total</b>   | <b>40,586,673</b> | <b>1,060,081</b>                    | <b>2.6</b> |

As shown in Table 4, \$32.9 million of the \$1.1 billion in FoodShare purchases made in FY 2010-11, or 3.0 percent of the total, were made outside of Wisconsin. The amounts spent outside of Wisconsin ranged from \$2.5 million in both January and February 2011 to \$3.0 million in August 2010.

Table 4

**FoodShare Purchase Amounts, by Month**  
 FY 2010-11  
 (in millions)

| Month          | Total Amount     | Amount for Purchases Made Outside of Wisconsin | Percentage |
|----------------|------------------|--|------------|
| July 2010      | \$ 90.4          | \$ 2.8   | 3.1%       |
| August 2010    | 93.1             | 3.0  | 3.2        |
| September 2010 | 87.2             | 2.6  | 3.0        |
| October 2010   | 89.2             | 2.6  | 2.9        |
| November 2010  | 90.3             | 2.7  | 3.0        |
| December 2010  | 93.0             | 2.7  | 2.9        |
| January 2011   | 90.9             | 2.5  | 2.8        |
| February 2011  | 86.6             | 2.5  | 2.9        |
| March 2011     | 95.6             | 2.9  | 3.0        |
| April 2011     | 94.5             | 2.9  | 3.1        |
| May 2011       | 96.3             | 2.8  | 2.9        |
| June 2011      | 95.0             | 2.9  | 3.1        |
| <b>Total</b>   | <b>\$1,102.1</b> | <b>\$32.9</b>                                  | <b>3.0</b> |

Not all out-of-state purchases are an indication of potential fraud or inappropriate benefit use. For example, some FoodShare recipients live in areas of Wisconsin bordering the contiguous states of Illinois, Iowa, Michigan, and Minnesota. Consequently, it may be more convenient or economical for some recipients to purchase food in a contiguous state. Traveling out-of-state to a city with a large supermarket when one is not available locally may also provide recipients with access to a wider selection of healthy foods. We found many examples of recipients living in border areas of Wisconsin who frequently purchased food in a contiguous state during FY 2010-11, including:

- a recipient living in northeastern Wisconsin who made 52 purchases from a large grocery store in Iron Mountain, Michigan, which is approximately seven miles from the recipient's residence;
- a recipient living in northwestern Wisconsin who made 100 purchases from grocery and discount stores in Duluth, Minnesota, which is approximately three miles from the recipient's residence;

- a recipient living in southwestern Wisconsin who made 29 purchases at large grocery stores in Dubuque, Iowa, which is less than eight miles from the recipient's residence; and
- a recipient living in southeastern Wisconsin who made 52 purchases at grocery and discount stores in Antioch, Illinois, which is less than two miles from the recipient's residence.

However, we found out-of-state purchases are not limited to contiguous states. In FY 2010-11, FoodShare purchases were made in every state in the nation, three United States territories, and the District of Columbia. They ranged from 15 purchases totaling \$515 in Guam to 390,293 purchases totaling \$12.1 million in Illinois. Purchases made in contiguous states accounted for 66.0 percent of all out-of-state purchases and 71.3 percent of all out-of-state purchase amounts. The appendix shows the number of FoodShare purchases and purchase amounts made in each state, territory, and the District of Columbia in FY 2010-11.

In addition to proximity, there are other reasons Wisconsin's FoodShare recipients may spend their benefits in other states. For example, some recipients likely travel to visit relatives and friends who live outside of Wisconsin. This could involve short visits, such as during holidays, or extended visits, such as when caring for an elderly or ailing family member. In addition, some recipients may move out-of-state after they have qualified to receive FoodShare benefits. Benefits are issued monthly and program rules allow a recipient who moves out of the state to continue to receive benefits for up to six months before being required to report a change of address and lose eligibility in Wisconsin.

Because almost all benefits are entirely federally funded, it makes little difference from a cost perspective if the benefits continue to be provided through Wisconsin for several additional months or are instead immediately provided by the recipient's new state of residence. However, allowing individuals to continue receiving benefits for extended periods once they have moved outside of Wisconsin increases the likelihood that some individuals may apply for and receive benefits in more than one state, which is not permitted. In addition, it is illegal for recipients to sell their benefits or transfer their benefits in any manner contrary to program rules, which prohibit recipients from allowing their benefits to be used by friends or extended family members located in Wisconsin or any other state.

Assistance groups are typically issued only one card and federal policy permits manual entry of card numbers only when an electronic reader is unable to read the card because its magnetic strip is damaged. However, county fraud investigators we interviewed told us that some retailers permit manual entry without a card in violation of federal law. This enables cardholders to transfer their benefits to individuals in other states simply by sharing the card number and the assistance group's personal identification number, which is needed to access benefits.

We identified 334 instances during FY 2010-11 in which a FoodShare card was used to make a purchase in Wisconsin on the same day that the card's account number was entered manually to make a purchase in a noncontiguous state. These 334 instances represented a total of \$23,634 in purchases made by 189 assistance groups. For example, in FY 2010-11:

- The card number of an assistance group that was still receiving benefits as of December 2011 was manually entered 142 times in New York for purchases totaling \$4,927. We identified eight days on which the card was swiped in Wisconsin and the card number manually entered in New York on the same day, including two days on which the purchases were made less than one hour apart.
- The card number of an assistance group that was still receiving benefits as of December 2011 was manually entered ten times in California for purchases totaling \$1,678. We identified six days on which the card was swiped in Wisconsin and the card number manually entered in California on the same day, including four days on which the purchases were made less than one hour apart.
- The card number of an assistance group that was still receiving benefits as of December 2011 was manually entered 18 times in North Carolina for purchases totaling \$1,546. We identified ten days on which the card was swiped in Wisconsin and the card number manually entered in North Carolina on the same day, including one day on which the purchases were made less than one hour apart.

During FY 2010-11, the card numbers of 4,408 assistance groups were entered manually in noncontiguous states to make 19,040 purchases totaling \$623,933. While some of these purchases are legitimate, we believe additional attention is needed to address instances in which benefits are being accessed by individuals outside of the approved assistance groups in violation of federal rules.

To identify other FoodShare purchases that may indicate potential fraud, we analyzed data for assistance groups that spent all of their FY 2010-11 FoodShare benefits outside of Wisconsin. As shown in Table 5, 2,892 FoodShare assistance groups made no purchases in Wisconsin in FY 2010-11. Of the \$2.1 million these assistance groups spent, purchases made entirely in noncontiguous states totaled \$908,547 and accounted for 43.1 percent of the purchases they made.

To eliminate instances in which FoodShare purchases made entirely out-of-state were likely appropriate, or instances in which violations or errors were promptly addressed, we further refined our analysis to include only those expenditures for assistance groups that:

- made no purchases in Wisconsin but had more than \$500 in out-of-state purchases during FY 2010-11;
- were continuing to receive FoodShare benefits on June 30, 2011; and
- purchased food at retailer locations that were a median distance of more than 50 miles from their reported residences.

Table 5

**Purchases Made by Assistance Groups That Made All of  
Their FoodShare Purchases Outside of Wisconsin  
FY 2010-11**

|  | Number of<br>Assistance<br>Groups | Total Purchase<br>Amounts | Percentage of<br>Total Purchase<br>Amounts |
|--|-----------------------------------|---------------------------|--|
| <b>Purchases Made in Contiguous States<sup>1</sup></b>             |                                   |                           |  |
| Less than \$500  | 891                               | \$ 158,582                | 7.5%                                       |
| \$500 to \$999   | 298                               | 213,447                   | 10.1                                       |
| \$1,000 to \$1,999   | 226                               | 319,218                   | 15.2                                       |
| \$2,000 to \$2,999   | 112                               | 263,931                   | 12.5                                       |
| \$3,000 to \$3,999   | 19                                | 64,791                    | 3.1  |
| \$4,000 to \$4,999   | 16                                | 70,933                    | 3.4  |
| \$5,000 or More  | 17                                | 106,817                   | 5.1  |
| Subtotal   | 1,579                             | 1,197,719                 | 56.9                                       |
| <b>Purchases Made Entirely in Noncontiguous States<sup>2</sup></b> |                                   |                           |  |
| Less than \$500  | 719                               | 130,067                   | 6.2  |
| \$500 to \$999   | 291                               | 205,203                   | 9.7  |
| \$1,000 to \$1,999   | 198                               | 270,104                   | 12.8                                       |
| \$2,000 to \$2,999   | 79                                | 182,986                   | 8.7  |
| \$3,000 to \$3,999   | 12                                | 42,597                    | 2.0  |
| \$4,000 to \$4,999   | 7                                 | 30,763                    | 1.5  |
| \$5,000 or More  | 7                                 | 46,827                    | 2.2  |
| Subtotal   | 1,313                             | 908,547                   | 43.1                                       |
| <b>Total</b>   | <b>2,892</b>                      | <b>\$2,106,266</b>        | <b>100.0%</b>                              |

<sup>1</sup> Includes all purchases by assistance groups that made at least one purchase in a contiguous state.

<sup>2</sup> Includes United States territories and the District of Columbia.

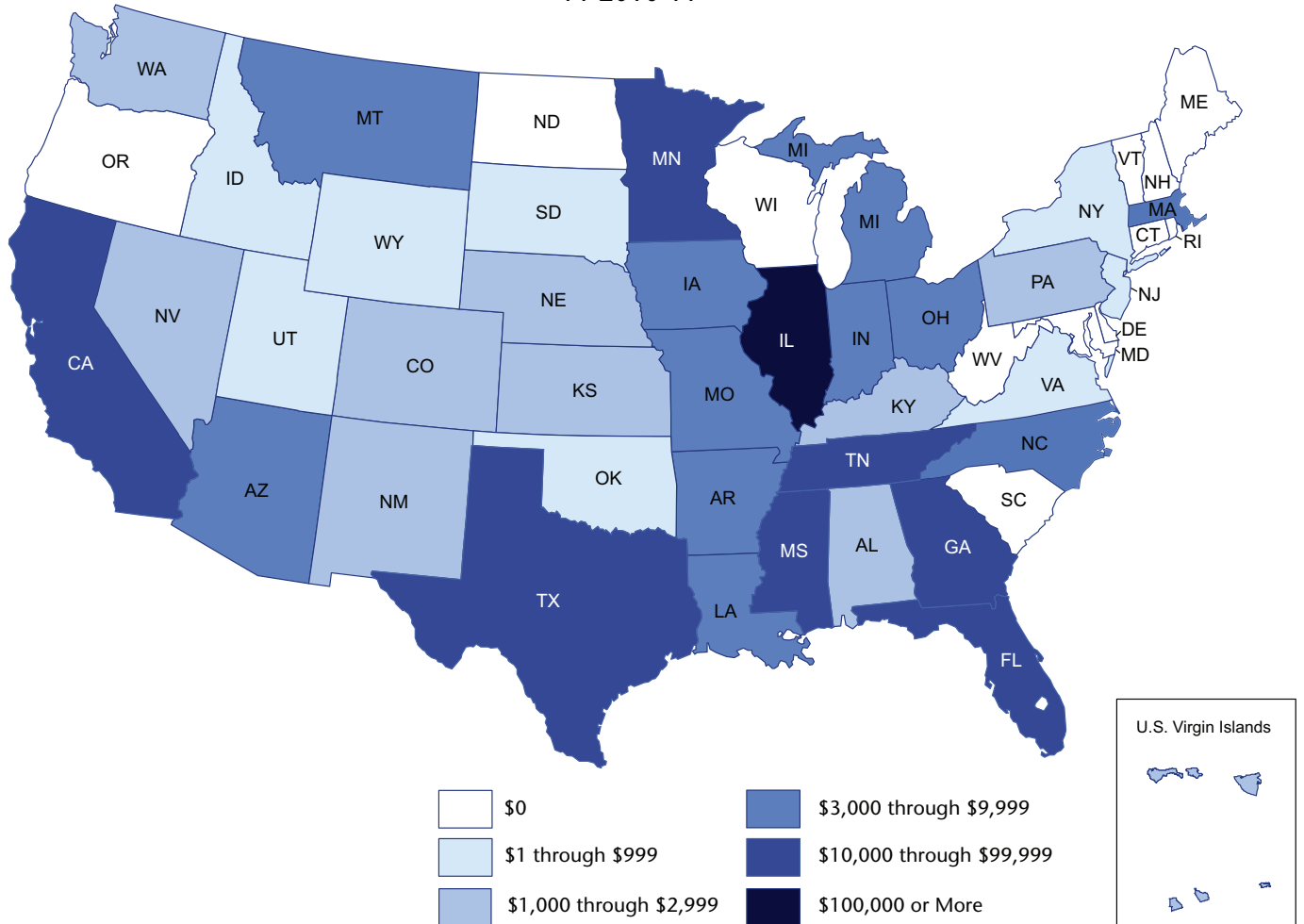
This methodology likely eliminated most instances in which local agencies or DHS discontinued payment of benefits for assistance groups that had moved during the course of the fiscal year, as well as instances in which assistance groups living in border areas of Wisconsin chose to purchase food exclusively in contiguous states.

We identified 152 assistance groups whose FY 2010-11 FoodShare purchases met these criteria. This represents 0.04 percent of the 382,449 assistance groups that received benefits.

The 152 assistance groups made purchases in 36 states and the Virgin Islands, as shown in Figure 1. The total amounts of these out-of-state purchases ranged from \$8.15 in South Dakota to \$122,274 in Illinois.

Figure 1

**States Where the Selected 152 Assistance Groups  
Spent Wisconsin-Issued FoodShare Benefits<sup>1</sup>  
FY 2010-11**



<sup>1</sup> No spending occurred in Alaska, Hawaii, or U.S. territories not shown on map.

As shown in Table 6, purchases for the 152 assistance groups totaled \$324,187, including \$151,187 (46.6 percent) spent entirely in noncontiguous states. Four of the assistance groups included aliens, including two groups with aliens who were lawfully admitted for permanent residence and two groups with refugees.

Table 6

**Purchases Made by the Selected 152 Assistance Groups That  
Made All of Their Purchases Outside of Wisconsin<sup>1</sup>**  
FY 2010-11

|  | Number of<br>Assistance Groups | Total Purchase<br>Amounts | Percentage of<br>Total Purchase<br>Amounts |
|--|--------------------------------|---------------------------|--|
| <b>Purchases Made in Contiguous States<sup>2</sup></b>             |                                |                           |  |
| \$500 to \$999   | 14                             | \$ 10,796                 | 3.3%                                       |
| \$1,000 to \$1,999   | 21                             | 29,268                    | 9.0  |
| \$2,000 to \$2,999   | 35                             | 81,011                    | 25.0                                       |
| \$3,000 to \$3,999   | 1                              | 3,072                     | 0.9  |
| \$4,000 to \$4,999   | 2                              | 8,442                     | 2.6  |
| \$5,000 or More  | 6                              | 40,411                    | 12.5                                       |
| Subtotal   | 79                             | 173,000                   | 53.4                                       |
| <b>Purchases Made Entirely in Noncontiguous States<sup>3</sup></b> |                                |                           |  |
| \$500 to \$999   | 16                             | 12,288                    | 3.8  |
| \$1,000 to \$1,999   | 13                             | 19,204                    | 5.9  |
| \$2,000 to \$2,999   | 36                             | 83,744                    | 25.8                                       |
| \$3,000 to \$3,999   | 3                              | 10,337                    | 3.2  |
| \$4,000 to \$4,999   | 3                              | 13,204                    | 4.1  |
| \$5,000 or More  | 2                              | 12,410                    | 3.8  |
| Subtotal   | 73                             | 151,187                   | 46.6                                       |
| <b>Total</b>   | <b>152</b>                     | <b>\$324,187</b>          | <b>100.0%</b>                              |

<sup>1</sup> Includes purchases for those assistance groups that continued to receive FoodShare benefits as of June 30, 2011, whose entire FY 2010-11 FoodShare benefit amounts exceeded \$500 and were spent exclusively outside of Wisconsin, and that purchased food at retailer locations that were a median distance of more than 50 miles from their residences.

<sup>2</sup> Includes all purchases by assistance groups that made at least one purchase in a contiguous state.

<sup>3</sup> Includes the Virgin Islands, which is a United States territory.

For the assistance groups whose out-of-state expenditures included a purchase made in a state contiguous with Wisconsin, the median distance between an assistance group's reported residence and the point of purchase was 92.9 miles. As shown in Table 7, 54.3 percent of the 5,895 purchases were made between 50.1 and 100 miles from the assistance groups' reported residences, while 4.3 percent were made more than 1,000 miles from their reported residences.



Table 7

**Purchases by Distance for Assistance Groups that Made Purchases in Contiguous States<sup>1</sup>**

| Miles from Reported Residence | Number of Purchases | Percentage    |
|-------------------------------|---------------------|---------------|
| Up to 50                      | 158                 | 2.7%          |
| 50.1 to 100                   | 3,203               | 54.3          |
| 100.1 to 200                  | 1,277               | 21.7          |
| 200.1 to 300                  | 491                 | 8.3           |
| 300.1 to 400                  | 429                 | 7.3           |
| 400.1 to 500                  | 7                   | 0.1           |
| 500.1 to 1,000                | 76                  | 1.3           |
| Greater than 1,000            | 254                 | 4.3           |
| <b>Total</b>                  | <b>5,895</b>        | <b>100.0%</b> |

<sup>1</sup> Includes all purchases made by 70 of the 79 assistance groups whose out-of-state purchases included at least one purchase made in a contiguous state. The residences of the remaining nine assistance groups were recorded as being outside of Wisconsin.

As noted, most assistance groups are required to update their household composition, income, and address every six months between recertification periods. We found that 111 of the 152 assistance groups that spent all of their benefits outside of Wisconsin in FY 2010-11 made purchases in seven or more months of that year. Moreover, 102 assistance groups (67.1 percent) made purchases in ten or more months. Therefore, it is likely some of these assistance groups received benefits for which they were not eligible.

We also reviewed cases with residences outside of Wisconsin. Of the 382,449 FoodShare cases open on June 30, 2011, 731 reported a residence outside of Wisconsin. We found that:

- some recipients do not appear to have been Wisconsin residents at the time of application;
- some appear to have left the state immediately after application with no apparent intention to return; and
- some received benefits in multiple states.

For example, for the 152 assistance groups that made purchases exclusively outside of Wisconsin, we identified seven with out-of-state addresses that appear to have received benefits for which they were not eligible. Of these seven, five spent FoodShare benefits in ten or more months of FY 2010-11 and spent them exclusively outside of Wisconsin during that period. In

another case, an individual attending college in Minnesota was determined to be eligible for FoodShare benefits even though the individual was not residing in Wisconsin at the time of application and disclosed that information to the caseworker. As shown in Table 8, the seven cases we identified in which recipients with out-of-state residences received FoodShare benefits to which they do not appear to have been entitled totaled \$18,273 in FY 2010-11.

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Table 8  
**Selected Assistance Groups with Residences Outside of Wisconsin**  
 FY 2010-11

| Reported Residence        | Benefits Spent<br>Outside of<br>Wisconsin |
|---------------------------|---|
| Springfield, Illinois     | \$ 6,265                                  |
| Dorchester, Massachusetts | 2,539                                     |
| Chicago, Illinois         | 2,232                                     |
| Garland, Texas            | 2,206                                     |
| Okolona, Mississippi      | 2,111                                     |
| Memphis, Tennessee        | 1,893                                     |
| Minneapolis, Minnesota    | 1,027                                     |
| <b>Total</b>              | <b>\$18,273</b>                           |

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We found that 80 of the 152 assistance groups, or 52.6 percent, continued to receive FoodShare benefits in December 2011. Of the 72 cases that had been closed by December 2011, 26 were closed because the assistance group head “does not reside in Wisconsin.” This was the most frequently cited primary reason for case closure.

In some instances the cases of FoodShare recipients who left the state were closed promptly. However, most remained open for many months, which increases the potential for fraud and the length of time benefits continue to be provided to some individuals who are ineligible to receive them. Based on our review of case files, it appears that there are currently three primary methods by which local and state officials become aware of FoodShare recipients living in other states: voluntary disclosure by the recipient, mail sent to recipients that is returned as undeliverable, and information provided by the federal government showing receipt of benefits issued by other states.

Federal law prohibits individuals from simultaneously receiving food stamp benefits in more than one state. To help states identify instances in which this is occurring, the federal government produces quarterly lists of recipients who may be receiving benefits in multiple states. Although not required by federal law, states are encouraged to determine for each case:

- whether receipt of benefits from more than one state was caused by agency error, recipient error, or recipient fraud;
- the total overpayment amount issued; and
- whether the case should be closed in one or more states.

The full amount of overpayments issued as the result of agency error must be returned to the federal government. However, states are authorized to retain 20 percent of any overpayment caused by recipient error and 35 percent of any overpayment caused by recipient fraud.

Beginning in FY 2010-11, DHS indicated that it assigned two full-time equivalent staff to review cases. As shown in Table 9, the amount of overpayments DHS identified increased from \$1,920 in FY 2006-07 to \$412,847 in FY 2010-11. The percentage of overpayments recovered in the last two fiscal years is lower than in previous years, in part, because some overpayments are recouped by reducing future benefit amounts provided to recipients.

Table 9

**FoodShare Overpayments and Amounts Recovered<sup>1</sup>**

| Year Overpayment Was Identified | Number of Cases | Amount of Overpayments | Amount Recovered through December 2011 | Percentage Recovered through December 2011 |
|---------------------------------|-----------------|------------------------|--|--|
| FY 2006-07                      | 6               | \$ 1,920               | \$ 1,771                               | 92.2%                                      |
| FY 2007-08                      | 2               | 3,722                  | 2,796                                  | 75.1                                       |
| FY 2008-09                      | 2               | 1,044                  | 1,025                                  | 98.2                                       |
| FY 2009-10                      | 47              | 56,792                 | 20,115                                 | 35.4                                       |
| FY 2010-11                      | 333             | 412,847                | 76,049                                 | 18.4                                       |
| <b>Total</b>                    | <b>390</b>      | <b>\$476,325</b>       | <b>\$101,756</b>                       | <b>21.4</b>                                |

<sup>1</sup> Includes overpayments identified through information provided by the federal government for recipients who may be receiving food stamp benefits in multiple states.

Although the number of cases DHS reviews and the total amount of overpayments have increased over time, DHS currently reviews fewer than one-half of all FoodShare cases currently reported to it by the federal government. DHS indicated that it lacks sufficient staff to review all the cases it receives.

Of the 80 assistance groups we reviewed that continued to receive benefits as of December 2011, 5 were reported to Wisconsin by the federal government as including at least one recipient who simultaneously received food stamp benefits in another state at some point from November 2010 through November 2011. As shown in Table 10, these assistance groups spent

their Wisconsin FoodShare benefits entirely outside of Wisconsin during FY 2010-11, primarily in states in which they also received benefits. An additional three assistance groups were reported as receiving public assistance benefits in both Wisconsin and Georgia. However, the information reported by the federal government did not indicate whether these benefits included food stamps.

Table 10

**Wisconsin FoodShare Cases Open in December 2011  
That Also Received Benefits in Another State**

| Location Where Benefits Were Issued in Another State | Wisconsin FoodShare Benefits Spent Outside of Wisconsin in FY 2010-11 | States Where Wisconsin Benefits Were Spent |
|--|---|--|
| Chicago, Illinois                                    | \$ 8,338  | Illinois                                   |
| Chicago, Illinois                                    | 7,793   | Illinois                                   |
| Leland, Mississippi                                  | 2,580   | Mississippi and Arkansas                   |
| Chicago, Illinois                                    | 2,473   | Illinois                                   |
| Aurora, Illinois                                     | 1,633   | Illinois, California, and Nevada           |
| <b>Total</b>   | <b>\$22,817</b>   |  |

Based on our review, we believe that intentional program violations may have been committed in these cases. For example:

- The assistance group that spent \$8,338 in FoodShare benefits in Illinois during FY 2010-11 recertified living in Dane County in July 2011. In July 2011, the caseworker discovered that a member of the assistance group was receiving Medical Assistance benefits in another state and referred the case for investigation. However, as of December 2011, the assistance group continued to receive FoodShare benefits and spent a total of \$2,216 in FoodShare benefits in the Chicago area and only \$341 in Wisconsin from July through December 2011.
- The assistance group that spent \$7,793 in FoodShare benefits in Illinois during FY 2010-11 recertified living in Milwaukee County in August 2010, April 2011, and September 2011 but continued to spend a total of \$4,008 in FoodShare benefits entirely in Illinois from July through December 2011.
- The assistance group that spent \$2,580 in FoodShare benefits in Mississippi and Arkansas during FY 2010-11 recertified living in Milwaukee County in November 2010, April 2011, and October 2011 but continued spending FoodShare benefits totaling \$1,491 entirely in Mississippi from July through December 2011.

As noted, the number of assistance groups that received benefits in multiple states or sold or otherwise used their benefits inappropriately in making out-of-state purchases represents a small percentage of total benefits issued in FY 2010-11. However, we believe that with its existing resources DHS could improve its efforts to identify out-of-state purchases in which FoodShare benefits were used inappropriately. In addition, while it is important that steps be taken to provide adequate assurance that FoodShare benefits are not misused, it will also be important to ensure that efforts DHS undertakes to address program violations do not create unnecessary restrictions on the ability of the majority of FoodShare recipients, who are complying with program rules, to access the benefits to which they are entitled.

### **☑ Recommendation**

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*We recommend the Department of Health Services:*

- *more promptly close the cases of assistance groups that have moved out of Wisconsin;*
- *identify instances in which FoodShare benefits spent primarily outside of Wisconsin are unallowable;*
- *recover benefits spent outside of Wisconsin by assistance groups that intentionally violated program rules or received overpayments as a result of error; and*
- *report to the Joint Legislative Audit Committee by August 1, 2012, on its implementation of these recommendations.*

■ ■ ■ ■



Appendix

**Total FoodShare Purchases Made Outside of Wisconsin**  
FY 2010-11

| State or Territory | Number of Purchases <sup>1</sup> | Purchase Amount <sup>2</sup> | Percentage of Total Purchase Amount |
|--------------------|----------------------------------|------------------------------|-------------------------------------|
| Illinois           | 390,293                          | \$12,109,917                 | 36.8%                               |
| Minnesota          | 182,934                          | 7,094,711                    | 21.6                                |
| Michigan           | 97,783                           | 3,383,343                    | 10.3                                |
| Texas              | 30,987                           | 938,674                      | 2.9                                 |
| Florida            | 32,811                           | 903,498                      | 2.7                                 |
| Indiana            | 32,256                           | 847,617                      | 2.6                                 |
| Iowa               | 31,136                           | 847,526                      | 2.6                                 |
| Mississippi        | 28,162                           | 732,317                      | 2.2                                 |
| Georgia            | 24,150                           | 673,573                      | 2.0                                 |
| Tennessee          | 23,771                           | 563,132                      | 1.7                                 |
| California         | 19,609                           | 498,173                      | 1.5                                 |
| Arizona            | 17,023                           | 417,866                      | 1.3                                 |
| Arkansas           | 13,848                           | 368,658                      | 1.1                                 |
| Missouri           | 11,602                           | 310,349                      | 0.9                                 |
| Ohio               | 11,135                           | 294,792                      | 0.9                                 |
| North Carolina     | 7,542                            | 225,061                      | 0.7                                 |
| Alabama            | 7,757                            | 201,618                      | 0.6                                 |
| Nevada             | 7,062                            | 172,334                      | 0.5                                 |
| Louisiana          | 6,557                            | 166,209                      | 0.5                                 |
| Colorado           | 6,303                            | 163,384                      | 0.5                                 |
| New York           | 6,895                            | 159,454                      | 0.5                                 |
| Kentucky           | 5,628                            | 148,027                      | 0.5                                 |
| Unknown            | 8,875                            | 147,790                      | 0.4                                 |
| Washington         | 5,305                            | 137,858                      | 0.4                                 |
| Oklahoma           | 5,107                            | 136,679                      | 0.4                                 |
| Pennsylvania       | 4,355                            | 123,454                      | 0.4                                 |
| Virginia           | 4,118                            | 114,693                      | 0.3                                 |
| South Carolina     | 3,704                            | 114,499                      | 0.3                                 |
| North Dakota       | 3,000                            | 93,644                       | 0.3                                 |
| Oregon             | 3,994                            | 77,398                       | 0.2                                 |
| Kansas             | 2,972                            | 74,574                       | 0.2                                 |
| South Dakota       | 2,672                            | 72,559                       | 0.2                                 |
| Nebraska           | 2,768                            | 67,759                       | 0.2                                 |
| Maryland           | 1,809                            | 52,407                       | 0.2                                 |

| State or Territory   | Number of Purchases <sup>1</sup> | Purchase Amount <sup>2</sup> | Percentage of Total Purchase Amount |
|----------------------|----------------------------------|------------------------------|-------------------------------------|
| Utah                 | 1,740                            | \$ 52,369                    | 0.2%                                |
| New Mexico           | 2,114                            | 51,445                       | 0.2                                 |
| Massachusetts        | 1,658                            | 50,323                       | 0.2                                 |
| New Jersey           | 1,566                            | 48,613                       | 0.1                                 |
| Montana              | 2,080                            | 48,067                       | 0.1                                 |
| Wyoming              | 904                              | 29,818                       | 0.1                                 |
| West Virginia        | 1,301                            | 28,952                       | 0.1                                 |
| Connecticut          | 867                              | 27,073                       | 0.1                                 |
| Idaho                | 706                              | 19,074                       | 0.1                                 |
| Alaska               | 429                              | 18,677                       | 0.1                                 |
| Hawaii               | 690                              | 15,457                       | <0.1                                |
| Maine                | 462                              | 12,658                       | <0.1                                |
| New Hampshire        | 234                              | 8,044                        | <0.1                                |
| Delaware             | 244                              | 7,810                        | <0.1                                |
| Rhode Island         | 360                              | 6,123                        | <0.1                                |
| District of Columbia | 420                              | 5,737                        | <0.1                                |
| Vermont              | 169                              | 4,091                        | <0.1                                |
| Virgin Islands       | 182                              | 3,611                        | <0.1                                |
| Puerto Rico          | 15                               | 625                          | <0.1                                |
| Guam                 | 17                               | 515                          | <0.1                                |
| <b>Total</b>         | <b>1,060,081</b>                 | <b>\$32,872,625</b>          | <b>100.0%</b>                       |

<sup>1</sup> In FY 2010-11, there were 39.5 million purchases totaling \$1.07 billion in Wisconsin.

<sup>2</sup> Total does not sum due to rounding.





State of Wisconsin  
Department of Health Services

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Scott Walker, Governor  
Dennis G. Smith, Secretary

January 31, 2012

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 review and provide a response to this report. You indicated in the report that your staff identified some FY 2010-11 FoodShare Program (FSP) purchases made outside of Wisconsin that may be unallowable, and you provided some recommendations with the report. We realize that the Legislative Audit Bureau will be continuing its review of the FSP, so we appreciate your sharing these initial thoughts with us.

In Wisconsin, FSP (known as the Supplemental Nutrition Assistance Program or SNAP at the national level) recipients receive an Electronic Benefits Transfer (EBT) card, called a QUEST card that can be used to buy groceries at authorized stores. It is a plastic debit card with the recipient's name, card number and the Wisconsin QUEST logo on it. EBT is an electronic system that allows a recipient to authorize transfer of their government benefits from a federal account to a retailer account to pay for products received. EBT is used in all 50 States, the District of Columbia, Puerto Rico, the Virgin Islands and Guam. EBT has been implemented in all states since June of 2004.

As you indicated in your report, federal law allows recipients to spend their benefits anywhere in the United States, regardless of where they were issued. You also identified some valid reasons why Wisconsin QUEST card holders may make purchases outside of Wisconsin:

- Some FSP recipients live in areas of Wisconsin bordering contiguous states (Illinois, Iowa, Michigan and Minnesota) and find it more convenient or economical to purchase food across the border.
- Some recipients travel to visit friends and relatives outside of Wisconsin and use their QUEST card at that time.
- Current FSP rules allow a recipient who moves out of state to continue to receive benefits for up to six months before being required to report they have moved out of state.

However, it is clear that while the majority of out-of-state transactions take place within program rules, you have provided us with several examples of instances where FSP recipient may have continued to receive benefits from Wisconsin to which they were not entitled or may have even received duplicate benefits in another state at the same time. Extensive out-of-state benefit expenditures are one indicator of potential FSP fraud. Most disturbing are the instances you identified in which a QUEST card was used to make a purchase in Wisconsin on the same day that the card's account number was manually entered to make a purchase in a non-contiguous state, as this may have involved a retailer in the potential fraudulent activity.

The Department of Health Services (DHS) is committed to providing the right benefits to the right people in all of its support programs. DHS manages the state's largest public assistance programs, including Medicaid, FSP and the Women, Infants and Children (WIC) supplemental food program. Program integrity and anti-fraud efforts for these activities were previously housed within individual programs located throughout the Department. However, on October 6, 2011 Governor Walker announced the creation of a new Office of the Inspector General (OIG) within DHS to consolidate and improve our program integrity and fraud prevention efforts. The OIG will allow for better coordination of the agency's fraud detection efforts and implementation of fraud prevention budget initiatives, as the OIG will bring each of these efforts into one office reporting directly to the DHS Secretary.

Additionally, the 2011-13 biennial budget includes 19 new positions and funds for obtaining contractual support for our fraud prevention and program integrity activities beginning in July 2012. The OIG will be using some of the additional resources to monitor out-of-state transactions and assist local agencies in taking appropriate action on these cases.

With these changes and with the additional resources we believe that we will be better able to promptly close cases of assistance groups that have moved out of Wisconsin. We will also more accurately identify instances where unallowable purchases were made outside of Wisconsin and recover the benefits from assistance groups that received or used these benefits inappropriately.

Reports that identify the location and incidence of out-of-state transactions are available to all of the local agencies that administer the FSP, but they are not currently being used consistently. We will develop an operations memo to provide guidance to local agencies on how to more effectively use these reports, and will use our new resources to assist local agencies in these efforts.

Currently FSP retailer or vendor fraud allegations are investigated solely by the United States Department of Agriculture (USDA). We believe that DHS should have the tools and authority to investigate FSP vendors who may be defrauding the program as we currently do in the Medicaid and WIC programs, and that it would allow us to be more successful in identifying and pursuing recipients involved in fraud with these vendors, including out-of-state transactions. To that end, on January 20, 2012, we submitted a written request to the USDA to allow us this authority and offered to collaborate with them to reduce vendor as well as recipient fraud in Wisconsin.

Mr. Chrisman  
January 31, 2012  
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We very much appreciate you separately sharing with us specific information used to support the audit's findings. Our staff is currently examining the cases in question to determine if any of the assistance groups you identified received unallowable FSP benefits and we will be taking appropriate action to recover overpaid benefits and to issue sanctions for those individuals that we determine intentionally violated program rules.

Finally, in response to your request, we look forward to providing a report to the Joint Legislative Audit Committee by August 1, 2012 regarding our success in implementing your recommendations as well as our own initiatives. If you have any questions please contact DHS Inspector General Alan White at (608) 266-7436.

Thank you, again, for sharing the report with us.

Sincerely,

A handwritten signature in cursive script that reads "Dennis G. Smith".

Dennis G. Smith  
Secretary