

Inappropriate Use of Bridge Cards Report

(FY2016 Appropriation Act - Public Act 84 of 2015)

February 15, 2016

Sec. 672. (1) The department's office of inspector general shall report to the senate and house of representatives appropriations subcommittees on the department budget, the senate and house fiscal agencies, and the senate and house policy offices by February 15 of the current fiscal year on department efforts to reduce inappropriate use of Michigan bridge cards. The department shall provide information on the number of recipients of services who used their electronic benefit transfer card inappropriately and the current status of each case, the number of recipients whose benefits were revoked, whether permanently or temporarily, as a result of inappropriate use, and the number of retailers that were fined or removed from the electronic benefit transfer program for permitting inappropriate use of the cards.



Michigan Department of
Health & Human Services

RICK SNYDER, GOVERNOR
NICK LYON, DIRECTOR

Inappropriate Use of Bridge Cards Report

(FY2016 Appropriation Act - Public Act 84 of 2015)

Electronic Benefit Transfer (Bridge Cards)

Efforts to Reduce Inappropriate Use

MICHIGAN EBT

Electronic Benefits Transfer (EBT) is the current method used by the Michigan Department of Health and Human Services (MDHHS) to provide clients with food and cash assistance. EBT is the alternative to paper food stamps and paper checks. The federal government has mandated that all states use EBT for food assistance benefits. Clients are issued a card when they become eligible for food and/or cash assistance. In Michigan the EBT card is called a Bridge Card.

Currently, approximately 10,271 retailers and just over 9,200 ATMs are available for Bridge Card use within the state.

TRAINING AND EDUCATION

The first line of defense in reducing inappropriate use of Bridge Cards is education. MDHHS provides client and retailer training. The trainings include guidelines for appropriate use of Bridge Cards as well as fraud and abuse information.

MDHHS county and district offices also utilize Bridge Card education videos in their lobbies. Michigan offers a toll free EBT information phone line (1-888-678-8914) that is available 24 hours a day, seven days a week. The phone number is located on the back of the Bridge Card. The phone line allows Michigan Bridge Card holders to access benefit availability in English, Spanish, and Arabic.

Bridge Card holders are also provided with written materials when they become eligible for assistance. DHS Publication 322, "How to Use Your Bridge Card," includes the following information about inappropriate use:

- Misuse of your food benefits is a violation of state and federal laws.
- DO NOT sell, trade or give away your food assistance benefits, PIN or Michigan Bridge Card.
- DO NOT allow a retailer to buy your food benefits in exchange for cash.
- DO NOT use someone else's food benefits or Bridge Card for your household.
- People who break Food Assistance Program rules may be disqualified from the program, fined, put in prison, or all three; *and* must repay the food benefits.

EBT-authorized retailers are also provided with training and are required to understand and comply with all federal and state guidelines for EBT acceptance. Retailers interested in accepting the Bridge Card for food benefits purchases must be authorized by the federal Food and Nutrition Service (FNS).

Inappropriate Use of Bridge Cards Report

(FY2016 Appropriation Act - Public Act 84 of 2015)

The Office of Inspector General (OIG) was awarded a grant from the U.S. Department of Agriculture Food and Nutrition Service to further the department's training efforts. As part of the first phase of the grant OIG conducted a series of surveys to gauge general knowledge of food assistance policies and what constitutes food assistance trafficking within the population of the State of Michigan. Based on the results of the surveys OIG is now working with MDHHS Communications and the FAP program office to create posters and relevant communication pieces to enhance education where there are misconceptions.

OFFICE OF INSPECTOR GENERAL

The Office of Inspector General (OIG), created in 1972, is a criminal justice agency in the Michigan Department of Health and Human Services (MDHHS) under Michigan Compiled Law 400.43b and Executive Order No. 2015-4. The primary duty of the OIG is to investigate cases of suspected fraud involving MDHHS assistance programs and in maintaining integrity and accountability in the administration of its programs. OIG agents and managers are strategically located throughout the state of Michigan.

The OIG is responsible for investigating instances of alleged welfare fraud in all programs administered by MDHHS, as well as reviewing administrative policies and procedures and recommending ways of improving accountability, fraud deterrence and detection. This includes investigations of non-Medicaid vendor fraud as well as department employees alleged to be involved in program fraud. All investigations found to contain the elements of fraud are forwarded to the appropriate authority for criminal disposition or are forwarded to the appropriate MDHHS program area for administrative action.

The OIG tracks and investigates inappropriate Bridge Card use by MDHHS clients and authorized EBT retailers. Through data sharing and advanced analytics, MDHHS-OIG analysts and agents conduct sophisticated anti-trafficking efforts in the food assistance area.

Food Assistance trafficking is the buying and selling of food assistance benefits for cash or items not authorized under the Food Stamp Act of 1977, updated in 2008. Some examples of retailer and client food assistance trafficking are:

- Allowing purchases of unauthorized items such as tobacco, alcohol, lottery tickets or other methods of gambling.
- The selling of food assistance benefits for cash at less than face value.
- The exchange of food assistance for contraband such as drugs or weapons.
- Purchasing food assistance benefits for cash at less than face value.
- Purchasing containers with deposits, dumping/discarding the product and then returning the containers to obtain cash refund deposits. Using the Bridge Card at casinos, liquor stores or places with adult entertainment.

Inappropriate Use of Bridge Cards Report

(FY2016 Appropriation Act - Public Act 84 of 2015)

- Soliciting the sale or purchase of a Bridge Card through social media portals.
- Abusing card replacement privileges, including the replacement of more than four cards in a 12-month period.

Individuals who violate Food Assistance Program and cash assistance program rules may be disqualified from the program, fined, put in prison, or all three; *and* are required to pay back benefits they received illegally.

The OIG uses multiple data universes, including MDHHS recipient and EBT databases, as well as United States Department of Agriculture-Food and Nutrition Service (USDA-FNS) retailer databases, for its investigations. OIG's analysts produce retailer matrix reports, individual recipient reports and individual retailer reports.

The OIG conducts investigations when clients are suspected of misrepresenting their eligibility for public assistance. Front End Eligibility (FEE) investigations target cases in which MDHHS field staff have requested an investigation when assistance applications or other submitted documentation appear to contain suspicious or error-prone information.

The OIG also includes a Special Investigations Unit that identifies weaknesses and develops recommendations to address fraud vulnerability, internal controls and accountability relating to programs, legislation, federal regulations, policy and procedures for the most complex investigations. This unit also works with local MDHHS staff and law enforcement officials in developing and implementing ways and means to deter and/or detect fraud.

PUBLIC AWARENESS

In an effort to enhance public awareness of EBT fraud, MDHHS advertises the Welfare Fraud Hotline on State of Michigan websites and on billboards and posters across Michigan. Anyone can report suspected fraud by calling 1-800-222-8558 or by going to the following link:

<https://mdhhs.michigan.gov/Fraud/>

TRACKING INAPPROPRIATE USE

To proactively reduce the access of EBT funds at inappropriate locations, as of December 2015, MDHHS facilitated the removal of EBT card access to ATMs and Point of Sale devices at 28 Adult Entertainment centers, 48 casinos and gaming centers and 276 liquor stores. MDHHS continues to work with our EBT vendor to identify and coordinate the removal of EBT access points that are contrary to state law.

MDHHS also monitors excessive card replacements for all clients who have ordered four or more replacement cards within a 12-month period. Clients are notified in writing that

Inappropriate Use of Bridge Cards Report

(FY2016 Appropriation Act - Public Act 84 of 2015)

they have reached the four-card limit and are notified at the time of their request for a fifth card that they cannot receive the card until they go to the local office and successfully explain their excessive card replacements to the county director or regional manager. This monitoring process has been incorporated into MDHHS' EBT card vendor's (Xerox Corp.) automated processes. In the last three months of 2015, over 1,360 letters were sent out to households notifying them they had reached their limit.

Michigan Bridge Cards are the mechanism that the department uses for administering not only food assistance benefits (formerly Food Stamps), but also certain types of cash assistance. Cash assistance can be used for purchasing non-food items and for accessing cash benefits to pay for housing expenses and approved goods and services. Tracking inappropriate use of Bridge Cards is, in large part, limited to the Food Assistance Program. Clients who receive cash benefits can withdraw those dollars, which they can then spend anywhere. Aside from educating clients on appropriate use of the cash benefits, it is difficult to monitor or curtail inappropriate use.

MDHHS-OIG's Benefits Trafficking Unit (BTU) continues to combat trafficking and inappropriate use of EBT cards in the Food Assistance Program. During FY 2015 the unit received 2,283 referrals and identified over \$1.9 million in fraud. The investigations have ranged from EBT retailers and non-EBT retailers to MDHHS recipients offering benefits for sale on social media sites.

Examples of such cases include: On Sept. 29, 2014, agents of the USDA-OIG, MSP and MDHHS-OIG raided a Flint, Michigan meat market. The raid was a culmination of a joint investigation that determined that food assistance benefits were being trafficked at the Flint store and other affiliate locations. Three meat market stores were owned by brothers; each were engaged in trafficking to some extent. Investigators conducted undercover exchanges in which agents were able to exchange EBT Bridge Card food assistance benefits for cash, generally 50 cents in cash for each dollar of food assistance benefits. These illegal transactions were conducted directly by the owners on numerous occasions and also with several other employees at the stores.

A review of the financial records of the stores indicated that at least \$5 million in food assistance benefits were illegally traded for cash over several years. The store records showed that the monthly food assistance redemptions far exceeded the food stock ordered by the stores. The raid also revealed that much of the present store stock had been expired for months and even years and statements obtained during the investigation indicated that some meat sold at the store was spoiled.

The owner of the store has since fled to the country of Jordan, however the federal government does have plans to extradite him for the millions of dollars of fraud he committed. MDHHS conducted 157 recipient investigations related to the three meat market locations and established \$452,603 in fraud.

In December of 2014, a joint investigation with the OIG BTU, Investigative Analytics Unit (IAU) and USDA-OIG uncovered an individual who was completing numerous

Inappropriate Use of Bridge Cards Report

(FY2016 Appropriation Act - Public Act 84 of 2015)

applications for food assistance using similar computer credentials. Analysts in the IAU were able to identify patterns of suspicious behavior related to the subject's applications. BTU agents were able to identify a suspect based on the information gathered by the IAU analyst.

BTU agents developed information through the course of their investigation that the suspect had stolen over 700 identities from individuals throughout the United States. A review of department records indicated sufficient data patterns and physical documents existed to establish cases were opened with the assumed identities of over 300 individuals. The subject was able to successfully collect benefits by obtaining counterfeit identification documents through other criminal contacts and by establishing forged identities with the Michigan Secretary of State. Once the subject successfully opened a food assistance case she admitted that she would sell the benefits for approximately 50 cents on the dollar.

The subject was arrested for her criminal enterprise and ultimately was convicted of one count of aggravated identity theft, a 15 year felony, and one count of theft of public money, a 10-year felony in the Eastern District Federal Court. Currently the subject is awaiting sentencing and is expected to receive a sentence of 63-78 months in federal prison.

The BTU has expanded its efforts to include monitoring social media for trafficking of food benefits. While these investigations most often involve relatively few recipients and small dollar amounts, they are significant in the ill perceptions they bring to the Food Assistance Program. The BTU monitors social media weekly and conducts investigations on every case that is identified as soliciting the sale of food benefits. Each solicitation minimally results in disqualification from the Food Assistance Program for both recipients and non-recipients alike. The BTU has worked with federal authorities within the Food and Nutrition Service to ensure the rules associated with the program punish those who abuse the system.

In January of 2015, MDHHS was awarded a grant from the USDA Food and Nutrition Service (FNS) SNAP Recipient Trafficking Prevention Grant Program. The two-year grant covers the purchase of equipment for mobile trafficking agents as well as licenses for advanced social media tracking software for identifying targeted FAP trafficking solicitations in Michigan. As a result of this program, so far, agents in the BTU have identified 48 potential trafficking investigation targets that are currently being investigated for suspicious shopping activity. The activity is suspicious due to the type and quantity of food purchased with Bridge Cards. This is in addition to 265 investigations assigned related to suspected trafficking via social media.

Inappropriate Use of Bridge Cards Report

(FY2016 Appropriation Act - Public Act 84 of 2015)

ADDITIONAL FISCAL YEAR 2015 PROGRAM ENHANCEMENTS

In fiscal year 2015, Michigan implemented the following enhanced efforts to address fraud, waste and abuse:

- **OIG Investigative Analytics Unit (IAU)** continues to be dedicated to fraud analytics to assist with targeted investigations. In addition to data-mining activities, IAU staff are developing queries and reports to assist OIG agents when investigating misuse of public assistance benefits via the Bridge Card.
- **During FY 2015, OIG's Investigative Analytics Unit** continued working with contractors (SAS) and Michigan's Department of Technology, Management and Budget on the design and development of the Food Assistance Program (FAP) segment of the Enterprise Fraud Detection System (EFDS). The FAP segment was put into production and rolled out to OIG staff during FY 2015. Investigations initiated by leads generated from the EFDS have led to \$13.2 million in annualized cost avoidance and determined over \$440,000 in fraud during the fiscal year.
- **OIG's Investigative Analytics Unit** has facilitated participation by Michigan County sheriff offices in the OIG Jail Match process. This process identifies individuals incarcerated for over 30 days, making them ineligible for FAP and other cash assistance programs. During FY 2015 this match identified over \$7.8 million in annualized cost avoidance.
- **OIG's IAU** has developed analysis that identifies MDHHS single-person households where the individual is deceased and their EBT benefits are still being utilized. These cases are being investigated by the BTU for improper use of EBT benefits.
- **The OIG Investigative Analytics Unit** is using IP address tracking software that allows them to monitor online benefit applications and benefit checks. This allows for the identification of individuals who are accessing MI Bridges while located outside the State of Michigan, those that are college students but failing to report their student status to MDHHS, and instances of identity fraud schemes. Investigations are assigned on identified individuals whose residency, student status, or identity is in question. These investigations led to over \$3.9 million in annualized cost avoidance in FY 2015.

Inappropriate Use of Bridge Cards Report

(FY2016 Appropriation Act - Public Act 84 of 2015)

MEASURABLE RESULTS - FRAUD ESTABLISHED FISCAL YEAR 2015

In fiscal year 2015, the OIG was able to save over \$141 million in public benefits through the Front End Eligibility (FEE) process and fraud prevention and detection efforts.

FY 2015 STATISTICS/OUTCOMES	
Food Assistance Program (FAP)	<ul style="list-style-type: none"> ➤ 7,044 FAP fraud referrals received ➤ 9,780 fraud investigative dispositions ➤ \$13.2 million in FAP recipient fraud ➤ 269 criminal warrants issued ➤ 7,688 administrative hearings and waivers ➤ 4,796 FAP Intentional Program Violation (IPV) disqualifications <ul style="list-style-type: none"> • IPV disqualifications resulted in \$12.8 million in cost avoidance • Disqualifications include 1 year, 2 year, 10 year and lifetime disqualifications ➤ \$12.4 million in FAP fraud receivables ➤ \$54.6 million in FEE cost avoidance
FAP Trafficking Statistics¹	<ul style="list-style-type: none"> ➤ \$1.9 million in trafficked benefits identified ➤ 22 criminal warrants issued ➤ \$1.8 million in fraud receivables established ➤ 1,639 trafficking dispositions ➤ 1,467 administrative hearings and waivers
Retailer Fraud Disqualifications	<i>The Federal Food and Nutrition Service (FNS) has sole responsibility for the disqualification of retailers, and the USDA/OIG handle prosecution of the FNS retailers.</i>
All Programs FEE and Fraud Complaints (FIP, MA, CDC, FAP, Other)	<p>41,313 Complaints received by OIG</p> <ul style="list-style-type: none"> ➤ 7,433 fraud complaints ➤ 33,880 FEE referrals <p>45,810 Investigations completed by OIG</p> <ul style="list-style-type: none"> ➤ 11,331 fraud investigative dispositions ➤ 34,479 FEE investigations completed <p>Fraud found: \$23.4 million FEE cost savings: \$103.3 million Established receivables: \$22.1 million</p>

¹ FAP Trafficking Statistics are a sub-set of the Food Assistance Program (FAP) Fraud Statistics.

Inappropriate Use of Bridge Cards Report

(FY2016 Appropriation Act - Public Act 84 of 2015)

FY 2015 STATISTICS/OUTCOMES	
	Criminal warrants issued: 303
All Programs Financial Savings	Front End Eligibility \$103,314,922
	Fraud Found \$23,468,438
	<u>IPV Disqualifications</u> \$14,191,344
	TOTAL FY 2015 SAVINGS \$140,974,704