

# **Inappropriate Use of Bridge Cards Report**

(FY2017 Appropriation Act - Public Act 268 of 2016)

**February 15, 2017**

***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.***

*(2) As used in this section, "inappropriate use" means not used to meet a family's ongoing basic needs, including food, clothing, shelter, utilities, household goods, personal care items, and general incidentals.*



**Michigan Department of  
Health & Human Services**

RICK SNYDER, GOVERNOR  
NICK LYON, DIRECTOR

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## **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.

Approximately 10,433 retailers and over 9,100 ATMs are available for Bridge Card use within the state.

### **OFFICE OF INSPECTOR GENERAL**

The Office of Inspector General (OIG) is the criminal justice agency within the Michigan Department of Health and Human Services (MDHHS), providing program integrity services. OIG agents are peace officers in the state of Michigan, providing investigation and advisory services to ensure appropriate and efficient use of available public resources. Within the OIG there are three divisions: Integrity (Medicaid providers), Enforcement (recipients/vendors and non-Medicaid providers) and Operations (administrative and investigative analytics). OIG agents and their managers are strategically located throughout Michigan to assist MDHHS in maintaining integrity and accountability in the administration of all its programs.

The OIG Enforcement Division tracks and investigates inappropriate Bridge Card use by MDHHS clients and authorized EBT retailers. Through data sharing and advanced analytics, 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.

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- Using the Bridge Card at casinos, liquor stores or places with adult entertainment.
- Soliciting the sale or purchase of a Bridge Card through social media portals.

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

The OIG uses multiple data sources, 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.

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## MEASURABLE RESULTS - FRAUD ESTABLISHED FISCAL YEAR 2016

In fiscal year 2016, the OIG saved over \$153.3 million in public benefits through the Front End Eligibility (FEE) process and fraud prevention and detection efforts.

<b>FY 2016 STATISTICS/OUTCOMES</b>	
<b>Food Assistance Program (FAP)</b>	<ul style="list-style-type: none"> <li>➤ 9,609 FAP fraud referrals received</li> <li>➤ 5,451 fraud investigative dispositions</li> <li>➤ \$15.2 million in FAP recipient fraud</li> <li>➤ 255 criminal warrants issued</li> <li>➤ 6,412 administrative hearings and waivers</li> <li>➤ 4,018 FAP Intentional Program Violation (IPV) disqualifications                             <ul style="list-style-type: none"> <li>• IPV disqualifications resulted in \$12.2 million in cost avoidance.</li> <li>• Disqualifications include 1 year, 2 year, 10 year and lifetime disqualifications.</li> </ul> </li> <li>➤ \$11.6 million in FAP fraud receivables</li> <li>➤ \$55 million in FEE cost avoidance</li> </ul>
<b>FAP Trafficking Statistics<sup>1</sup></b>	<ul style="list-style-type: none"> <li>➤ \$3.5 million in trafficked benefits identified</li> <li>➤ 15 criminal warrants issued</li> <li>➤ \$1.7 million in fraud receivables established</li> <li>➤ 2,034 trafficking dispositions</li> <li>➤ 1,586 administrative hearings and waivers</li> </ul>
<b>Retailer Fraud Disqualifications</b>	<p><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></p>
<b>All Recipient Programs FEE and Fraud Complaints</b>	<p><b>43,675 Complaints received by OIG</b></p> <ul style="list-style-type: none"> <li>➤ 4,538 fraud complaints</li> <li>➤ 31,707 FEE referrals</li> </ul> <p><b>40,300 Investigations completed by OIG</b></p> <ul style="list-style-type: none"> <li>➤ 10,769 fraud investigative dispositions</li> <li>➤ 30,517 FEE investigations completed</li> </ul> <p><b>Fraud found: \$24.3 million</b>  <b>FEE cost savings: \$116.7 million</b>  <b>Established receivables: \$18.4 million</b></p>

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

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	<b>Criminal warrants issued: 276</b>								
<b>All Recipient Programs Financial Savings</b>	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding-left: 20px;">Front End Eligibility</td> <td style="text-align: right;">\$116,709,281</td> </tr> <tr> <td style="padding-left: 20px;">Fraud Found</td> <td style="text-align: right;">\$24,382,659</td> </tr> <tr> <td style="padding-left: 20px;"><u>IPV Disqualifications</u></td> <td style="text-align: right;"><u>\$12,202,470</u></td> </tr> <tr> <td style="padding-left: 20px;"><b>TOTAL FY 2016 SAVINGS</b></td> <td style="text-align: right;"><b>\$153,294,410</b></td> </tr> </table>	Front End Eligibility	\$116,709,281	Fraud Found	\$24,382,659	<u>IPV Disqualifications</u>	<u>\$12,202,470</u>	<b>TOTAL FY 2016 SAVINGS</b>	<b>\$153,294,410</b>
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## TRACKING INAPPROPRIATE USE

To proactively reduce the access of EBT funds at inappropriate locations, as of December 2016, MDHHS facilitated the removal of EBT card access to ATMs and point of sale devices at 35 adult entertainment centers, 59 casinos and gaming centers and 359 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 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 (Conduent Business Services, LLC, *formerly* Xerox Corp.) automated processes. In the last three months of 2016, over 1,395 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, 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 2016 the unit received 2,659 referrals and identified almost \$3.5 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: BTU agents renewed an investigative partnership with Michigan State Police's Bridge Card Enforcement Team (BCET) in 2016. Through the partnership, trafficking investigations have been given an elevated priority where agents and troopers collectively work to identify and prosecute identity thieves, store owners,

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and benefits recipients who are engaging in Food Assistance Program fraud. Already BTU and BCET have successfully prosecuted two store owners and recovered court-ordered restitutions of \$84,812. In addition, BTU agents are pursuing disqualification and benefit recovery from over 200 MDHHS recipients based on investigative findings established during the collaboration.

Further highlighting the BTU's leveraging of partnerships, store associates of a Michigan big box retailer helped initiate the investigation of a small convenience store that was using multiple Bridge Cards to make purchases. The associates found the purchases to be suspicious based on what was being purchased. The BTU led investigation involved collection of evidence on several inappropriate transactions made using the Bridge Cards and resulted in the recovery \$3,611 in benefits from recipients along with disqualifications from the Food Assistance Program for a minimum of 12 months.

Yet another cooperative investigation involving the BTU and a Michigan retail business resulted in the successful recoupment of \$1,100 and 12 month disqualifications for the perpetrators of a short-lived fraud scheme. A store employee noticed that during checkout a certain individual always presented at least one Bridge Card for each of his purchases using Food Assistance benefits. The employee reported this information to the BTU who determined that a card in the individual's possession belonged to another MDHHS recipient. Upon further investigation, the individual admitted to owning vending machines which were stocked through the use their Bridge Card along with one purchased from another recipient.

Additionally, BTU and USDA-OIG agents initiated a joint investigation of a Michigan convenience store owned by an active recipient of several MDHHS programs including Food Assistance Program, Medicaid, cash assistance, and Child Development and Care. In addition to owning the convenience store the recipient was found to own two homes, one of which was being rented. From 2004 to 2015 the store owner reported minimal income to MDHHS in a fraudulent attempt to receive assistance benefits. Because of investigative efforts, the subject was convicted of food assistance trafficking and welfare fraud. The subject was ordered to repay \$225,424 dollars in federal court and was disqualified for life from the Food Assistance Program.

## **ADDITIONAL FISCAL YEAR 2016 PROGRAM ENHANCEMENTS**

In fiscal year 2016, Michigan continued focus on the following 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.
- **OIG-IAU** utilizes the national PARIS Interstate Match as an investigative tool to identify individuals who may be concurrently receiving public assistance in two

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or more states. The match data provides a concise description of the individual's circumstances in both states at the point of the match, as well as contact information. OIG actively investigates individuals identified in the PARIS match for receiving public assistance benefits in another state. This often results in the assistance case being closed in Michigan and a warrant request for welfare fraud. The utilization of the PARIS Interstate Match has been instrumental in lowering public assistance program expenditures by removing ineligible non-resident clients. In FY 2016, PARIS matches also resulted in \$32.3 million in annual cost avoidance. The investigations also identified over \$916,000 in fraud.

- 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 2016 this match identified over \$6.0 million in annualized cost avoidance.
- The OIG Investigative Analytics Unit is using Internet Protocol (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 \$1.4 million in annualized cost avoidance and over \$578,000 in fraud found in FY 2016.

## **TRAINING AND EDUCATION**

The first line of defense in reducing inappropriate use of Bridge Cards is education. MDHHS provides client and retailer training which includes 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 and allows 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.

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- 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.

In fiscal year 2015 the MDHHS Office of Inspector General (OIG) leveraged a grant from the U.S. Department of Agriculture Food and Nutrition Service to develop posters which serve to educate the public on food assistance trafficking. These posters are now displayed at retailers, Secretary of State and MDHHS offices statewide. Additionally, bulletins and business cards with information pertinent to the detection and prosecution of Food Assistance Program trafficking were distributed to law enforcement agencies.

## **PUBLIC AWARENESS**

To enhance public awareness of EBT fraud and reduce abuse of food benefits, 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/>