



Human Services Subcommittee of the House Appropriations
Subcommittee on Health and Human Services

**Section 673 Boilerplate, FY 2016
Bridge Card Fraud Workgroup Report**

March 8, 2016

Alan Kimichik, Senior Deputy Director, Inspector General Administration



Multiple Bridge Cards found in a cash register during search warrant execution.



Section 673 Boilerplate, FY 2016 Bridge Card Fraud Workgroup



The Michigan Department of Health and Human Services (MDHHS) was tasked with conducting a workgroup to address the following possibilities and make recommendations on the implementation of any of the following items considered feasible:

- (a) Whether the department's policies concerning the replacement of lost Bridge Cards sufficiently deter improper use of those cards.
- (b) What technologies may exist to deter the sale or other improper use of Bridge Cards.
- (c) Whether a state driver license or state identification card might be used to replace the existing Bridge Cards.
- (d) What federal policies exist that may inhibit or enhance adoption of fraud minimization actions.



Workgroup Participants



The workgroup was chaired by the Michigan Department of Health and Human Services Office of Inspector General (MDHHS-OIG).

Other participants included:

- MDHHS Field Operations, Legislative Affairs, and Budget Division
- Michigan Department of State (MDOS)
- Michigan State Police (MSP)
- Legislative Representatives
- Representation of EBT Retailers



Question A

Do the department's policies concerning the replacement of lost Bridge Cards sufficiently deter improper use of those cards?



The workgroup reviewed current MDHHS policies along with the federal rules that govern Bridge Card replacement:

- Per MDHHS policy (*see BAM 401E*), if a client requests the replacement of a fifth card in a 12 month period, no new cards will be issued until an interview with the County Director/designee takes place to identify reasons for card replacements. Suspect responses are referred to OIG for investigation.
- Per USDA Food and Nutrition Services regulations (*see 7 CFR 274.6(b)*), the state agency shall make replacement EBT cards available within two days and the department cannot charge more than the replacement cost of the card.



Question A

Do the department's policies concerning the replacement of lost Bridge Cards sufficiently deter improper use of those cards?



Current OIG efforts associated to multiple card issuances:

- OIG conducts data analysis of multiple card issuances. Regardless of County Director approval, households with a high number of card issuances in a year are reviewed for investigation.
- In FY 2015, OIG investigated 124 cases of multiple Bridge Card replacements resulting in \$55,211 of fraud found and \$51,960 in cost avoidance.
- OIG investigates instances where Bridge Cards are used after the (single household) card owner is deceased or incarcerated.
- OIG investigates instances where all FAP benefits are used outside of Michigan.



Question B

What technologies may exist to deter the sale or other improper use of Bridge Cards?



For this question, the workgroup explored several areas, including:

- Use of Biometrics.
- Photographs on cards.
- Merging the Bridge Card with Michigan's Driver license and state identification card.
- Retailer initiated software to identify customers.



Use of Biometrics



Areas explored: Is it possible for a thumb print to be used for identification when a Bridge Card transaction is processed? If so, would an authorized representative be able to use it? Who would be responsible to purchase the thumb print readers? Could the Bridge Card still be used in all 50 states and at ATMs if it contained biometric information?

Findings: All states would have to also require EBT card biometrics to meet USDA-FNS specifications for interoperability between states. Michigan's Bridge Card, like all state EBT cards, can be used in any state per federal requirements. Biometric cost information was not obtained, but EBT retailers and third party processors would also have to alter their systems to accept a biometric card and add cost prohibitive equipment. That would potentially pose a hardship on retailers, especially small grocers.



Photo on Bridge Card



What is FNS' position on including photos on Bridge Cards?

FNS regulations do allow photos on EBT cards, with requirements:

- The photo process cannot affect eligibility determinations for SNAP benefits.
- The photo process also cannot affect the selection of authorized representatives (official or unofficial). Households can give an EBT card to children in the household to do shopping.
- See 7 CFR 274.8 Functional and technical EBT system requirements (b)(5) Minimum card requirements.



Photo on Bridge Card



Would the cost of implementing the photos be more than the potential savings?

Research was conducted on other states' attempts:

- Georgia: Per FNS, Food stamp photos could cost state nearly \$8 million, after a cost benefit analysis, decided against it.
- Massachusetts:
 - Abandoned the photo ID requirement in 2004 as not cost effective.
 - Recent implementation estimates range from \$5 million to \$7 million.
- Washington: Estimated cost of \$17.6 million.
- Pennsylvania, Illinois, Connecticut, Arizona, and Kentucky: Considered and rejected EBT photo IDs as costly and not effective in addressing SNAP fraud or trafficking.



Retailer Software



Retailer initiated software explored:

- Point of Sale Software
 - Disallows purchases of ineligible items
- Membership Cards
- Rewards/Loyalty programs
- Digital Imaging/Facial Recognition Software



Question C

Can a state driver license or state identification card be used to replace the existing Bridge Card?



For this question, several areas were explored:

- Has it been done elsewhere?
- What state or federal laws need to be changed regarding possession of card?
- Can the cost of replacement cards be waived for the first four cards or indefinitely for certain populations?
- What is the potential cost for Michigan?



Laws & Possession of Card



Federal regulations allow recipients to give their card to “anyone” to purchase eligible food for the household.

- There is no provision in the Food Stamp Act or in Supplemental Nutrition Assistance Program (SNAP) regulations that would restrict SNAP recipients from designating a non-household member to use their benefits on the household’s behalf.
 - SNAP Regulation 7 CFR 273.2(n)(3) states in part: “A household may allow any household member or nonmember to use its ID card and benefits to purchase food or meals, if authorized, for the household.”
 - 7 CFR 274.7(a) states, in part: “*Program benefits may be used only by the household, or other persons the households selects, to purchase eligible food for the household*”..... *whoever the client entrusts with their card AND PIN is sufficient for that non-household member to be considered an “authorized user.”*



Laws & Possession of Card



If the Bridge Card and driver license/personal ID card were combined, would a recipient be allowed to give their card to someone else to use on the recipient's behalf?

State law contains statutory prohibitions on possession of another individual's driver license or personal ID card and would require change.



Confiscation of Driver License



What happens if a driver's license is confiscated by law enforcement?

- MCL 257.625g – Law enforcement is required to confiscate and destroy a license in certain circumstances.
- Law enforcement will generally confiscate the license of a driver if that driver presents the license at a traffic stop and it is suspended/denied/revoked.
- Per MSP, the inclusion of FAP benefits on a driver's license or ID will potentially increase fraud and identity theft due to the increased value of the card.



Waiving Replacement Costs?



Would the state have to waive card replacement costs?

MCL 28.292(14) allows for no fee personal ID cards

- The law does not permit free driver licenses for lost or destroyed cards.
- Significant department cost to take on the cost of issuing replacement cards (up to four).
- Cost consideration will need to factor in the added cost of branch personnel and wait times at branches by adding more customers to lines for replacement IDs/driver licenses.



Costs of Combining Cards



What would the cost be to institute biometrics with the ID/driver's license/Bridge Card combo?

- Estimated annual cost is approximately \$95 per card. Michigan averages approximately 31,000 EBT card replacements per month. This equates to 372,000 replacement cards per year. At that rate, annualized costs approach \$35 million. That cost does not include administrative costs to process EBT recipient biometrics at MDHHS local offices. Biometric equipment costs and vendor system interface costs are also not included in that figure. EBT retailers would also need to purchase specialized biometric readers to transact the card.
- Consideration of using new technologies will require in-depth analysis to determine if the new technology abides by federal regulations and is cost efficient in reducing Bridge Card fraud. In consideration of cost, biometrics is not a viable solution at this time.



Combining Cards



Could a combined Bridge Card/driver license be issued over-the-counter by the Department of State similar to MDHHS offices?

Barriers:

- Current driver license and personal ID card contract does not allow for over-the-counter issuance.
- Federal REAL ID Act requires central issuance of state issued driver's license and ID cards.
- Driver license issuance facility has security requirements that are not easily met (e.g., holograms).
- Quest EBT card rules require a very specific card stock. The driver license uses a different stock. A more expensive card stock would be required to combine the cards.



Retailer Fraud



Would combining the Bridge Card and driver license impact retailer fraud? Does combining the Bridge Card and driver license or personal identification increase or decrease potential fraud?

- Retailers who traffic will not require, nor care about an accurate photograph of the person selling them a Bridge Card or FAP benefits.
- This combination could potentially create other fraudulent activity (identity theft, credit card fraud, etc.).



Question D

What federal policies exist that may inhibit or enhance adoption of fraud minimization actions?



Federal Regulations that inhibit fraud minimization actions:

- FNS Regulation 7 CFR 273.2(n)(3) states: “A household may allow any household member or nonmember to use its ID card and benefits to purchase food or meals, if authorized, for the household.”
- 7 CFR 274.7(a) states: “Program benefits may be used only by the household, or other persons the households selects, to purchase eligible food for the household” whoever the client entrusts with their card AND PIN is sufficient for that non-household member to be considered an “authorized user.”



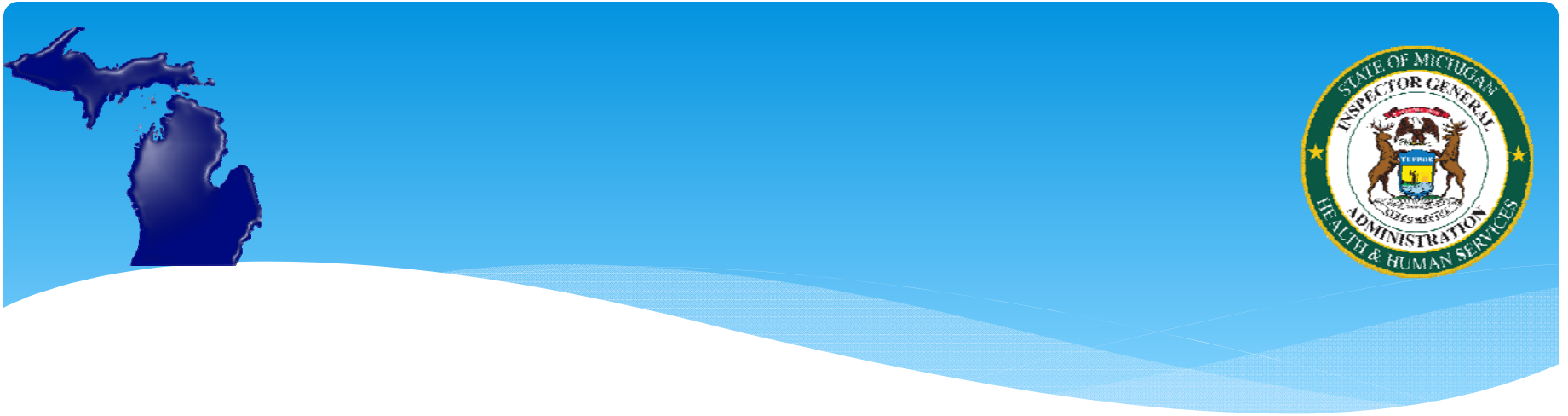
Question D

What federal policies exist that may inhibit or enhance adoption of fraud minimization actions?



The following Federal regulations pertain to the identification of a Bridge Card holder:

- States cannot inhibit access to food benefits or single out recipients in any way.
 - 7 CFR 278.2(b) – Participation of retail food stores. Equal treatment for coupon customers.
- If identification is requested, the person presenting the ID card need not be the person pictured on the card.
 - 7 CFR 278.2 (h) Identifying coupon users.
- Retailers shall not require special check out lanes for FAP recipients.
 - CFR 274.7 (f)(1), and 7 CFR 274.7 (f)(2) Electronic Equal Treatment.



OIG Efforts to Minimize Fraud



Office of Inspector General Investigative Efforts



In FY 2015, Office of Inspector General (OIG) Agents:

- Determined **\$148.3** million of fraud, cost savings and established program disqualifications.
 - Identified \$30.8 million of program fraud.
 - Identified \$103.3 million in cost avoidance in FEE investigations, a 10 percent increase over FY 2014.
 - Established an additional \$14.2 million in cost savings from intentional program violation (IPV) disqualifications.
- Completed 11,331 fraud investigative dispositions.
- Completed 34,479 front end eligibility (FEE) investigations.
- Three-year program savings for taxpayers in FEE of \$273.6 million.

In FY2015, OIG Investigations involving FAP

- 9,780 fraud investigation dispositions identifying \$13.2 million in FAP fraud.
- 269 criminal warrants issued.
- 4,796 disqualifications resulting in \$12.8 million in cost avoidance.
- \$54.6 million in FEE cost avoidance.



Benefit Trafficking Unit



Benefit Trafficking Unit (BTU)

- BTU Agents investigate allegations of Trafficking
 - Primary focus is on Bridge Card/EBT (Electronic Benefits Transfer) trafficking
 - Provide State-wide coverage
- In FY2015, Benefit Trafficking Agents:
 - Completed 1,638 trafficking investigations.
 - Determined \$1.9 million in fraud from trafficking.
 - Established \$1.7 million in receivables from trafficking.



Investigative Analytics Unit



Investigative Analytics Unit (IAU)

OIG's IAU is responsible for providing systematic and analytic support for ongoing investigations and fraud referrals for programs administered by MDHHS. In addition, the IAU utilizes analytical tools and techniques, as well as knowledge of program rules to data mine Medicaid claims data and identify improper claim conditions.

In FY 2015, 65% of fraud investigations completed and 50% of Medicaid provider overpayment recoveries and fraud referrals were generated as a part of in-house data analytics/data mining. Examples of IAU functions and responsibilities include:

- Social Media Data Mining
- County Jail Match Analysis
- Enterprise Fraud Detection System (EFDS)
- Out-of-State Bridge Card [EBT] Transaction Project
- Public Assistance Reporting Information System (PARIS) Match Fraud Referrals
- Internet Protocol (IP) Address Locator Project
- Multiple Bridge Card Replacement Analysis
- Food Assistance Program Trafficking Data Mining
- Medicaid Fraud, Waste and Abuse Data Mining



Data Mining Activities



Michigan's Enterprise Fraud Detection System (EFDS)

The OIG Investigative Analytics Unit has been working with Michigan's Department of Technology, Management and Budget (DTMB), as well as its vendor, SAS Inc., to make DHHS the first department utilizing Michigan's Enterprise Fraud Detection System (EFDS) for fraud detection. This DTMB system utilizes and leverages state owned data to identify potential fraud.

IP Locator Project: The Internet Protocol (IP) Locator Project was created to give OIG the capability to identify the physical location of individuals using MI Bridges to apply for Michigan public assistance benefits online. This capability increases the chances of catching potential and current recipients who are residing outside Michigan and are improperly applying for public assistance benefits in Michigan. It also assists in identifying instances of identity theft.

Public Assistance Reporting Information System (PARIS)

OIG's IAU utilizes the PARIS Interstate Match as an investigative tool to identify individuals who may be receiving public assistance in two or more states concurrently. 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 sanctions imposed against the perpetrator.

Bridge Card-Food Assistance Benefits Cashed Outside Michigan

OIG's IAU utilizes data analysis to identify households that are redeeming FAP benefits out of Michigan on a regular basis, suggesting they have moved from the state.



OIG Social Media Investigations



Social Media: OIG is utilizing a social media analytics tool to monitor and detect FAP trafficking via sites such as Facebook, Craigslist and Twitter. The current tool being utilized targets solicitation from Michigan specific posts who are attempting to buy or sell Food Assistance Benefits (FAP).





OIG Social Media Investigations



CourtneyFraudster
@CourtneyFraudster

Follow

Somebody Sell Me They Bridge Card ..\$100 for \$200

11:10 AM - 17 Jan 2016

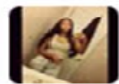


Big_Fraudster

February 6 at 4:51pm · 🌐

Who has a bridge card for sale? Inbox me

Share



VanessaFraudster
@Call_Me_Fraudster

+ Follow

Who selling a bridge card?? I'll buy it.



11:48 AM - 18 Apr 2015



OIG Social Media Investigations



Initial Twitter posts:



Posts after speaking with an OIG Agent:





Media Campaign



An anti-trafficking media campaign is in development by the OIG. Will this help the public perception of recipient fraud? Will this increase the deterrence of trafficking?

- As part of the USDA-Food and Nutrition Services sponsored grant, MDHHS-OIG is attempting to measure both of the above questions. OIG, along with MDHHS-Communications, is finalizing a survey that will be available on MDHHS's public website and potentially the State of Michigan website. This will allow a cross section of Michigan residents/visitors the ability to provide their understanding of trafficking. This survey will be repeated at the end of the two-year grant to measure the impact of MDHHS-OIG's media campaign. MDHHS-OIG will also be measuring the instances of found social media trafficking hits now and at the end of the campaign to determine the potential decrease in hits.



Education Posters



www.michigan.gov/FoodAssistance

Benefits are here to help you when times are tough.

To help you along the way, learn about the right and wrong use of food assistance.

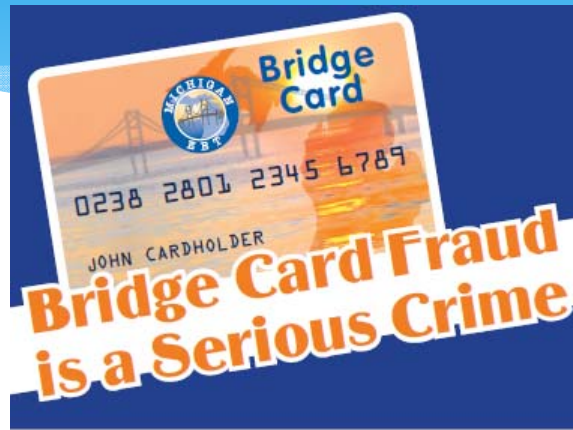
- Right:**
- Purchase eligible food, drinks, seeds or plants to feed your household.
 - Use your card with authorized retailers and farmer's markets.

- Wrong:**
- Trading or selling your food benefits or Bridge Card.
 - Using food benefits or Bridge Cards that belong to another household for your own household.
 - Purchasing beverages that require a bottle deposit, dumping/discarding them and then returning the containers to obtain the cash deposit refund.
 - Not reporting income timely.
 - Not reporting all household members.

Report Welfare Fraud Now:

Michigan.gov/WelfareFraud or 800-222-8558

The Michigan Department of Health and Human Services (MDHHS) does not discriminate against any individual or group because of race, religion, age, national origin, color, height, weight, marital status, genetic information, sex, sexual orientation, gender identity or expression, political beliefs or disability. 2024-01-01 Rev. 2023

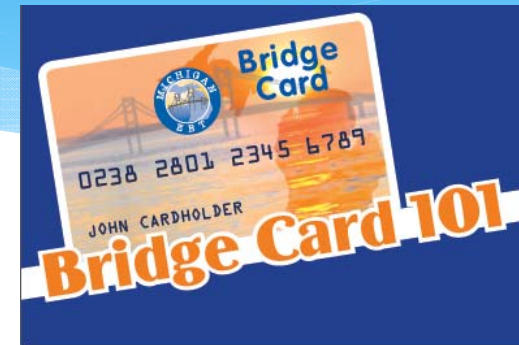


Buying, Selling or Trading is a Felony.

Food assistance is only for food and only for eligible recipients.

Report welfare fraud:
www.michigan.gov/welfarefraud
800-222-8558

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As a retailer accepting Bridge Cards, you play an important role in making sure they are used properly.

It is illegal for your customers to:

- Solicit the sale of food assistance from a Bridge Card.
- Buy food for them using other's food assistance or Bridge Card.
- Buy beverages with a deposit and dump the contents out for the bottle deposit refund.

www.michigan.gov/WelfareFraud

Report Welfare Fraud Now: 800-222-8558

- Do Not Sell:**
- Cigarettes
 - Lottery
 - Liquor

- Do Sell:**
- Eligible food
 - Eligible beverages
 - Seeds for growing food

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March 4, 2016 10:02 AM

Filed Under: Food Stamp Fraud, food stamps, Pamela Tribby



(credit: istock)

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Cost Effectiveness & Productivity



In FY 2015, Cost Effectiveness:

- Every dollar spent on fraud prevention resulted in \$33 of cost avoidance and savings for taxpayers.
- For every hour spent on an investigation, \$357 of fraud was identified.

In FY 2015, Productivity:

- OIG completed 45,810 investigations.
- Determined \$148.3 million of fraud, cost savings and established program disqualifications.
- R&DR established FAP claims of \$20.5 million which equates to over \$585,300 per Recoupment Specialist per year.
- R&DR collected FAP claims of \$11.0 million which equates to over \$315,400 per RS/year.



Future Needs



- Retailer Trafficking Bills (Senate Bills 384 & 385)
- Michigan Inspector General [Case Management] System (MIGS) Development Costs
 - Transfer to state-hosted servers for increased security and integrate two separate systems from department/office merger
 - \$245,000 cost to upgrade to DTMB approved platform.
 - \$150,000 for hardware, DTMB setup and testing.
 - \$140,000/year for ongoing DTMB support.



Retailer Trafficking: Senate Bills 384 and 385



The bills are intended to:

- Authorize the Director of MDHHS to appoint agents within OIG with limited law enforcement authority. Provide that the DHHS Director can authorize certain trained agents to carry firearms only in the performance of their duties and only while on-duty.
- Authorize OIG to take enforcement action and initiate disqualification proceedings on retailers intent on illegally trafficking food benefits.



Retailer Trafficking: Senate Bills 384 and 385



Would passage of these bills reduce retail and recipient fraud? How?

- MDHHS-OIG personnel strategically located statewide.
- Address the trafficking source. EBT retailer venues have become the epicenter of Bridge Card trafficking.
- OIG 's Benefits Trafficking Unit
- MDHHS-OIG staff is ideally located geographically to address deconflicted cases statewide as they arise with the USDA-OIG and the Michigan State Police.
- There are no criminal prosecution thresholds to consider when taking on deconflicted state-level investigations. Presently, federal prosecutorial resources dictate that only very high dollar trafficking retailers are considered for prosecution.
- Eliminate the delay in addressing investigations.
- Investigations can be aligned for maximum impact: Retailers, runners and/or traffickers would be addressed in one comprehensive investigation.
- The bills will provide increased cost avoidance and savings through program disqualifications of bad actors.
- The bills allow the state to address continuing criminal enterprises and organized crime surrounding SNAP funds.



Recommendations



- Change Federal Regulations on card possession.
- Enact Senate Bills 384 & 385.
- Upgrade OIG's Case Management System.
- Continue researching anti-fraud technology solutions.

OIG Contact Info

David Russell, Acting Director
Recipient Enforcement Bureau

Douglas Woodard, Director of Field Operations
Recipient Enforcement Bureau

Office Phone: (517) 284-6951