



RICK SNYDER
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF HUMAN SERVICES
LANSING

MAURA D. CORRIGAN
DIRECTOR

March 13, 2013

Mr. Kevin W. Concannon
Under Secretary, Food, Nutrition and Consumer Services
United States Department of Agriculture
Office of the Secretary
Washington D.C. 20250

Dear Mr. Concannon:

I write in response to your letter of December 20, 2012 outlining the USDA's ongoing efforts to partner with States to improve integrity within the SNAP program. I applaud the continued emphasis in this area. Identification and investigation of fraud and abuse of public benefits, including SNAP, are priorities for Governor Snyder's administration in Michigan. Accordingly, I write to update you on our efforts here in Michigan, and to share some of our ongoing challenges.

In fiscal year 2012, Michigan saved over \$70 million in public benefits through our Front End Eligibility (FEE) process involving fraud prevention and detection efforts. We attribute approximately \$36 million of the \$70 million saved to the Food Assistance Program (FAP - Michigan's SNAP).

- *OIG found \$14.2M of FAP fraud in 5,627 investigations.*
- *OIG secured 4,401 FAP disqualification penalties, valued at \$13.3M.*
- *OIG completed 10,324 FEE investigations; resulting in \$36M of FAP projected cost savings.*

In fiscal year 2012, Michigan also implemented the following new and enhanced efforts to address fraud, waste and abuse:

- We created new units within the Office of Inspector General:
 - A Trafficking Unit, staffed with agents solely dedicated to trafficking investigations.
 - An Investigative Analytics Unit, dedicated to fraud analytics to assist with targeted investigations.

- We added IP address tracking software for online benefit applications. This software allows us to identify applicants whose residency is outside Michigan and assign these applicants for FEE investigations.
- We recently notified benefit recipients who had requested more than 4 replacement cards during a 12 month period that multiple replacement cards indicates fraud and that their case may be assigned for investigation by the OIG.
- The OIG Trafficking Unit mandatorily investigates every case where a recipient requested more than 10 replacement cards.
- We have contracted to build capacity for data mining fraud queries from our integrated eligibility system, Bridges, and our Data Warehouse. The design and identification of business requirements is under way.
- The OIG is designing a new case management system with more robust capabilities for tracking investigations and IPV disqualifications.
- The OIG monitors social media sites and online networks (like Facebook and Craigslist) for trafficking solicitations.
- A new "Fraud Dashboard" includes recommendations and input from DHS field operations staff. The dashboard contains ideas for enhancing fraud detection and prevention through policy and procedural changes. Each item is researched and analyzed for efficacy and potential implementation.

Your letter encouraged States to utilize SNAP Bonus Awards and retention of collections from intentional program violations and fraud to support enhanced efforts to reduce fraud, waste and abuse. Michigan is using both these funding sources for the purposes you outlined. The retained revenues are being used to ensure we have appropriate field staff and investigative staff to support strong fraud prevention and detection efforts. The information provided above, particularly the FEE program statistics, demonstrates our current success.

In fiscal year 2012, Michigan retained \$1,933,589.45 in Food Stamp over-issuance collections. One hundred percent of the retained funding was used to support the Office of Inspector General, program administration, and program integrity in local DHS offices.

For the last two fiscal years, we have used SNAP bonus funds for our Electronic Document Management Project: This overarching initiative will improve business practices by increasing accuracy and integrity across programs.

We are proud of our efforts to combat fraud, waste and abuse and to protect taxpayer dollars while ensuring that the truly needy obtain benefits. Nonetheless, ongoing barriers limit our ability to impact fraud in the SNAP program. We offer these suggestions to enhance program integrity:

1. Allow States to retain at least 50% of funds collected from intentional program violations or fraud to reinvest in program integrity efforts.
2. Amend 7 CFR §§278.1(8) - 278.1: Approval of retail food stores and wholesale food concerns. The "convenience store" category of EBT retailers is particularly troubling (e.g. liquor stores, party stores, gas stations, food marts). In our experience, most EBT trafficking occurs in these venues. These establishments typically do not stock the type of eligible food products that satisfy the original intent of the SNAP program. EBT redemptions often far exceed eligible food inventory at these locations. Specific recommendations include:
 - a. *Increase the minimum eligible food inventory requirements of the four major food groups for sale at convenience store retailers. Current federal requirements for 3 items from each of the four major food groups are too minimal. Increasing daily food inventory requirements will require convenience store retailers to invest in inventory to become authorized for EBT redemptions. Currently, convenience stores have minimal requirements and investments.*
 - b. *Alternatively, require EBT retailers to submit their food inventory records to reconcile with EBT redemptions. This would deter trafficking redemptions, but would require increased staffing to review inventory records.*
 - c. *Increase financial assurance requirements to participate as an EBT retailer.*
 - d. *Increase financial penalties for non-compliance with retailer requirements.*
 - e. *Increase the frequency of compliance inspections at convenience store category retailers.*
 - f. *Allow Michigan—as a pilot program—to conduct the EBT Retailer Program. Michigan has requested this approval from the FNS Midwest Regional Field Office but has never received a response. We would be grateful for your attention to this particular request.*
3. Mandate cooperation with fraud investigations by federal regulation. Recipients suspected of trafficking typically fail to appear for OIG interviews. Time and resources are wasted in attempts to locate these individuals.

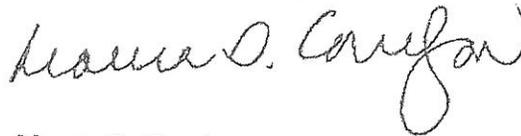
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EBT has allowed recipients mobility without notifying the department of address changes, as the EBT benefits are electronically loaded on their EBT card monthly. Their location is irrelevant. Specific recommendations include:

- a. *When an individual fails to cooperate with a fraud investigation, the result is immediate case closure and termination of benefits.*
- b. *Disallow out-of-state EBT redemptions, OR create limited time period exceptions for out-of-state redemptions. Residency requirements are questionable for extended periods for out-of-state EBT redemptions.*

Thank you again for your ongoing support of State efforts to improve the integrity of the SNAP program. I look forward to continuing to strengthen the partnership between the State of Michigan and the USDA. Please let me know if you have any questions about the information provided.

Sincerely,



Maura D. Corrigan

C: Jason Turner
S.I.G. members
Honorable Dave Camp
Bill McBride
Duane Berger