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TO: Members of the Assembly Committee on Public Benefit Reform
FROM: Rep. André Jacque
DATE: June 20, 2017
RE: Assembly Bill 263

Chairman Krug and members of the Assembly Committee on Public Benefit Reform,

Thank you for the opportunity to testify before you today as the author of Assembly Bill 263. This proposal fights fraud within Wisconsin's FoodShare program by providing reimbursement to local governments for fraud prevention and recovery efforts in FoodShare and Medical Assistance, limiting the number of FoodShare replacement cards annually to 4, and expunging unused FoodShare benefits after one year. To the extent that Federal funding or authority is required for any of these components, this proposal requires DHS to request a waiver from the U.S. Department of Agriculture. Such waiver requests are expected to be more favorably received by the present administration than those in the past.

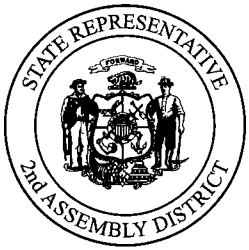
AB 263 is a combination of 2015 AB 535/SB 472, 2015 AB 200/SB 136, and 2015 AB 188, each of which has previously received bi-partisan support.

County/Tribal Fraud Detection Reimbursement

This component of the proposal passed the Assembly Public Benefit Reform Committee in 2015 on a unanimous 15-0 vote and passed the full Assembly in 2013 on a voice vote, and will provide reimbursement to local government for fraud detection and recovery efforts that safeguard the integrity of public benefit programs and prevent the waste of taxpayer dollars.

This proposal encourages counties to make greater efforts against public assistance fraud by allowing counties, tribal governments or regional consortia to keep up to 20% of the total funds that would be saved over a 12-month period as a result of their efforts (and likely not discovered but for their efforts) detecting fraud in Foodshare and Medicaid, providing an enhanced funding mechanism for counties to fight waste, fraud, and abuse in programs implemented on the county level for the state and federal government. The proposal also provides that, if a county or tribe chooses to receive a reward payment under the optional incentive program, the county or tribe may not also retain 15 percent or any other portion of recovered MA or FoodShare overpayments that were made as a result of the identified fraudulent activity.

Even though taxpayers overall save many times more than is spent on fraud prevention, there is currently little incentive for counties to fully engage in these efforts since they expend more general levy dollars than counties are able to recoup from the state or federal government. An example of proactive



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fraud investigation can be seen in Brown County, which for several years has uncovered more than a million dollars in fraud annually, with over one hundred related prosecutions. Unfortunately, the county's costs to conduct these activities are typically well over double what they are able to recoup in payments- basically, Brown County taxpayers are paying the state and federal government for fraud they have uncovered.

This county-based incentive is another tool for counties to use in rooting out waste, fraud and abuse while alleviating District Attorney caseloads, and detecting fraud that can be done more efficiently at the local rather than state level. This incentive will also help to ensure that assistance through these programs remains available to those who truly need it.

Limiting the issuance of FoodShare replacement cards

As responsible stewards of tax dollars, it is incumbent upon us to ensure that FoodShare benefits are not only delivered to those who truly need them, but that they are also used for their intended purpose. Too often, FoodShare (QUEST) cards are reported stolen, lost, damaged or destroyed, only to be trafficked and later used to benefit someone other than their intended beneficiary. Currently, there is no limit to the number of replacement QUEST cards a beneficiary may request. This proposal seeks to allow DHS to limit the number of replacement cards it must issue annually to a total of four, as suggested in the 2012 Joint Audit Committee examination of the FoodShare Program.

Expunging unused FoodShare balances

This proposal aligns Wisconsin's FoodShare program with federal Supplemental Nutrition Assistance Program (SNAP) guidelines regarding the freezing of benefits from inactive accounts after six months and expungement of benefits if they remain unused after a one year period. Presently, many exceedingly large monthly FoodShare program balances in the thousands of dollars (up to a state high of \$14,496) are being carried over, posing a significant possibility of future fraudulent use.

For the program to function as it was meant to be, the amount of the assistance through Foodshare should be used by recipient households on a monthly basis to supplement nutritional needs, not as a savings account. Program participants that use their benefits as intended are rightly stunned and even upset when they learn of the excessive surplus funds amassed by some recipients, and law enforcement officers are concerned that the hoarding of large balances will serve as an invitation for fraudulent activity.

The Wisconsin Counties Association has previously raised concerns about "fragmented, inadequate and inconsistent" funding for both front-end verification and fraud investigations. The inclusion of fair reimbursement for fraud detection and proactive preventative efforts within public assistance programs safeguards the integrity of these programs and assures taxpayers that public funds are allocated appropriately and utilized for their intended purpose. Thank you for your consideration of AB 263.

STANDING COMMITTEES:
Natural Resources & Energy, Chair
Transportation & Veterans Affairs



JOINT COMMITTEES
Audit Committee, Co-Chair
Information Policy and Technology

June 20, 2016

Testimony on Assembly Bill 263
Senator Robert Cowles

Thank you Chairman Krug and committee members for the opportunity to discuss Assembly Bill 263. Currently, some people receiving Foodshare benefits are using them like savings accounts. In some instances maintaining balances as high as \$14,000 dollars. With such high balances being carried over, the potential for abuse of Wisconsin Foodshare benefits is high. AB 263 requires DHS to remove and store offline all FoodShare benefits posted to a recipient's benefit account if the account has not been accessed in six months or longer and expunge any FoodShare benefits that have not been used after one year.

While I understand that many people may have a need to carry over some of their Foodshare dollars from month to month, however this bill specifically targets accounts that have been completely inactive for over six months. Wisconsin Foodshare is intended to help feed families in need and not be used as a savings account to accumulate huge taxpayer funded balances.

In 2012, the Legislative Audit Bureau released report 12-8: Foodshare Wisconsin, which raised concerns that a form of fraud called "benefits trafficking" (when a benefit recipient sells their electronic cards for cash) is occurring in Wisconsin. It is my hope that this bill will not only ensure that Foodshare is running as intended, but that the optional incentive programs, created in the bill, will identify fraud occurring in our communities and deter fraudsters from cashing in at the taxpayers' expense with large unused benefits balances.

These reforms will help to ensure that our programs are running as they have been intended to run. Curbing waste, fraud and abuse has always been a priority of mine, and I feel that AB 263 has the opportunity to make a major impact in our communities by reducing the risk of benefits trafficking.

Assembly Bill 263 can be a vital tool in updating and addressing Wisconsin Foodshare benefit payments and can potentially help to save expending federal tax dollars and deter those defrauding programs to help those who truly need the Foodshare program.

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Welfare fraud busts only 'tip of the iceberg'

Doug Schneider, USA TODAY NETWORK-Wisconsin Published 12:54 p.m. CT Nov. 2, 2015 | Updated 5:51 p.m. CT Nov. 2, 2015



(Photo: Doug Schneider/Press-Gazette Media)

BELLEVUE — A bill being introduced in Madison could save Brown County more than \$200,000 a year in welfare-fraud investigation costs.

Rep. Andre Jacque, R-De Pere, is introducing legislation to enable counties and Indian tribes to keep 20 percent of the money they save by halting the benefits of persons arrested for welfare fraud.

"We're only hitting the tip of the iceberg," Jacque said during a news conference at the sheriff's office. "It's thoroughly important that we reimburse local governments for these costs."

County officials said their efforts are saving local taxpayers close to \$1 million per year in payments not made to people ineligible for welfare benefits. But they say they could do more if they could keep some of the saved money and plow it back into fraud investigation.

They said current laws discourage counties from pursuing cases because they know there will be little financial return for the time and dollars invested. Better enforcement, they said, would mean that more money is available for the people for whom it is intended.

"We need to make sure that those who are in need are ultimately receiving these dollars," County Executive Troy Streckenbach said. He joined Jacque, Sheriff John Gossage and Public Safety Committee Chairman Patrick Buckley at the news conference.

Since 2011, Brown County has averaged 196 welfare-fraud investigations per year and is on pace to approach that figure for 2015, figures from the sheriff's office show. Prosecution results in one of every six or seven cases, officials said.

A 2012 investigation into fraud at a Green Bay liquor store, for example, took months, yielded multiple arrests and sent a couple of the ring leaders to jail. Others were kicked off the welfare rolls for a year. Officials said at the time that people stole more than \$10,000 from the state's Quest program in one month alone.

Brown County has two investigators dedicated to fighting fraud. The county could increase that number, and likely add an assistant district attorney to prosecute fraud cases, if some of the money from fraud busts wasn't leaving the area, Streckenbach said.

Buckley said the fraud takes a human toll.

He spoke of a longtime resident of Green Bay's west side who needed housing assistance money because he lost his job. But the program had already paid out all the money it had budgeted for the year.

"There was no money available for housing, so he had to move in with a family member," Buckley said. "We can't allow that to keep happening. We need to keep this money in the hands of the people who truly need it."

Jacque projected that the proposed change to the law would cost the state \$1.2 million. The Assembly approved a similar measure during the 2013 session, but the bill failed to clear the Senate.

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Fraud tip line

Call (920) 448-6378 to report suspected welfare fraud in Brown County.

Read or Share this story: <http://gbpg.net/1Mtmfms>

Food stamp and WIC fraud still "rampant" in Wisconsin despite state's efforts to crack down

POSTED 9:08 PM, NOVEMBER 16, 2014, BY STEPHEN DAVIS AND MEGHAN DWYER, UPDATED AT 10:13PM, NOVEMBER 16, 2014



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Food stamp and WIC fraud still "rampant" in Wisconsin despite state's efforts to crack down



MILWAUKEE (WITI) -- Food stamps being sold on the internet, moms trading formula for cigarettes -- and taxpayers footing the bill. These aren't new scams, but as the FOX6 Investigators have discovered, they are still really easy to pull off, despite recent efforts by the Wisconsin Department of Health Services and the Milwaukee County District Attorney's Office to crack down on fraud.

DHS says since the release of the FoodShare Program Audit Report in 2012, a new Fraud, Recovery, and Enforcement (FIRE) Section of the Office of the Inspector General has saved taxpayers a whopping \$25 million annually. DHS says it has ramped up efforts to monitor fraudulent activity in addition to preventing it upfront.

The state has even developed a hotline to make it easier for people to report suspected food stamp fraud.

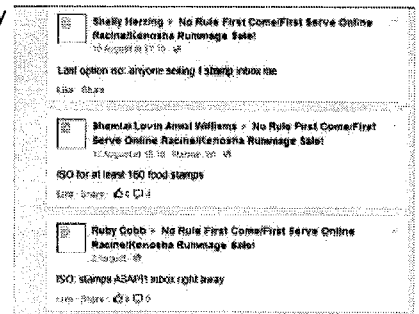
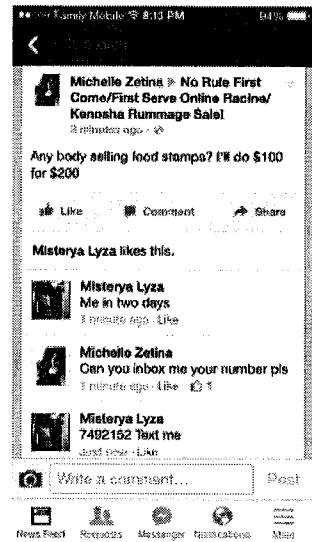
But a simple search on Facebook shows there's still plenty of people trying to beat the system. Online rummage sale groups on Facebook seem to be the most popular places to advertise. In most cases, buyers pay 50 cents on the dollar for Quest cards -- the green debit cards that replaced actual food stamps more than a decade ago.

Just take a look at these posts from earlier this year. For those of you not familiar with the lingo, "ISO" means "in search of."

FOX6 found dozens of people searching online for food stamps to buy for cheap.

"I think it is incredibly rampant. One of the frustrating things is that it's so accepted. Everybody buys them and everybody sells them. No one stops to think that it's wrong and that it is really taking food out of people's mouths," Assistant Milwaukee County District Attorney David Feiss said.

Because Milwaukee County has hundreds of thousands of people getting food assistance (in 2012, \$334,332,215 worth of food stamps were given to residents) - Feiss says it doesn't make sense to prosecute each person who might be selling their benefits.



So he follows the money.

"If I have a store that's defrauding the program out of \$30, \$40, \$50,000 in a year, I think I can have more impact on fraud against the program by going after that store owner than I can going after a hundred recipients," he says.

WIC, a nutrition program for women, infants and children, allows pregnant women and new mothers to buy healthy foods and formula for their babies.

But instead of buying fruits and vegetables, some people choose cash and cigarettes -- and some stores are all too willing to cash in. Undercover video obtained from Milwaukee County investigations shows undercover informants getting cash for WIC checks, and buying cigarettes instead of food or formula for their children.

The cashiers get the WIC checks, which are normally worth \$100-\$150. In exchange, the stores give the women cash, anywhere from \$20-\$50, and sometimes they throw in a pack of cigarettes.



"It is a very easy crime to commit and it's a very high-profit crime and the consequences to date have not been all that severe," Feiss said.



To change that, the Milwaukee County District Attorney's Office is working with DHS to crack down on WIC fraud. Dozens of store owners have been prosecuted in the last few years for theft or providing cash for WIC checks. Now the District Attorney is pushing hard for deportation, too, because about half of the store owners who end up in trouble are not U.S. citizens, says Feiss.

State Representative Samantha Kerkman (R-Salem) was one of the lawmakers who insisted on a state audit of the food stamp program a few years ago to "make the program what it should be."

"I'm a mom with two kids, and I just want to make sure that we're feeding the kids that we need to," Rep. Kerkman said.

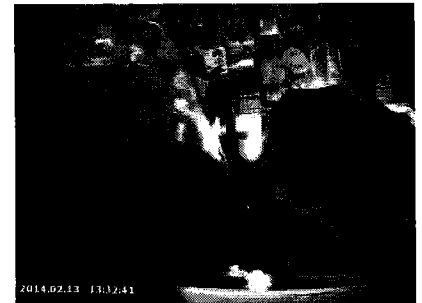
That 2012 audit revealed prisoners were receiving food stamps, people were spending their food stamps in other states, and more than 1,000 people had asked for new Quest cards -- some more than 22 times in a single year (a red flag they probably sold their own for cash).

"The selling of cards and the number of replacements cards was probably one of the biggest things that really did shock me," Rep. Kerkman said.

Since then, the state has taken major efforts to crack down on FoodShare fraud, but Kerkman says she's still waiting on the data to prove it.

"We need to really work together better because the communication hasn't been there between the state and federal government on this program," Rep. Kerkman said.

The FOX6 Investigators submitted an open records request to DHS in the summer of 2014. The goal of that request was to compare data from the audit to current data -- to see just how much progress has been made in curbing food assistance fraud.



According to the data available, DHS says it has managed to save more than \$2 million by making sure state prisoners aren't receiving food stamps. The state has also sent out 1,739 letters to benefit recipients who are suspected of fraud because they've asked for more than six Quest card replacements in a year's time.

Even after getting the warning letter, 56 households across the state have continued to request replacement cards.

When FOX6 News asked for data on the actual numbers of replacement cards issued since the audit, DHS wanted FOX6 to pay \$722.56 for the records.

Rep. Kerkman says she's currently trying to get more statistics to make sure the state's doing everything it can to make the program run efficiently.



She says county governments sometimes have limited resources to investigate FoodShare fraud, which is why the state should be keeping careful track of their efforts. Rep. Kerkman's also pushing for photo IDs to be put on Quest cards.

"I'd like to put the photo ID on the card of the adults who are utilizing the benefit in the household," Rep. Kerkman said.

Feiss and Rep. Kerkman both agree the people who sell their food stamps on Facebook or cash in their WIC checks for cigarettes don't represent the majority of people receiving food assistance. But the fact that it happens so openly should be frustrating to taxpayers.

"No one minds giving out a helping hand -- but we don't want to be abused," Feiss said.

If you want to report someone you suspect of committing WIC or FoodShare fraud, the phone number for the state's new fraud hotline is 1-877-865-3432, or you can report online here: <https://www.reportfraud.wisconsin.gov/rptfrd/default.aspx>.

FOX 11 Investigates: Big FoodShare balances

by Robert Hornacek
Thursday, November 13th 2014

Food Stamps are supposed to help people in need. But FOX 11 Investigates found that some people receiving benefits aren't using them. Instead, they're using them like savings accounts. Some people have balances as high as \$14,000 dollars. And it's all legal.

There are more than 400,000 families in Wisconsin on the federal FoodShare program, including Mario Metoxen from Green Bay.

"I think it's a great thing for me and my son. It really helps. I need it," Metoxen said. He says he receives more than \$500 a month in FoodShare.

"I get about \$300 or something," said Jessica Campbell of Green Bay who is also on the program.

Metoxen and Campbell both say they usually use every penny of their monthly allotment.

But FOX 11 Investigates found some people are using the program like a big savings account, racking up thousands and thousands of your tax dollars.

"It's just stunning. It's not something that should happen," said State Rep. Andre Jacque (R-De Pere) after we showed him the findings of our investigation.

We found FoodShare balances across Northeast Wisconsin topping \$4,000 and \$5,000. And that's nothing.

We obtained documents that show a FoodShare recipient in Green Lake County has \$12,257 in the FoodShare bank. A Milwaukee County family has \$12,956. The biggest bank in the state belongs to a family in Douglas County at \$14,496.

"It's terrible," Campbell said. "They should be cut off. Obviously they can pay for their own and have means of taking care of them themselves. The state doesn't need to care of them."

"That's wrong if they're not using it. It's a clear thing of abuse of the system, I think," Metoxen added.

So who are the people running these huge balances? We don't know. The government doesn't release the names of recipients.

Shelby Jensen oversees the FoodShare program in Green Lake County.

"Food Share is a federal program so its guidelines that we have to go by," Jensen said. "It's not like we're like somebody comes in off the streets and is like, 'Oh, I could use \$250.' That's not how it works."

Under the federal rules for the program, recipients are allowed to carry over their benefits for one year. So if they don't use the money, they can save it and use it any time within a year. The choice is theirs.

"I think what people have to realize is that we administer the programs and I can't tell somebody how

to manage their food stamp dollars. If they want to carry them over for the whole year and use it for something, that is their choice. I can't tell somebody how to use those benefits that they were entitled to," Jensen said.

Jacque says while the big balances may be legal, he doesn't think that's how the program is meant to be used.

"If this is really meant to fill a need then whoever is receiving the benefit should be able utilize that from a month to month period or at least with a little carryover but not into the thousands of dollars," Jacque said.

When asked if this shows that some people are getting benefits they don't really need, Jacque replied, "I think absolutely."

FOX 11 Investigates went to Madison to find out what state regulators have to say about the balances.

"It's something we follow up on but it's not really a fraud flag," said Alan White, Inspector General with the Department of Health Services. The agency was created three years ago to look at waste, fraud and abuse.

White says the agency investigates any balance above \$5,000 but he says they typically find a reasonable explanation.

"When you see those large, \$5,000 or \$10,000 we're assuming when we look at it they are large families that may have other sources of obtaining food, they may go to food pantries, there are some people who don't like to be using public assistance and they use it as little as they can," White said.

He also said the Inspector General's Office is more concerned with fraud than with people who carry big balances.

"Fraud is misuse of money," White said. "People may be getting more services than they need or that they choose to use but they're eligible for it. We would look more to people who misuse the card rather than fail to use the card.

Meanwhile, Shelby Jensen wants to know more about the big balance in her county.

"I don't know why it was not looked at," she said. "I'm going to find out."

We asked if it is possible the person with the big balance has moved away.

"It could be that," she said. "It could be that they moved away and maybe are not here. Or it could be for who knows what other issues."

Whatever the explanation, Jacque says something needs to change.

"Every program should be looked to make sure we're doing things as well as we can," Jacque said.

Jacque says he wants to find out whether the state can put its own limits on the amount of benefits that can be carried over. He plans to introduce a bill to address FoodShare balances next session.

We'll keep you posted on its progress.

Annual Fraud Prevention and Integrity Program Performance by Consortium

BAY LAKES		2012				2013				2014				2015				2016				Total Future Savings	Total Investigations						
		FS Overpayment Amount	FS Future Savings	FS Investigations	MA Overpayment Amount	MA Future Savings	MA Investigations	MA Overpayment Amount	MA Future Savings	MA Investigations	MA Overpayment Amount	MA Future Savings	MA Investigations	MA Overpayment Amount	MA Future Savings	MA Investigations	MA Overpayment Amount	MA Future Savings	MA Investigations										
	BROWN COUNTY	\$249,560	\$242,478	247	\$219,431	\$328,692										\$468,991	\$571,170	166								\$571,170	287		
	MARINETTE COUNTY	\$75,240	\$64,593	52	\$111,751	\$274,200										\$186,991	\$338,793	41									\$338,793	80	
	OCONTO COUNTY	\$24,088	\$62,522	35	\$54,468	\$122,470										\$78,556	\$184,993	44									\$184,993	73	
	SHAWANO COUNTY	\$0	\$4,758	1	\$0	\$3,600										\$0	\$8,358	1									\$8,358	1	
	2012 Total																												
	BROWN COUNTY	\$292,910	\$304,971	337	\$179,451	\$147,846										\$472,341	\$452,817	182										\$452,817	368
	DOOR COUNTY	\$0	\$0	0	\$27,479	\$1,200										\$27,479	\$1,200	1										\$1,200	1
	MARINETTE COUNTY	\$45,635	\$74,658	57	\$102,015	\$256,800										\$147,651	\$331,458	39									\$331,458	76	
	OCONTO COUNTY	\$22,534	\$39,042	42	\$88,374	\$36,600										\$110,908	\$75,642	28									\$75,642	58	
	SHAWANO COUNTY	\$2,142	\$2,268	1	\$4,529	\$2,400										\$6,671	\$4,668	2									\$4,668	2	
	2013 Total																												
	BROWN COUNTY	\$137,363	\$287,538	416	\$128,419	\$206,400										\$265,782	\$493,938	130									\$493,938	434	
	MARINETTE COUNTY	\$50,849	\$77,725	71	\$109,723	\$191,400										\$160,572	\$269,125	34									\$269,125	90	
	OCONTO COUNTY	\$20,842	\$22,752	36	\$77,751	\$22,200										\$98,593	\$44,952	26									\$44,952	51	
	2014 Total																												
	BROWN COUNTY	\$195,829	\$314,027	373	\$429,448	\$454,200										\$625,277	\$768,227	275									\$768,227	523	
	MARINETTE COUNTY	\$57,117	\$119,249	89	\$122,076	\$186,000										\$179,194	\$305,249	83									\$305,249	137	
	OCONTO COUNTY	\$6,488	\$8,677	19	\$11,553	\$10,800										\$18,041	\$19,477	13									\$19,477	24	
	2015 Total																												
	BROWN COUNTY	\$700,300	\$439,690	591	\$935,518	\$544,879										\$1,635,819	\$984,569	623									\$984,569	923	
	DOOR COUNTY	\$8,520	\$11,112	13	\$86,948	\$32,554										\$95,468	\$43,666	35									\$43,666	42	
	MARINETTE COUNTY	\$75,859	\$81,279	98	\$200,833	\$111,000										\$276,692	\$192,279	120									\$192,279	184	
	OCONTO COUNTY	\$20,977	\$32,874	38	\$53,288	\$54,522										\$74,265	\$87,396	51									\$87,396	71	
	SHAWANO COUNTY	\$13,255	\$36,870	27	\$55,889	\$38,733										\$69,144	\$75,603	40									\$75,603	59	
	2016 Total																												
	BAY LAKES Total	\$1,999,509	\$2,227,084	2,543	\$2,998,926	\$3,026,497										\$4,998,435	\$5,253,581	1,934									\$5,253,581	3,484	