



CDSS

WILL LIGHTBOURNE  
DIRECTOR

STATE OF CALIFORNIA—HEALTH AND HUMAN SERVICES AGENCY  
**DEPARTMENT OF SOCIAL SERVICES**  
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EDMUND G. BROWN JR.  
GOVERNOR

September 14, 2012

Mr. Allen Ng, Regional Administrator  
Western Regional Office  
United States Department of Agriculture  
90 Seventh Street, Suite 10-100  
San Francisco, CA 94103

Dear Mr. Ng:

**SUBJECT: CALFRESH RECIPIENT INTEGRITY PLAN**

The California Department of Social Services (CDSS) thanks United States Department of Agriculture (USDA) Food and Nutrition Service (FNS) Western Region Office (WRO) for the ongoing partnership in addressing this important area of program integrity. Enclosed is CDSS' Final CalFresh Recipient Integrity Plan, herein referred to as the CalFresh Integrity Plan, which reflects our ongoing efforts to address CalFresh/SNAP Electronic Benefit Transfer (EBT) trafficking, as well as the implementation of new processes, based on the conclusion of our CalFresh Integrity Plan Workgroup (IPW).

CDSS views this plan as a further example of the joint roles and responsibilities of the various agencies involved in program integrity. The USDA, FNS and the Office of the Inspector General (OIG), along with CDSS and local law enforcement/investigative agencies work together in a coordinated effort to prevent and eliminate CalFresh trafficking. USDA and OIG have primary responsibility to monitor and take appropriate action against retailers involved in trafficking related incidents, while CDSS and County Welfare Department (CWD) Special Investigation Units (SIUs), or local law enforcement/investigative agencies have responsibility to monitor and take appropriate action against recipients who are involved in trafficking.

This final CalFresh Integrity Plan replaces the Preliminary plan submitted on April 31, 2012, and is a viable statewide approach that reflects and incorporates California's differing program integrity resources and challenges. As previously described, CDSS conducts investigations through each of our 58 CWDs, and as a result felt it necessary to utilize a workgroup to assist with the development of this final plan. The workgroup was comprised of key staff representing CalFresh Program, CWDs, SIUs, District Attorney, and Information Technology from large, medium and small counties.

Mr. Allen Ng  
Page Two

There was also representation from the Statewide Automated Welfare Systems, the Office of Systems Integration, the California Welfare Fraud Investigators Association, and Welfare Advocates.

Although the workgroup members had varying and unique perspectives, CDSS found the process to be extremely successful and worthwhile. The stakeholders provided CDSS a common theme that permeated the more detailed discussions regarding what strategies to pursue in order to more accurately meet the intent of the integrity plan. The workgroup met four full days during the months of May and June 2012. The workgroup of over 30 representatives was assembled into three teams that more fully discussed the following tracks: CalFresh trafficking policy, FNS ALERT case processes, employee fraud and excessive card replacement processes. The IPW also discussed strategies regarding data mining and media response. Out of those discussions we established a framework of specific processes and products for development. Moreover, there was a consensus to pursue prevention activities, primarily in the form of informational and educational material, as critical to the success in reducing trafficking in CalFresh.

The timeframes in the plan are to be determined based on staffing and mandated priorities, and the ability to fully develop each step of the process. CDSS has made and will continue to make, recommendations for FNS WRO to consider as we work together to enhance the effectiveness of the plan. The CalFresh Integrity Plan is a working document that will be amended as different strategies are developed and evaluated, including the need for regulation development.

CDSS is committed to promoting program integrity and believe the actions outlined in the attached document reflect that commitment. If you have any questions please contact me at (916) 657-3546, or your staff may contact Maria Hernandez, Chief of the Program Integrity Branch at (916) 657-3451 or by email at [maria.hernandez@dss.ca.gov](mailto:maria.hernandez@dss.ca.gov), or Brenda Barner, Manager of the Overpayment Collection and Review Unit at (916) 651-3985 or by email, at [brenda.barner@dss.ca.gov](mailto:brenda.barner@dss.ca.gov).

Sincerely,



TODD R. BLAND  
Deputy Director  
Welfare to Work Division

Enclosure

c: Dennis Stewart, FNS

California Department of Social Services (CDSS)  
Supplemental Nutrition Assistance Program (SNAP)/CalFresh  
(CalFresh Integrity Plan)  
September 14, 2012

**CalFresh EBT Trafficking Policy**

*Food and Nutrition Services (FNS) Recipient Integrity Plan Expectations:*

- *Develop or enhance the state trafficking statute.*
- *Develop agreements with local prosecuting agencies to pursue SNAP recipient integrity, provide updates to FNS, Western Region Office (WRO) as they occur.*

CDSS Response:

- The CalFresh Integrity Plan Workgroup (IPW) reviewed California's CalFresh benefit/EBT trafficking statutes and determined that as it mirrors current federal guidelines it sufficiently addresses recipient EBT trafficking. The IPW did not recommend any changes to statutes at this time.
- All California County Welfare Departments (CWDs) currently contract with District Attorney (DA) offices to prosecute welfare fraud, including CalFresh EBT trafficking. The current agreements are renewed annually with local prosecuting agencies. Upon request, CDSS can share with FNS WRO the sample language provided to CWDs for their respective agreements.

**ALERT Case Process**

*FNS Recipient Integrity Plan Expectations:*

- *Develop communication protocol between FNS WRO and CDSS.*
- *States will establish the criteria for pursuing recipients identified in the Recipient Trafficking Cases (known as ALERT Cases), the criteria will address the following actions: investigations pending, prosecutions, convictions, disqualification consent agreements (DCAs), intentional program violations (IPVs) dismissals, decision not to pursue, acquittals, and warning letters.*
- *States will initiate action against recipients involved in possible trafficking with disqualified retailers. The initial timeframe for actions will be: (1) Investigations completed within 90 days of receipt of Recipient Trafficking Case for non-adjudicated cases and 180 days for cases in the hearing process; and (2) Warning letters sent to recipients within 30 days of completing the investigation.*
- *States will report results quarterly to FNS WRO using the Recipient Trafficking Report, due 10/31, 1/31/ 4/30, and 7/31.*

California Department of Social Services (CDSS)  
Supplemental Nutrition Assistance Program (SNAP)/CalFresh  
(CalFresh Integrity Plan)  
September 14, 2012

CDSS Response:

CDSS has an existing communication protocol in place whereby ALERT case data containing information on recipients who shopped at disqualified retailers is received from FNS WRO. When CDSS receives this information it is then forwarded to the respective County Human Services Agencies' Special Investigation Unit (SIU). However, prior to the implementation of this plan, there has not been a uniform statewide standard for SIUs to respond back to CDSS on the outcomes of the ALERT case information.

- The following is a general outline of the process to be implemented once CDSS receives the ALERT case data. This process is in the planning stages and full implementation is expected to take at least six months, as it will require instructions to county and SIU staff; review by stakeholders, including the IPW members; issuance of an informational letter (see section on Trafficking Prevention); issuance of an all-county letter with the material and applicable instructions; all pertinent language translations of the information and warning letters; and any necessary programming of the automated eligibility systems.
  - CDSS, rather than CWDs, will issue a warning letter (see Attachment 1) to all recipients included in the ALERT case transaction. Each recipient (head of household identified in the ALERT case data) will receive a standard warning letter. The letter is designed to inform the recipient that their EBT card was identified as having suspicious transactions and were made at a retail establishment that has been disqualified from participating in CalFresh transactions due to illegal EBT card sales. The letter will also provide information regarding the proper use of the EBT card and the penalties for trafficking.
  - The warning letters will be issued within 30 days from the date CDSS receives an ALERT case from FNS WRO. A copy of each letter will be sent to the respective CWD to be retained in the recipient's case file. CWDs will be notified when any household warning letter is returned as undeliverable. For undeliverable letters, CDSS will follow up with the CWD to determine benefit status and current address. When a current address is determined, the CDSS will resend the warning letter to that address.
  - The ALERT case documents and copies of the warning letters will be sent to the CWD SIU within 10 days of the CDSS issuing the warning letters.

California Department of Social Services (CDSS)  
Supplemental Nutrition Assistance Program (SNAP)/CalFresh  
(CalFresh Integrity Plan)  
September 14, 2012

- Upon receipt of an ALERT case from CDSS, the SIUs will initiate a referral for potential investigation of recipients identified in the ALERT case with \$500 or more of questionable transactions in one or more ALERT transaction report (SIUs will have the discretion to investigate households with less than \$500 of suspicious transactions). The CWD SIU will determine whether an investigation is conducted and report the outcome.
- The CWD SIU will complete any investigations within 180 days if pursuing an Intentional Program Violation (IPV) through adjudication (Prosecution, Disqualification Consent Agreement, Administrative Disqualification Hearing (ADH), or ADH Waiver). An investigation or assessment of the case will be done within 90 days on cases when the CWD determines administrative action will be taken.
- CWDs will be required to track and report these referrals and outcomes to CDSS, whether an investigation is conducted or not. CWD SIUs will report back to CDSS on all outcomes on a quarterly basis, including whether the investigation revealed the suspicion of fraud was unfounded and/or unverifiable. This information will be posted on the CDSS web page upon full implementation of the CalFresh Integrity Plan.
- CDSS will report quarterly to FNS WRO via the "FNS WRO Recipient Trafficking Report." The reported information will be from the prior two quarters. FNS WRO will receive their first report within three months of full implementation of the CalFresh Integrity Plan. The data reports will also be posted on the CDSS webpage once the CalFresh Integrity Plan had been fully implemented.

### **Data Mining**

#### *FNS Recipient Integrity Plan Expectations:*

- *States and vendors will develop a data mining tool that will identify recipient trafficking patterns, data mining will be included as a component of future Request for RFPs.*
- *California will use Statewide Automation Reconciliation Report System (SARS) and Electronic Payment Processing and Information Control (EPPIC) system to run ad hoc recipient reports to identify potential trafficking patterns and follow-up on Recipient Trafficking cases.*

California Department of Social Services (CDSS)  
Supplemental Nutrition Assistance Program (SNAP)/CalFresh  
(CalFresh Integrity Plan)  
September 14, 2012

CDSS Response:

- The estimated time for CDSS to negotiate and develop data mining protocols and implementation through Xerox (EBT Vendor) is at least one year. Updates on the completion of this activity will be provided to FNS WRO and the state's CalFresh IPW members on a quarterly basis.
- In the interim, CDSS has requested that Office of Systems Integration (OSI) produce ad hoc reports which identify information about excessive EBT card replacements utilizing both the California standard of four active card replacements in four consecutive months (see below), and the FNS proposed standard of four active card replacements in 12 months (this is the proposed standard included in proposed rules in Federal Register (FR) Volume 77 No. 104, dated May 30, 2012). If necessary upon implementation of the final Federal Rule, CDSS will promulgate state regulations defining what constitutes "excessive card replacement" to assure that the standard is implemented uniformly on a statewide basis.
- CDSS will review the data, compile and send applicable data to CWD SIUs if the data identifies excessive card replacement activity, as defined by the protocols established by the IPW.

**Excessive Card Replacements (CR)**

*FNS Recipient Integrity Plan Expectations:*

- *Each State will develop a process for reducing excessive card replacements (CRs). Excessive is defined as five or more replacements in six months. (Please note this standard is different that the proposed standard contained in FR Volume 77, No. 104, referenced above).*
- *States are to share their card replacement plan with FNS WRO, which will include: (1) how CR will be monitored; (2) determining CR threshold before action is taken; and (3) clarifying what actions will be taken based in part on potential fraud or the need for enhanced recipient training.*
- *States will report actions taken against recipient who exceed the CR threshold on a semi-annual basis, due 10/31 and 4/30.*

**CDSS Response:**

- The following is a general outline of the process to be implemented once CDSS begins monitoring CR replacement reports. This process is in the planning stages and full implementation is expected to take at least six months, as it will

California Department of Social Services (CDSS)  
Supplemental Nutrition Assistance Program (SNAP)/CalFresh  
(CalFresh Integrity Plan)  
September 14, 2012

require instructions to county and SIU staff; review by stakeholders, including the IPW members; issuance of an informational letter (see section on Trafficking Prevention); issuance of an all-county letter with the material, applicable instructions and translated versions of the contact letter to be sent out by the CWDs; and any necessary programming of the automated eligibility systems.

- Based on state data of EBT replacements and qualitative experience of IPW members, California developed its own definition of excessive CR, which is: “cardholders that have at least one card replacement (for active cards that have had at least one transaction) for four consecutive months.” The workgroup’s rationale was that a pattern of replacement requests over consecutive months with a successful transaction is a better indicator of potential misuse.
- Excessive CRs will be monitored as follows:
  - On an interim basis, CDSS will monitor and compile monthly reports for excessive replacement, as defined in the threshold standards developed by the IPW.
  - Referrals will be made to CWD SIUs with all pertinent data as necessary, as established by IPW and outlined in the Excessive CR Plan below.
  - CDSS has requested OSI to develop two new standard investigative reports, which may become the more permanent solution.
    - ✓ Report one: Identifies clients with one active EBT card replacement, with at least one transaction for four consecutive months.
    - ✓ Report two: Identifies clients meeting excessive EBT card replacement criteria of four or more requests to replace active cards within a 12 month period (based on FNS proposed criteria).
- The chart below outlines the CR plan of action and includes points of contact before action is taken, and actions that will be taken once the IPW definition of excessive CR is reached (see Attachment 2 for the draft warning letter). The actions in the CR plan are based off monthly monitoring of the CR report (generated in SARS) that will be done by CDSS. Implementation is expected to take at least six months.

California Department of Social Services (CDSS)  
 Supplemental Nutrition Assistance Program (SNAP)/CalFresh  
 (CalFresh Integrity Plan)  
 September 14, 2012

<b>CalFRESH Excessive Card Replacement Plan</b>			
<b>Number of Card Replacements</b>	<b>Action</b>	<b>Monitoring Process</b>	<b>Responsible Agency Notes</b>
Four Card Replacements	Warning letter (attachment 2)	CDSS will issue warning letter after four CRs in four consecutive months	CDSS
Six Card Replacements	"Contact us" letter	CWD may issue letter for recipient to contact CWD after two additional CRs (CWD will have discretion to refer to SIU).	CWD - Generate contact letter based on CDSS referral if the CWD case assessment warrants such action.
Eight or more Card Replacements	Fraud Referral	CDSS will initiate fraud referral to CWD SIU for investigation after a total of eight or more CRs.	CWD will report outcome on DPA 266.  CDSS will report to FNS semi-annually.

Developed by the CalFRESH Recipient Integrity Plan Workgroup -June 2012  
 State Implementation

- CDSS will report to FNS WRO any actions taken against recipients who exceed the CR threshold on a semi-annual basis, beginning December 31, 2012.
- CDSS requests to further partner with FNS WRO to set a triage of additional potential responses, based on thresholds and potential misuse indicators. To prioritize resources, CDSS requests to work with FNS WRO to evaluate and establish other protocols to identify recipient trafficking. For example, multiple card issuances with numerous PIN changes could potentially indicate fraud and may merit a separate study.



California Department of Social Services (CDSS)  
Supplemental Nutrition Assistance Program (SNAP)/CalFresh  
(CalFresh Integrity Plan)  
September 14, 2012

**Social Media**

*FNS Recipient Integrity Plan Expectations:*

- *States to develop a process for monitoring social media: Report to FNS WRO on recipients identified through this process, investigations started and actions taken against recipients trafficking via social media on an annual basis, due 10/31.*

**CDSS Response:**

- CDSS monitors social media sources daily, with extra scrutiny of Craigslist, Facebook and Twitter. CDSS will use data resources and social network relationship software to that can help identify anonymous sellers. For example, on Twitter a person's true identity is not known, as they use screen names when posting, but they could have possibly left a phone number or email address. This software will be helpful in identifying the individual who posted the information through their relationships and would enhance the investigation referral.
  - CDSS currently notifies Craigslist of trafficking related postings and requests posting removals; Craigslist has generally cooperated in removing such postings. We do not request that Facebook and Twitter remove ads because these are personal web pages.
  - Screen prints from Craigslist, Facebook and Twitter are forwarded to the county SIUs for investigation.
  - Following an IPW recommendation, CDSS is developing email responses directed to buyers and sellers of EBT benefits. The emails will notify individuals of the penalties associated with trafficking and the rights and responsibilities respectively. This is in the development stages and implementation is expected to take at least three months.
  - Each September CDSS will issue a questionnaire for SIUs to report the status of social media referrals, and will report the results to FNS annually in October.

**Controls against Employee Fraud**

*FNS Recipient Integrity Plan Expectations:*

- *Implement controls against Employee Fraud.*

California Department of Social Services (CDSS)  
Supplemental Nutrition Assistance Program (SNAP)/CalFresh  
(CalFresh Integrity Plan)  
September 14, 2012

CDSS Response:

- CDSS will develop and maintain statewide protocols for sharing best practices employed by counties to prevent, detect and investigate employee fraud. Some examples of best practices that may be included are: processes for training workers on employee fraud; protocol guidelines to ensure fraudulent activities do not occur, such as dual sign off or rotating unit assignments; statewide calls to discuss employee fraud “strategies” to alert other CWDs; and development of further monitoring and prevention processes. This includes any type of welfare fraud. CDSS will refer to the USDA Office of the Inspector General any incidents of employee fraud involving CalFresh.

**Media Image**

*FNS Recipient Integrity Plan Expectations:*

- *Leverage media by publicizing successful efforts to control fraud, waste and abuse; share all success stories with FNS WRO as they occur.*
- *States are to foster positive media stories, including successful anti-trafficking efforts, to counteract negative media.*

CDSS Response:

- CDSS will share all publicized efforts to control fraud, waste and abuse with FNS WRO as they occur.
- CDSS will work with the IPW to implement best practices for responding to negative media stories, to include coordination amongst affected agencies and talking points for media response.

**Trafficking Prevention**

- The IPW had broad agreement to pursue prevention activities, primarily in the form of informational and educational material, as critical to the success in reducing trafficking in CalFresh. In response to that consensus approach, the CDSS will be working to develop educational material in the form of a letter or brochure to be issued to all CalFresh recipients in California to ensure recipients know the rules and responsibilities regarding their EBT card and how to protect their benefits. Additionally, this material will inform them that their EBT card transactions can be tracked and the consequences of buying and selling an EBT card or purchasing ineligible items.

California Department of Social Services (CDSS)  
Supplemental Nutrition Assistance Program (SNAP)/CalFresh  
(CalFresh Integrity Plan)  
September 14, 2012

The implementation of this material is dependent upon departmental resources and is in the planning stages of development. CDSS expects this process will take at least six months.

- Other educational materials and efforts for prevention and education are in the initial planning stages and will likely be done in phases. Although, this effort is not an expectation by FNS WRO, details of the plan can be shared with FNS WRO as they are developed.

**Recommendations to FNS**

- CDSS encourages FNS to develop a “zero tolerance” policy for EBT fraud and require local vendors to post the policy as part of their approval process. The poster should indicate that EBT usage is monitored by federal, state and county agencies.

**ATTACHMENT 1**

**ALERT WARNING LETTER FOR CALIFORNIA**

*Drafted by the Cal-Fresh Integrity Plan Workgroup, June 2012*

Date

Client (head of household) name

Address

City, State and ZIP

Dear \_\_\_\_\_

You are receiving this warning letter because the California Department of Social Services (CDSS) Fraud Bureau has received information from the United States Department of Agriculture, Food and Nutrition Services, showing potential illegal use of your CalFresh Electronic Benefit Transaction (EBT) card. Computer records show your EBT card was used to make unusual purchases at a store that can no longer accept EBT cards. The store has been disqualified because it was participating in illegal EBT transactions.

CDSS monitors all EBT data use to make sure EBT cards are used correctly and to protect the CalFresh program. To keep your CalFresh benefits, you should know they may only be used to purchase food for you and your household that you actually eat.

It is illegal to buy or sell EBT cards or CalFresh benefits. It is also illegal to trade EBT cards or CalFresh benefits for cash or non-food items. Please be aware that any attempt to misuse EBT cards or benefits is considered illegal activity. Suspicious activity regarding the improper use of your EBT card may result in an investigation. Results of an investigation may include criminal prosecution, fines, and lifetime loss of CalFresh benefits.

You may continue to use the benefits on your EBT card. Please note that a copy of this letter will be placed in your county case file.

If you have any questions concerning this letter, please contact your local county welfare office or call \_\_\_\_\_ *(To Be Determined)* \_\_\_\_\_.

Sincerely,

Fraud and Emergency Food Assistance Program Bureau  
Program Integrity Branch

## ATTACHMENT 2

### WARNING LETTER FOR CALIFORNIA EXCESSIVE CARD CRITERIA (MONTH 4)

*Drafted by the Cal-Fresh Integrity Plan Workgroup, June 2012*

Date \_\_\_\_\_

Client (head of household) name \_\_\_\_\_

Address \_\_\_\_\_

City, State and ZIP \_\_\_\_\_

Dear \_\_\_\_\_

Our records show that you have asked for requested a high number of EBT card replacements. You have used a total of <x> activated cards in the past <x> months. This shows a problem with your EBT card or a possible misuse of your CalFresh benefits. You can use the same EBT card every month as long as you receive benefits. If you are having a problem with your EBT card, please contact \_\_\_\_\_.

As a reminder, intentional misuse of your EBT benefits is a crime. Listed below are violations of the CalFresh program. It is considered **misuse** or **trafficking** if you:

- Give wrong or incomplete facts to get or keep getting CalFresh benefits.
- Trade or sell CalFresh, or EBT cards.
- Use CalFresh benefits to buy ineligible items such as alcoholic drinks tobacco, baby diapers, paper or cleaning products.
- Use someone else's CalFresh benefits and/or cards for your household.

As a reminder, intentional misuse of your EBT benefits is considered fraud. Failing to follow the rules can result in an Intentional Program Violation (IPV). The penalties for an IPV are disqualification, AND you can be fined up to \$250,000 and/or put in jail/prison for up to 20 years. Disqualification means not being able to get CalFresh benefits for a period of time. The IPV penalties are:

- 12 months for the first violation;
- 24 months for the second violation; and
- Forever for the third violation.

Trafficking is trading or selling your CalFresh benefits, EBT cards, or the food you buy with your EBT card. If a court of administrative hearing finds you guilty of trafficking the penalties are:

- If you traded or sold any amount of CalFresh benefits for *controlled substances*, your benefits can be stopped for **24 months for the first violation and forever for the second violation.**
- If you traded or sold any amount of CalFresh benefits for *firearms, ammunition, or explosives*, your benefits can be stopped **forever for the first violation.**
- If you sold or traded \$500 or more worth in CalFresh benefits, regardless of what you traded them for, your benefits can be stopped **forever for the first violation.**

If you continue to ask for replacement cards, the local Program Integrity Unit may conduct an investigation to make sure that no fraudulent activities have occurred. If you have any questions concerning this letter, please contact *<state contact>* or your local county office's customer service at *<xxx-xxx-xxxx>*.

Sincerely,

*</s>*

(Responsible agency to be determined)

DRAFT