



CDSS

WILL LIGHTBOURNE
DIRECTOR

STATE OF CALIFORNIA—HEALTH AND HUMAN SERVICES AGENCY
DEPARTMENT OF SOCIAL SERVICES

744 P Street • Sacramento, CA 95814 • www.cdss.ca.gov



EDMUND G. BROWN JR.
GOVERNOR

June 7, 2013

ALL COUNTY LETTER (ACL) NO. 13-45

TO ALL COUNTY WELFARE DIRECTORS
ALL DISTRICT ATTORNEYS
ALL COUNTY HEARINGS MANAGERS
ALL COUNTY EBT COORDINATORS
ALL COUNTY CHIEF WELFARE FRAUD
INVESTIGATORS

SUBJECT: CALIFORNIA CALFRESH ALERT CASE PROCESS

REFERENCE: DEPARTMENT OF AGRICULTURE FOOD AND NUTRITION
SERVICE 7 C.F.R. 271.2; CALIFORNIA CALFRESH
INTEGRITY PLAN

REASON FOR THIS TRANSMITTAL

- State Law Change
- Federal Law or Regulation Change
- Court Order
- Clarification Requested by One or More Counties
- Initiated by CDSS

The purpose of this letter is to provide instructions regarding the review, processing and reporting actions to be taken as a result of information received from the United States Department of Agriculture (USDA), Food and Nutrition Service (FNS) about permanently disqualified EBT retailers, otherwise known as ALERT cases. These instructions are part of the California CalFresh Integrity Plan (IP) developed in response to a request by the FNS Western Region Office. The IP details the expectations of FNS and state agencies to address fraud issues, including the handling of the ALERT cases, data mining, excessive card replacements, social media, and trafficking prevention.

The California Department of Social Services (CDSS) developed its CalFresh IP through an unprecedented collaborative effort with all major stakeholders, which took place during four full day sessions in Spring 2012. The IP Workgroup was comprised of key staff representing the CalFresh Program, County Welfare Department (CWD), Special Investigations Unit (SIU), District Attorney (DA), and Information Technology from large, medium and small counties. Additionally, there was representation from welfare advocates, the California Welfare Fraud Investigators Association, the Statewide Automated Welfare Systems and the Office of Systems Integration. This collaboration resulted in the submittal of the final IP in September 2012 to FNS, and approval by FNS on December 4, 2012. A copy of the IP can be found at:

<http://www.cdss.ca.gov/fraud/res/pdf/2012CalFreshIntegrityPlan.pdf>.

The release of these instructions is part of the implementation of the IP; instructions on other components of the IP will be released in subsequent ACLs.

Background

The ALERT system is a critical part of the California IP and is coordinated between the USDA, FNS, CDSS, CWDs, SIUs, DAs and local law enforcement agencies. The ALERT system is designed to enhance program integrity and eliminate fraud and abuse by identifying recipients who may be engaged in illegal trafficking transactions at the disqualified CalFresh retailers. The FNS Field Offices throughout the nation monitor EBT transaction data to identify retailers who are trafficking. Once identified, these retailers are permanently disqualified from redeeming CalFresh benefits, after which FNS notifies the states of unusual recipient activity at these retailers, through the ALERT process. While FNS has the responsibility for taking action against these retailers, states have the responsibility for enforcing the law against recipients. In California, allegations of recipient welfare fraud are investigated by each CWD's SIU.

In accordance with California's IP, following the receipt of this ALERT information, the CDSS and CWDs will take action to issue warning letters to recipients identified in the ALERT EBT transaction reports, take investigative actions to determine potential trafficking and pursue prosecutions or administrative disqualification if applicable. Below is the FNS definition of trafficking used in the determination of possible fraud and prosecution.

Definition of Trafficking

The sale or purchase of CalFresh benefits is called trafficking, an illegal activity punishable by criminal prosecution. ALERT cases focus on a specific type of trafficking that occurs between a retailer and a recipient(s). Trafficking is defined, in part, in 7 CFR 271.2 as:

(1) The buying, selling, stealing, or otherwise effecting an exchange of SNAP benefits issued and accessed via Electronic Benefit Transfer (EBT) cards, card numbers and personal identification numbers (PINs), or by manual voucher and signature, for cash or consideration other than eligible food, either directly, indirectly, in complicity or collusion with others, or acting alone;"

ALERT Process

The following is a description of how ALERT cases are received, processed and distributed by CDSS to the CWD SIUs, and the actions to be taken at the local county level upon receipt of the ALERT information.

Receipt of ALERT Case Information from FNS

After FNS has permanently disqualified a retailer for trafficking, CDSS receives ALERT case data containing information on recipients whose transactions were the basis for the retailer being disqualified. Upon receiving the ALERT case, CDSS reviews the data and prepares it for electronic distribution to the respective CWD, SIU Chief or his/her designee.

The FNS has indicated that California can expect to receive an average of six ALERT cases per month. It is not possible to predict if or when a specific CWD may receive an ALERT case. However, once the ALERT data is received, we request that the SIU send confirmation back to CDSS and confirm point of contact information within five business days.

Recipient Warning Letters

The CDSS will send a Warning Letter to all recipients included in the ALERT case file. The letter will inform the recipient that their EBT card was identified as having unusual transactions that were made at a retailer that has since been disqualified by FNS due to illegal trafficking. The letter will include information regarding the proper use of the EBT card and the penalties for trafficking. (See Sample Warning Letter Attached).

The CDSS will issue the Warning Letter to the recipient within 30 days from receipt of an ALERT case from FNS. A copy of each letter will be sent to the CWD and shall be retained in the recipient's case file. If a Warning Letter is returned as undeliverable, the CDSS will contact the CWD to request an updated address or aid status, in order to issue the Warning Letter to a new address, if still applicable.

ALERT Case Documents

The CDSS will send the following ALERT case documents to the CWD SIU ALERT point person within 10 days of issuance of the Warning Letters. ALERT case documents include copies of:

- Warning Letters CDSS issued to the recipients;
- Charge Letter FNS sent to the retailer explaining why they are being charged with a trafficking violation;
- Disqualification Letter FNS sent to the retailer notifying them of the permanent disqualification penalty;
- Recipient transaction data reports;
- Description of the criteria FNS used to determine what transactions indicate trafficking at the retailer; and

- ALERT Tracking Report; this is a document for the CWD to track and report outcomes of investigations back to the CDSS.

Referral for Investigation

Upon receipt of an ALERT case, the CWD SIU will initiate a referral for potential investigation of those recipients identified in the ALERT case with \$500 or more of questionable transactions as documented in one or more transaction data reports. The CWD SIU will determine whether or not an investigation will be conducted and report the outcome back to the CDSS as described in the reporting section below. SIUs have the discretion to investigate recipients below this threshold.

Counties should complete an investigation or assessment of each referral within 90 days of receiving an ALERT case. However, if the CWD decides to pursue an Intentional Program Violation through Prosecution, Disqualification Consent Agreement, Administrative Disqualification Hearing or Waiver, the SIU has up to 180 days to complete its investigation. If additional time is needed to complete a case, the CWD SIU should contact the CDSS Fraud Bureau for an extension.

Reporting Requirements

The CWDs will track and report the referrals for potential investigation and outcomes to the CDSS on a quarterly basis. This includes all cases referred for investigation regardless of whether or not an investigation was conducted. The tracking sheet and reporting instructions will be included in the ALERT documents that are forwarded to the CWD. The CDSS will compile data from all reporting counties and report on a quarterly basis to the USDA, FNS.

The CDSS anticipates the ALERT process, as described in this ACL, will continue to evolve as we partner with the USDA, FNS, CWDs, SIUs and DAs. The CDSS will monitor the ALERT case process and outcomes throughout California and solicit feedback from county agencies receiving and processing ALERT cases, as well as other stakeholders. This information will assist us to evaluate and enhance the ALERT process. Any modifications to the ALERT process will be communicated in subsequent ACLs and/or All County Information Notices.

ACL NO. 13-45
Page Five

The CDSS' Fraud Bureau staff is available to assist you with the ALERT case process. If you have any questions regarding this ACL, please contact Barbara Tanner, Welfare Fraud Prevention Coordinator, at (916) 651-3987 or the Fraud Bureau main line at (916) 653-1826.

Sincerely,

Original Document Signed By:

TODD R. BLAND
Deputy Director
Welfare to Work Division

Attachment



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EDMUND G. BROWN JR.
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Date

Client (head of household) name
Address
City, State and ZIP

Dear _____

Our computer records show your EBT card was used to make unusual purchases at a store that can no longer accept EBT cards. The federal government has disqualified the store because it took part in illegal EBT sales.

It is against the law to buy, sell or trade EBT cards or CalFresh benefits. All EBT sales are monitored by a computer to make sure cards are used correctly and to protect the CalFresh program. Based on those computer records, we may investigate any improper use of your EBT card. If you are found guilty, your benefits may be stopped, and you may be fined or sent to jail or prison.

To keep your CalFresh benefits, you are reminded that they may only be used to buy food that you and your household eat. You may keep using your EBT card for this purpose. This letter does not change your CalFresh benefits, but the county will put a copy of this letter in your case file.

You do not need to do anything now except make sure you use your benefits correctly. If you have any questions about this letter, you can contact your county welfare office.

Welfare Fraud/Program Integrity Branch