
**FOOD AND NUTRITION SERVICES CERTIFICATION
CLAIMS
EBT Recipient and Retailer Fraud**

FS 830 EBT Recipient and Retailer Fraud

Change #1-2017

April 1, 2017

830.01 GENERAL POLICY

Trafficking is the buying or selling of **Food and Nutrition Services (FNS)** benefits for cash or consideration other than eligible food; or the exchange of benefits for firearms, ammunition, explosives or controlled substances; or the attempt to buy or sell FNS benefits online and in public; or the reselling of food purchased with FNS benefits; **or the purchasing of a product with FNS benefits that has a container requiring a return deposit with the intent of obtaining cash by discarding the product and returning the container for the deposit amount.** Establish a claim against a recipient for trafficking or attempted trafficking of their **FNS** benefits. This may or may not be connected to a retailer that has been disqualified by USDA, Food and Nutrition Service. Use policy in Section 820, Intentional Program Violation (IPV) Claims, to establish recipient trafficking claims as IPV if there is clear and convincing evidence of the IPV. Misuse of benefits is allowing someone outside the authorized FNSU to use **FNS** benefits and the FNSU does not benefit in return. Use policy in Section 825, Intentional Program Violation (IPV) Disqualifications, to establish a disqualification against the person who misused benefits if there is clear and convincing evidence of the IPV.

830.02 REFERRING SUSPECTED RETAILER FRAUD

Local agency Program Integrity staff identifies suspected retailer fraud based on complaints from sources other than USDA. Refer to the NC Division of Social Services, Program Integrity Consultant any indications of suspicious retailer behavior in Electronic Benefits Transfer (EBT) records or complaints concerning retailers, received from the public or recipients.

830.03 PROCEDURES FOR REFERRING SUSPECTED RETAILER FRAUD TO FNS

- A. Identify suspected retailer fraud based on complaints other than USDA Charge Letters. These referrals may be reports from the public or discovered during the course of investigating a suspected recipient fraud case.
- B. Refer any observations of suspicious retailer behavior as indicated by a review of EBT records or complaints received from the public to NC Division of Social Services as stated below. Do not conduct retailer investigations.
- C. Send reports **of retail fraud** via email to Kathie.Chapuis@dhhs.nc.gov. **Include in the email the store name, address, FNS store number, and a description of the allegations.** If the person who issues the complaint agrees, include their name and phone number. USDA Investigators may want to contact them for more information. If you have a written statement regarding the retailer, include that information in your email, but do not forward it until requested. Also, do not send EBT records unless requested.

830.04 FNS PROCEDURES FOR REFERRING ALLEGED EBT RECIPIENT FRAUD TO NC COUNTIES

- A. USDA completes administrative action on violating stores and notifies North Carolina Division of Social Services. The NC DSS sends the referral to the Director of the **local agency**, Attention: Program Integrity Staff/Supervisor.

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- B. The referral includes a copy of the FNS charge letter to the store when the alleged fraud is proven administratively by FNS and the store is disqualified due to the violation. FNS has documentation that it considers adequate to verify a retail transaction including the date, time, amount, and a partial case number. Cases proven based on undercover investigations, may or may not be referred, depending on the extent to which the violations are identified involving recipients. Included is documentation of the full case number, and a recent store certification. This certification contains information regarding the amount of eligible food, the number of cash registers, the number of point of sale machines, etc.
- C. Enter all trafficking referrals from a charge letter with a referral type “T” and a referral source “41”. Complete an investigation and, when appropriate, take administrative and/or criminal action to disqualify the violating individual. **The Date of Discovery for each referral is the date a recipient is determined to have possible trafficking activity and the U or P is entered into Enterprise Program Integrity Control System (EPICS).** The amount of the overissuance is the amount of the benefits trafficked. Trafficking claims may be determined by the individual’s admission, adjudication, or documentation that demonstrates trafficking. Documentation may include the “charge letter” from FNS and the EBT transaction history. The charge letter is considered as evidence in an ADH or court action. Do not base a trafficking claim solely on the FNS charge letter.

Follow the same investigative procedures as other referrals. When a referral is received, print the EBT recipient information **from ebtEdge**. Data is maintained on-line for three months. After three months, archived information can be obtained through Data Warehouse. Use corporate document “EBT Data” to retrieve this information. Enter referrals, claims, and disqualifications resulting from a retailer’s disqualification in EPICS.

830.05 INVESTIGATING RECIPIENTS FROM A CHARGE LETTER FROM THE USDA

- A. Establish a spreadsheet for recipient information showing recipient name, referral number, any disqualifications, established amount, referrals sent to other counties, etc. This information will have to be reported to the State Office when all claims have been established.
- B. The Charge Letter’s investigation time period is around 6 months, however trafficking investigations still fall under the 6 year FNS rule. Run the EBT transactions for the store for 1 year from the date the store was disqualified. If trafficking activity is present in the entire 12 months, run the store’s transaction for the previous 2 years from the date the store was disqualified. Continue to do so for up to 6 years, until trafficking activity is not evident. This establishes the time period to investigate for each recipient that is deemed to have possible trafficking activity.
- C. From the store’s EBT transactions determine, which recipients show trafficking activity and warrant an investigation. This may provide more recipients than are provided with the Charge Letter. If any recipients were receiving benefits in another **local agency** at the time the trafficking occurred, advise that **local agency** and send the **local agency** a copy of the Charge Letter. The claim must be established in the **local agency** the recipient was receiving FNS benefits at that time the trafficking occurred. Because trafficking can span over multiple certification periods, if a recipient was receiving in more than one **local agency** at the time the trafficking occurred, the **local agency** where the recipient received the most benefits during the time period the trafficking occurred will establish one claim for all months of trafficking.

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- D. As each recipient is determined to be possibly trafficking, create a referral in EPICS within 2 business days and do not enter a Date of Discovery into EPICS. Do not enter a referral if it is determined another local agency will be establishing the claim, The other local agency will create a referral.
- E. View the information on the General Store Information form located in the Charge Letter. This form will list important information to serve as evidence of trafficking such as; store hours, does the store have a scanner, counter space, does the store sell tobacco and alcohol products, size of stockroom, does the store sell baby food or diapers, the store layout showing number of food isles and store size, how many different types of meats, vegetables, and dairy products, were there shopping baskets, were there bulk items sold, etc.
- F. Search each recipient's EBT transactions for purchases that meet the USDA's definition of trafficking activity such as; even amounts, purchases that are too rapid to be credible, multiple transactions in the same day, benefits exhausted in a short time, excessive manual transactions, and excessively large transactions. See if the recipient made any purchases prior or after the trafficking occurred. Check ebtEdge to see how many EBT cards the recipient has had and if any were ordered when the trafficking occurred.
- G. Use the SNAP Retail Locator on the USDA website to create a map showing all the major grocery stores in the surrounding area of the store listed on the Charge Letter, This may be used as evidence. <http://www.fns.usda.gov/snap/retailerlocator>
- H. Create a case file for evidence. Determine a pattern by reviewing the recipient's IPV and criminal history. Look at the recipient's living situation such as being homeless, to determine where food is stored if large purchases are made.
- I. Once your evidence has been obtained, send a DSS-8230 to attempt to interview the recipient.
- J. Complete the DSS-1682, Report of Erroneous Issuance and enter the date in EPICS under the Date of Discovery field on the Claim Detail screen. Follow the procedures outlined in sections 820 and 825 to establish the claim and disqualiifcation.