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# **Report on prohibited purchases with direct cash assistance funds – items and locations**

**January 2017**



## **Report on prohibited purchases with direct cash assistance funds – items and locations**

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### **OVERVIEW**

Chapter 18 Section 5I of the Massachusetts General Laws requires the Department of Transitional Assistance (DTA) to report on the enforcement of items which and locations that cash assistance is prohibited from being utilized.

### **BACKGROUND**

DTA's mission is to assist and empower low-income individuals and families to meet their basic needs, improve their quality of life, and achieve long-term economic self-sufficiency. DTA offers a comprehensive system of programs and supports to help individuals and families achieve greater economic self-sufficiency, including food and nutritional assistance, cash assistance, and employment supports.

DTA serves one out of every eight people in the Commonwealth including working families, children, elders, and people with disabilities. DTA's Fraud Investigations and Data Matching Unit continued to implement reforms designed to enhance the accuracy of its verification and investigation processes. This report reviews these efforts and provides summary statistics regarding investigations conducted by this unit for any alleged violation, including but not limited to EBT purchases.

Preventing fraud, waste and abuse is a top priority of DTA, and a robust Program Integrity Division is essential to this goal.

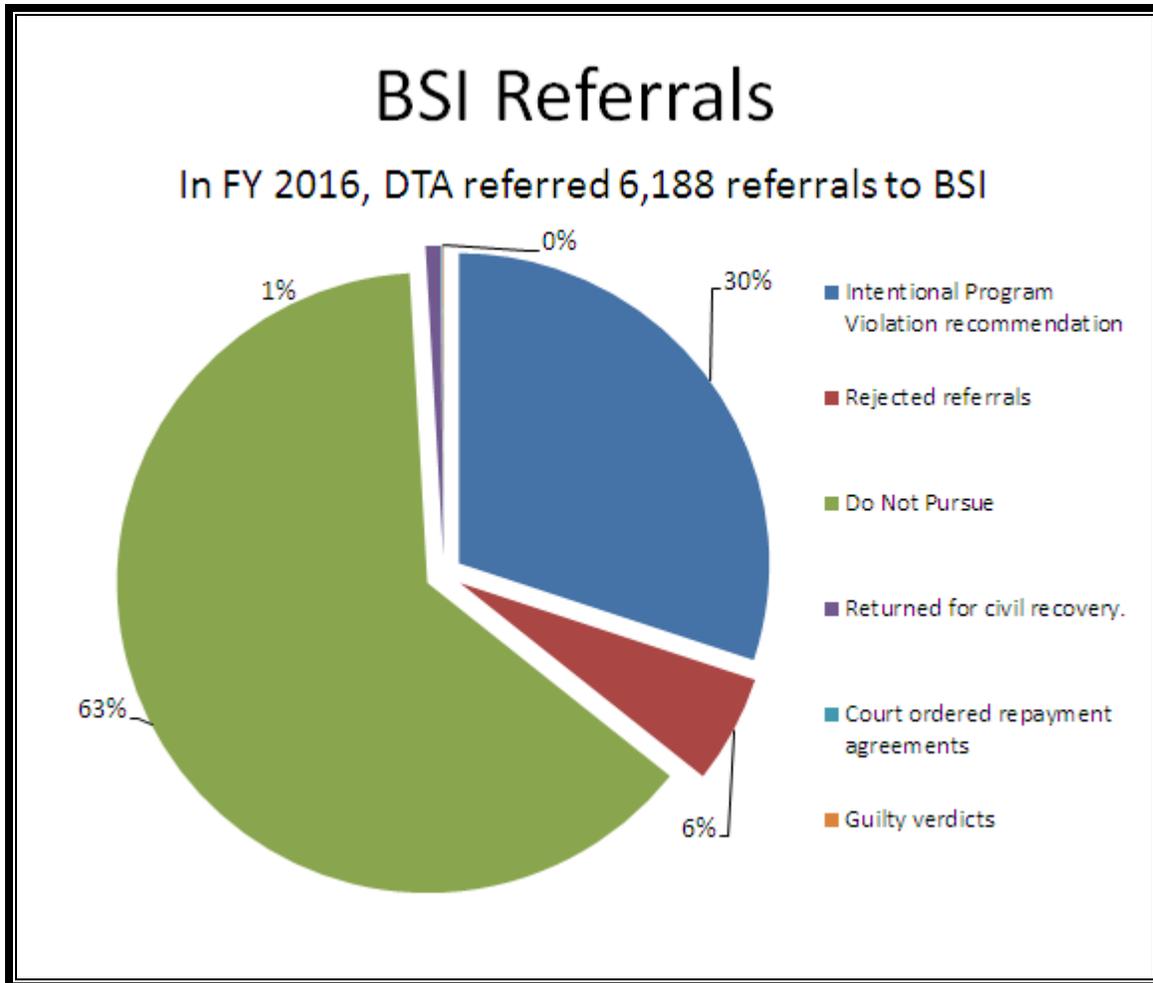
The Program Integrity Division performs a number of critical agency functions through its two units, which include: Fraud Investigations and Data Matching; Program Assessment, and collaborates with the newly created Research, Planning and Evaluation Division.

The Fraud Investigations and Data Matching Unit oversee *the fraud hotline*, fraud investigations, and data matching. The Program Assessment Unit ensures program accuracy and quality of service delivery. The Research, Planning and Evaluation Division leverages available internal and external data sources by reviewing the effectiveness and quality of data, and analyzing potential fraud trends and patterns to support the work of the Program Integrity Division.

## ENFORCEMENT

### DTA – BSI Investigations

DTA works closely with the Bureau of Special Investigations (BSI) within the State Auditor's Office, and directs BSI any cases that cannot be determined by an internal desk review, pertain to more egregious violations, or are likely to result in criminal charges.



## Monitoring and Blocking of EBT Transactions - ATM and POS

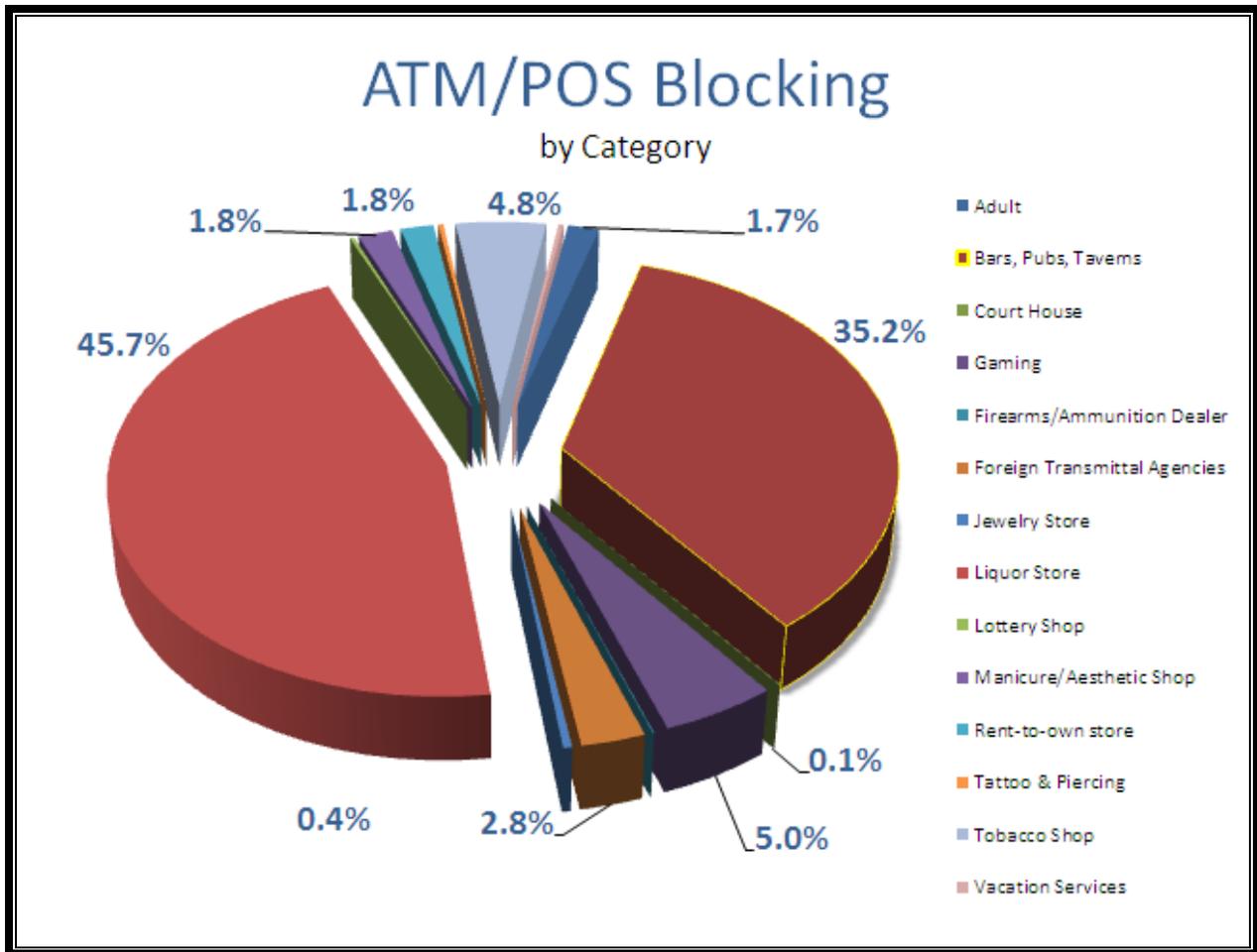
In February 2013 DTA began monitoring ATM and POS transactions to help prevent EBT card transactions for prohibited items and at prohibited establishments.

Since that time, DTA has reviewed more than 18 million transactions at more than 12,000 unique locations to identify retailers and ATMs where EBT access should be blocked. Field visits are conducted by DTA staff to the locations where the primary nature of the business is not easily identifiable by the business name to better determine if they are a prohibited establishment. Since March 2013, DTA staff and Local Office Quality Control investigators have conducted over 2,700 on-site visits.

As a result of these efforts, over 1,800 ATM and/or POS terminals have been referred to the DTA's EBT vendor Xerox, and confirmed as blocked. Establishments which sell exclusively or primarily alcohol continue to represent the majority of the prohibited establishments.

DTA has worked with Xerox to implement an automated identification process.

ATM/POS Blocking		
Prohibited Establishments by Category		
	# of Establishments	Percentage%
Adult	30	1.7%
Bars, Pubs, Taverns	635	35.2%
Court House	1	0.1%
Gaming	90	5.0%
Firearms/Ammunition Dealer	1	0.1%
Foreign Transmittal Agencies	50	2.8%
Jewelry Store	7	0.4%
Liquor Store	825	45.7%
Lottery Shop	4	0.2%
Manicure/Aesthetic Shop	33	1.8%
Rent-to-own store	32	1.8%
Tattoo & Piercing	5	0.3%
Tobacco Shop	87	4.8%
Vacation Services	5	0.3%
<b>Grand Total</b>	<b>1,805</b>	<b>100.0%</b>



Additionally, DTA has contacted third party processors directly to explore further ways to effectively block prohibited locations and purchases. In February 2015, DTA started blocking of prohibited establishments out of state based on the federal prohibited categories. Most recently, DTA has initiated an effort to exchange lists of potentially prohibited locations with other states to ensure a more efficient out of state blocking process.

As DTA moves toward its third year monitoring EBT transactions there continues to be an emphasis on tackling obstacles and improving and evolving the process. For instance, DTA has collaborated with Xerox, its payment processing vendor, to implement an automated identification system which allows DTA staff to directly block prohibited ATM and POS terminals in a more timely fashion. Additionally, DTA is working with retailers and third party processors to explore additional ways to more effectively prevent prohibited purchases from occurring

## Retailer Training and Outreach

DTA has conducted extensive outreach and education to retailers across the Commonwealth to ensure they understand their responsibilities. As part of this outreach, DTA has provided signage with recognizable graphics for streamlined communication, as well as provided access to downloadable signage via DTA and retailer association's website. DTA also conducts outreach and provides training to small independent stores/retailers in communities across the Commonwealth to ensure that owners and staff are aware of their responsibilities under the law. DTA is contacting the top 25 retailers by number of EBT transaction amounts throughout the state to establish formal points of contact, so that future DTA initiatives may be relayed to retailers in a timely manner.

In addition, DTA has recently begun to actively work with retailers to pursue prohibited purchases by clients. After potential prohibited purchases are identified, retailers are contacted and reminded of Massachusetts General Laws that prohibit the use of cash assistance funds to purchase certain goods and services. Retailers are also informed about the penalties they face for violating the law by knowingly allowing a prohibited transaction. DTA requests copies of the receipt for the purchase in question from the retailer and in instances where prohibited items can be identified intentional program violations and recovery of misspent funds is pursued with the client.

DTA is in preparation to work collaboratively with the Alcoholic Beverage Control Commission as well as the Lottery Commission to establish an effective data exchange to identify retailers who may be in violation of the law as they could face the potential of losing their license to sell alcohol and/or lottery

## **VIOLATIONS**

DTA will continue to process and track all reported violations of Chapter 161 of the Acts of 2012. In doing so, when in possession of evidence of a prohibited item or location purchase, DTA will seek reimbursement for the purchase, move to disqualify the client as appropriate, and/or make a referral to BSI. DTA will continue efforts to notify and educate retailers on the sale of prohibited items and the associated penalties. An establishment owner who knowingly allows a prohibited EBT transaction is subject to a fine of not more than \$500 for a first offense, a fine of not less than \$500 or more than \$2,500 for a second offense, and a fine of not less than \$2,500 for a third or subsequent offense. Where applicable, an establishment may face disciplinary action in connection with its license to sell alcoholic beverages and/or its license to sell lottery tickets. Any recipient of direct cash assistance who knowingly makes a prohibited purchase is to reimburse DTA for such purchase. Furthermore, a recipient is subject to

disqualification for a period of two months for a second offense, and permanently for a third offense.

