

Annual Report

2007

Benefit Redemption Division FOOD STAMP PROGRAM



FOOD AND NUTRITION SERVICE

Planning for the Future




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Table of Contents

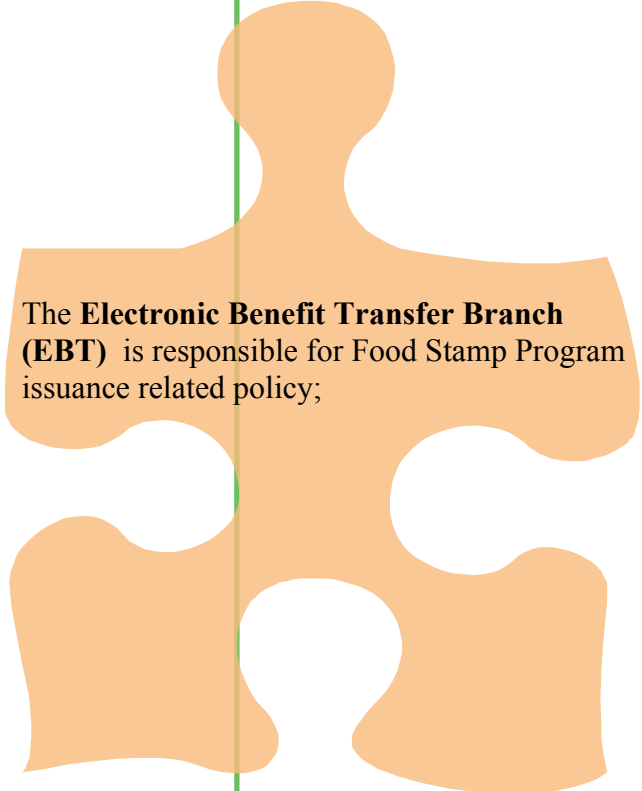
Introduction	2
Director’s Message	3-4
Retailer Management Branch	5-7
<i>Firm Characteristics</i>	8-15
Number Authorized Firms.....	8
Authorized Firms by Region.....	9
Authorized Firms by Type and Region.....	10
Redemptions by Region.....	11
Redemptions by Region, State and Percent of Households.....	12-13
Redemptions By Firm Type.....	14
Average Monthly Redemption Ranges.....	15
<i>Authorization and Administrative Activity</i>	16
<i>Monitoring Activity— Store Eligibility Accuracy Rate (SEAR)</i>	17
<i>Sanction and Compliance Actions</i>	18-19
Civil Money Penalties.....	19
Retailer Investigations Branch	20
<i>RIB Investigations</i>	21-22
Electronic Benefit Transfer Branch	23
<i>EBT Highlights</i>	24
Administrative Review Branch	25
<i>Administrative Review Workload and Outcomes</i>	26

Introduction

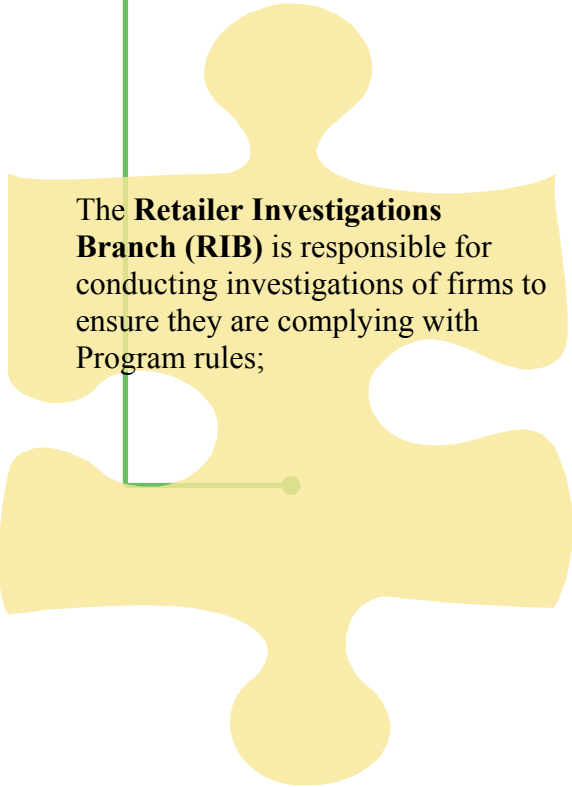
This annual report contains information on the activities conducted by the Benefit Redemption Division of the Food Stamp Program. It also reports on the Food Stamp Program retailer related activities of regional offices and field offices of the Food and Nutrition Service.




The **Retailer Management Branch (RMB)** is responsible for policies related to the participation of firms in Food Stamp Program and operational oversight of retailer related activities;



The **Electronic Benefit Transfer Branch (EBT)** is responsible for Food Stamp Program issuance related policy;



The **Retailer Investigations Branch (RIB)** is responsible for conducting investigations of firms to ensure they are complying with Program rules;



The **Administrative Review Branch (ARB)** is responsible for hearing appeals by firms of actions taken by the agency to enforce compliance with regulations.

Director's Message

Fiscal Year 2007 was again a year full of activity in the Benefit Redemption Division. This report touches on some of those accomplishments in addition to presenting key Program information.

STARS and its system enhancements continued to be a priority for the Agency and, as a result, continued to receive a great deal of focus in the Division. In 2007, one of the big changes in STARS was to implement the new store definitions. These changes and the proper characterization of stores will help us in various areas of the Program, so we are particularly pleased to have implemented this enhancement. In a continuing trend, supermarkets and super stores, two separate categories in this new definition scheme, accounted for over 85% of redemptions in 2007. Other STARS changes included automating the non-redeemer process and integrating the Agency retailer fraud detection system into the STARS system. More detailed information on these changes can be found in the Retailer Management Branch Summary.

In 2007, we held a National Retailer Management meeting in Orlando, Florida, the first since 2002. For this meeting we brought together over 100 staff from across the Agency. This meeting was very productive and well received by staff that attended. These meetings provide an important opportunity for the FNS retailer management community to come together, but given the expense and work involved, we cannot have them as regularly as we might wish. So, when we do get to hold the meeting, it is especially rewarding when they prove to be as useful and informative as this one proved to be. Special thanks again to all who made this meeting the success it was.

Of course much excitement in 2007 was looking forward and working towards retailer management changes in 2008. One of the most exciting on that list is the on-line retailer application which will go a long way towards simplifying and standardizing the retailer application and approval process.



Director's Message

On the EBT front, staff remained busy on EBT re-procurements, continued OIG audit activity, and also supported a National EBT meeting held in Philadelphia. The ALERT system was successfully enhanced and, working together with the EBT contractors, now receives all EBT transactions on a daily basis. In addition, the Charge Express tool was released to provide all field staff with the kind of tool our Northeast regional office staff has been successfully using for some time.

Our investigators completed just over 3,800 investigations in FY 2007. This was a decrease from FY 2006, in part due to continued reduction in staff. As we look forward, we are focusing on explanations as to why we are seeing this reduction and what, if anything, we should be doing differently. Other system issues contributed to increasing the challenges faced by RIB staff. Nevertheless, the staff worked hard to overcome obstacles and to do the best job possible in flushing out fraud where it exists. Just over 34% of the investigated stores were found to be violating the Program regulations.

The retailer appeals staff continued their strong effort in reducing the backlog of cases this past year. Almost 600 appeals from retailers who believed they were unjustly found in violation of Program regulations were reviewed in FY 2007. That is up from 531 appeals reviewed in FY 2006.

I want to again take this opportunity to thank the regional and field staff for their continued hard work. Our work could not be accomplished without their important assistance.

Jeff Cohen
Director
Benefit Redemption Division



Retailer Management Branch

The Retailer Management Branch (RMB) provides policy and operational support to field locations operating under the auspices of Field Operations in seven Regions. Local field offices are charged with the authorization, administration, reauthorization, and monitoring of 165,521 firms participating in the Food Stamp Program. In FY 2007 over 21,500 stores were licensed, 35,000 were reauthorized, and close to 1,400 were sanctioned for program violations.

RMB was responsible for:

- providing retailer management parameters through legislation, regulation, policy, and operating guidance
- disseminating and ensuring that regulations, policy and procedure are consistently applied
- managing store visit contracts utilized by local field offices
- developing and managing forms, publications, and training materials
- developing and maintaining the primary retailer management system [Store Tracking and Redemption System (STARS)]
- leading development and handling maintenance of the Benefit Redemption Division intranet site
- providing retailer-related information and materials to the FNS extranet
- facilitating Program outreach through the licensed FSP retailer base managing Program-wide OIG whistleblower complaints

Local FNS field offices provide direct service to both applicant and licensed retailers. The RMB functions listed above are carried out in concert with Field Operations staff.



Retailer Management Branch

A wide array of activity and accomplishments define FY 2007. Highlights include:

Store Tracking and Redemption System (STARS) enhancements:

- **Non-redeemer process automated via STARS.** In the past, Field Offices were required to manually withdraw non-redeeming stores from the STARS system. This enhancement automates withdrawal of non-redeeming stores, greatly streamlining this task for Field staff.
- **Retailer Watchlist Integrated into the Store Tracking and Redemption System (STARS):** Integrating the Agency retailer watchlist into the STARS system streamlined case management for Field office staff charged with retailer monitoring. Prior to integration, Field Office staff worked from two systems to identify cases and to take actions to move such cases forward.
- **Store Type Changes Rolled Into Production:** All currently licensed retailers were re-categorized into newly revised store types, a significant change that directly and positively affected our compliance efforts.

Online Store Application Moved Forward:

Formal requirements gathering activities and documentation for the Online Retailer Store Application were completed. Retailers will be able to apply online for approval to redeem food stamp benefits. Automating the current paper-based application process fits well with USDA's eGov initiatives and provides an important service for FNS' customers. The project now moves into the design phase.

Retailer Licenses and Training Kits Transitioned to Benefit Redemption Systems Branch (BRSB) in Minneapolis:

BRSB began handling production and mailing of retailer licenses and training kits on behalf of all Field Offices nationwide. What began as a pilot in February of 2007 was successfully rolled out for all Field Offices in all Regions by the end of the FY.

BRD Transitioned Away from Beltsville Storage Center Contract:

FNS had a contract in place with USDA's Beltsville, Maryland Servicing Center to store and mail FSP retailer training publications. Over several months, materials were transitioned from warehouse operations from Beltsville to FNS space located at the Benefit Redemption Systems Branch (BRSB) in Minneapolis, MN. At the beginning of this project, Beltsville stored approximately 75 pallets that contained several hundred thousand FSP retailer training materials. As of September 7, 2007 all relevant material was shipped to BRSB and the remaining bulk was set for destruction. On September 30, 2007, our agreement with USDA's Beltsville Servicing Center was severed, resulting in a significant cost savings and a better quality of service for the Agency.



Food Stamp Program Retailer Training Video Made Accessible on the FNS Web Site (Streaming Video):

Retailers are now able to access training on the internet at: <http://www.fns.usda.gov/fsp/retailers/default.htm>. This link was been shared with all retailer trade associations and retailers were notified via a nationwide notice. This tool assists retailers in training staff to ensure that a firm's employees follow program rules and regulations.

Retailer Management Branch

Outreach Coalition's Business Interest

Committee Golden Grocer awarded: A large supermarket, a small independent grocer, and two farmers markets were recipients of the FY 2007 Golden Grocer award. The Golden Grocer recognizes retailers who have done an outstanding job with outreach, customer service, and employee relations. The initial Golden Grocer award was made to Pathmark in September of 2006 as part of an FNS event that introduced the retailer outreach toolkit.

Proposed Bond Rule Published: The proposed rule entitled, "Revisions to Bonding Requirements for Violating Retail and Wholesale Food Concerns" was published in the Federal Register on March 13, 2007. This rule revises the current bonding requirements imposed against participating retailers and wholesalers who have violated the Food Stamp Program (FSP) rules and regulations.

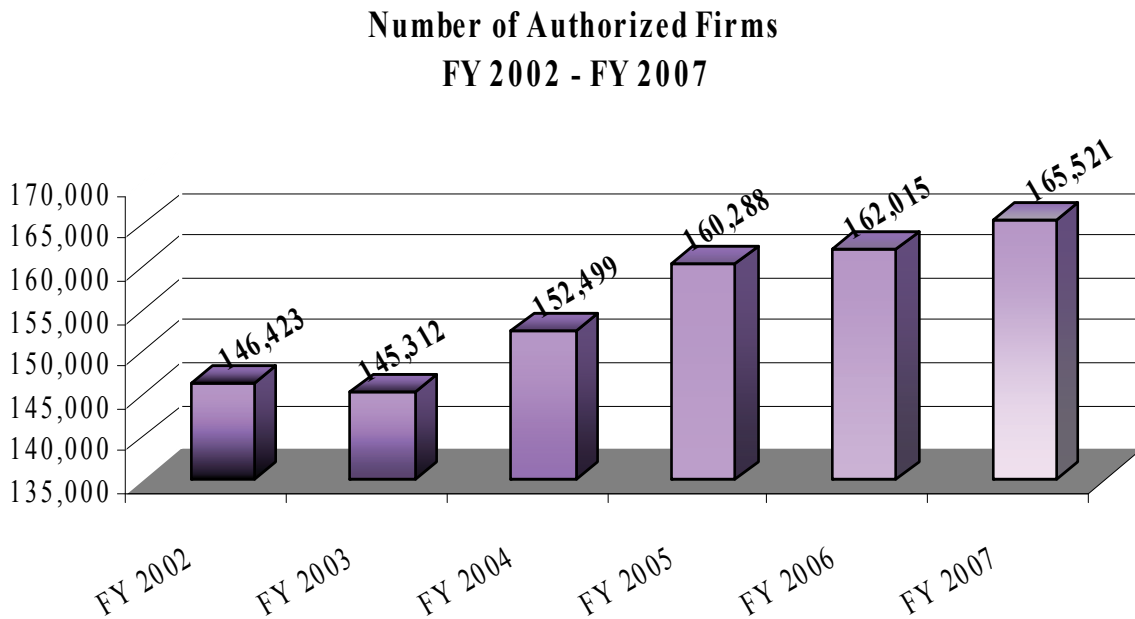
Currently, all violating retailers and wholesalers who are disqualified or imposed a civil money penalty for a specified period of time are required to submit a valid collateral bond (usually renewed on an annual basis) if they wish to continue to participate in the FSP. Over the years, securing such a bond has become increasingly difficult for retailers and wholesalers to obtain. The proposed rule will eliminate the bonding requirement for retailers and wholesalers who are disqualified for six months or incur a civil money penalty in lieu of a six month disqualification and limit the bond requirement to five years for retailers and wholesalers whose disqualification or civil money penalty exceeds six months. The final rule will be completed in FY 2008.

National Retailer Management Meeting Held in Orlando: Over 100 attendees from all Regions and HQ who work in the area of retailer management met to discuss the future of retailer management, and participated in policy, procedural, and systems related workshops.

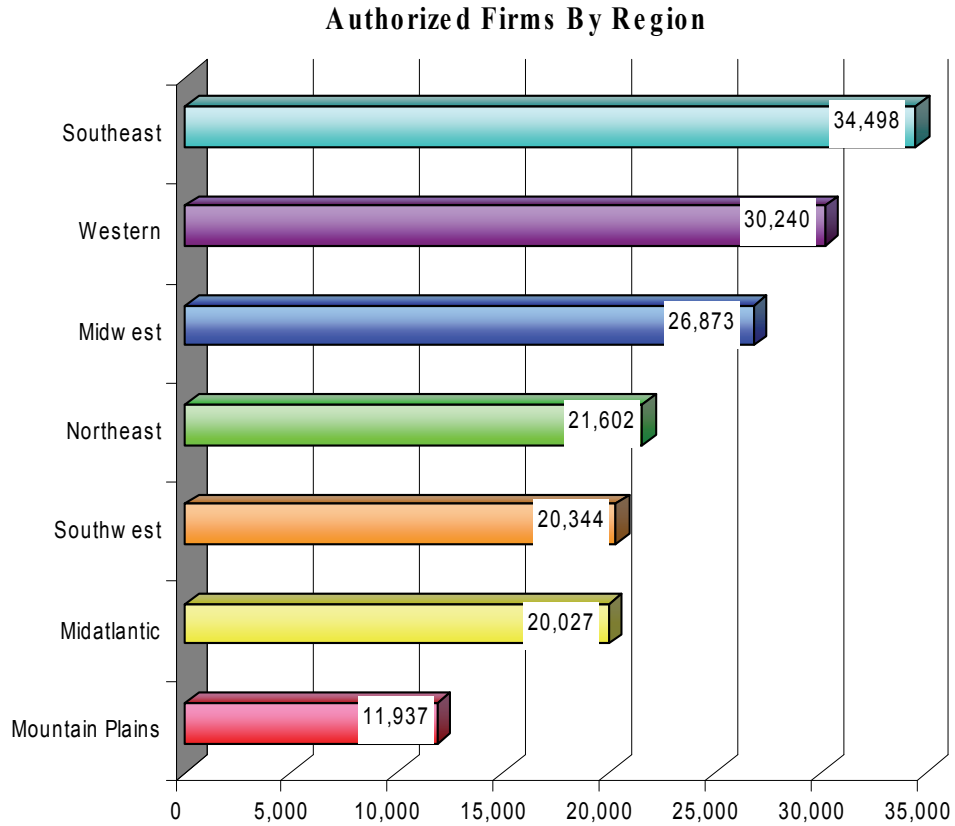
EBT 101 and STARS Training Held at the Annual Field Academy in Las Vegas: For the second year, the FSP took advantage of the opportunity to reach and train Field staff attending the FNS University Field Academy. Twenty percent of Field staff nationwide attends the Field Academy each year. Hard skills training is a relatively new National Employee Development Team (NEDT) focus. An EBT 101 session was one of the four training modules provided. The remaining modules covered various aspects (reports, watchlist, corporation centralization plans) of the Store Tracking and Redemption System (STARS).

Number of Authorized Firms

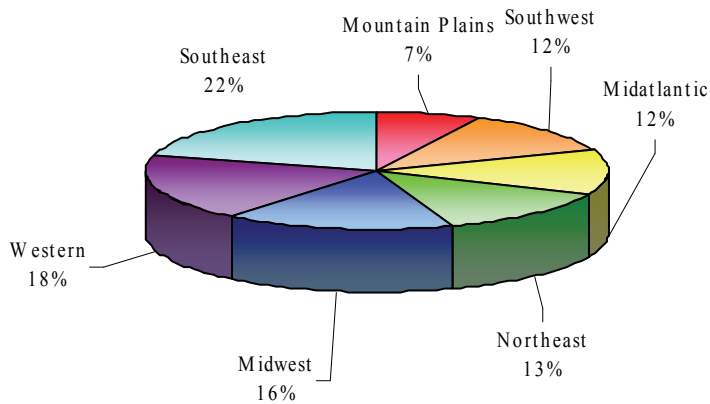
On September 30, 2007, there were **165,521** firms authorized to accept food stamp benefits. The number of firms authorized in the Food Stamp Program has continued to rise.



Authorized Firms By Region



Percentage of Authorized Firms By Region



Authorized Firms by Store Type

In 2007, FNS implemented a new internal classifying system that reduced firm types from 31 to 23. Variations in FY 2007 figures reflect a re-distribution of prior firm types and do not represent any demographic trend. Classifications are now differentiated by sales volume, ratio of food sales to total sales, or whether firms specialize in one staple food group. Supermarkets, for example, are now re-distributed in the super store category to more accurately reflect the differentiation in business operations.

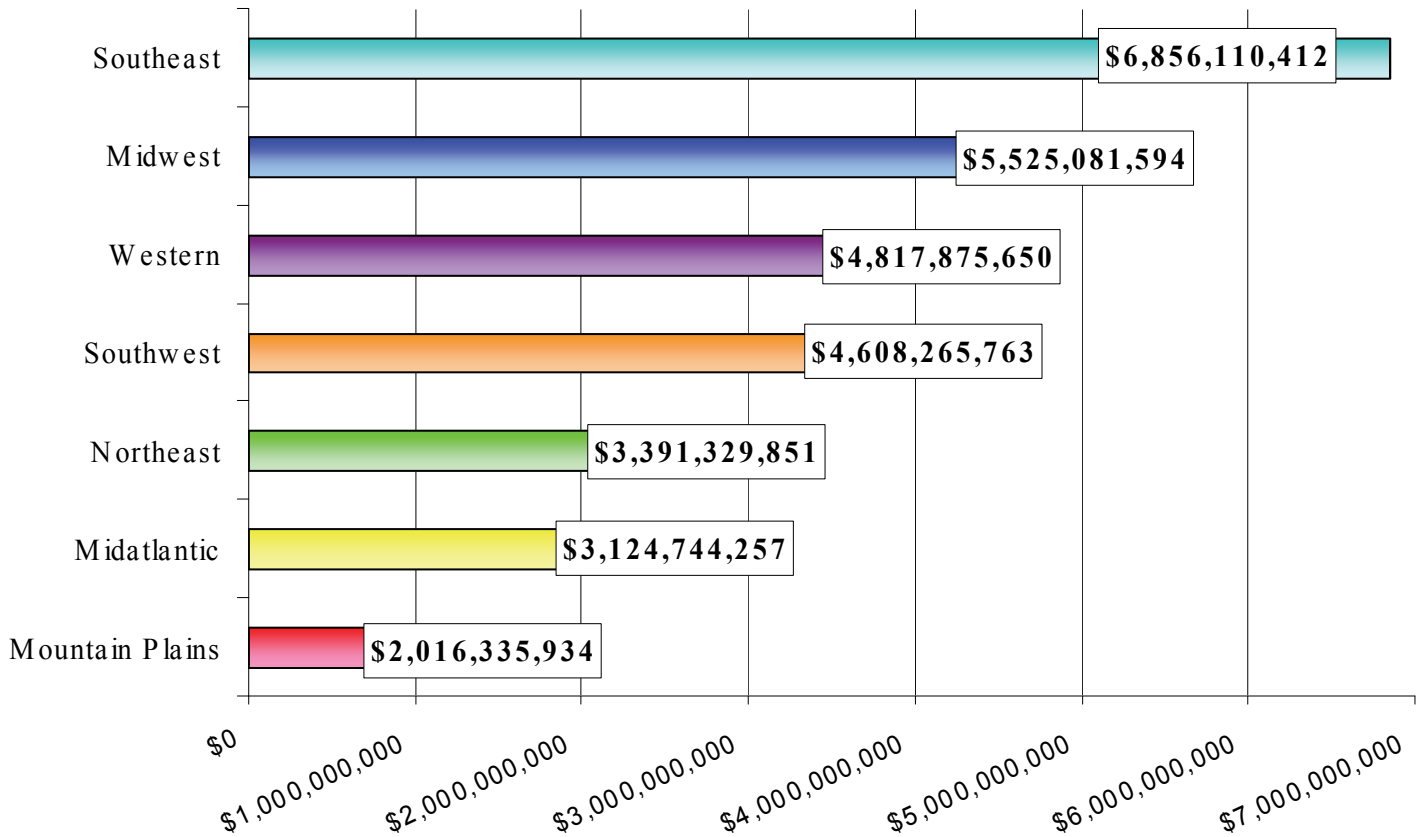
FIRM TYPES	NERO	MARO	SERO	MWRO	SWRO	MPRO	WRO	TOTAL
Super Store	1,317	2,441	895	2,486	2,093	1,894	1,834	12,960
Supermarket	2,255	1,901	6,802	3,891	1,518	847	4,561	21,775
Large Grocery Store	307	298	580	610	317	485	529	3,126
Medium Grocery Store	1,999	1,288	1,391	1,511	924	966	2,119	10,198
Small Grocery Store	5,108	3,588	1,791	1,525	968	820	2,095	15,895
Combination Grocery/Other	2,576	2,928	7,404	4,318	3,519	1,580	3,298	25,623
Convenience Store	5,586	5,790	12,658	9,878	9,095	3,704	11,958	58,669
Farmers' Market	76	27	32	44	11	204	138	532
Wholesaler	0	4	1	2	0	3	1	11
Meat/Poultry Specialty	712	601	820	1,082	521	432	1,078	5,246
Seafood Specialty	313	325	627	80	386	12	171	1,914
Bakery Specialty	235	224	498	530	560	422	988	3,457
Fruits/Veg Specialty	292	220	362	160	106	43	296	1,479
Non-Profit Food buying Co-op	230	80	177	153	55	67	225	987
Delivery Route	65	93	155	167	107	128	85	800
Communal Dining Facility	72	34	59	129	41	144	43	522
Meal Delivery Service	36	26	24	68	43	56	17	270
Drug and/or Alcohol Treatment Program	221	84	119	93	64	72	387	1,040
Senior Citizens' Center/Residential Building	4	0	0	34	0	2	1	41
Private Restaurant/Meal Delivery	1	0	0	9	1	0	338	349
Group Living Arrangement	168	43	93	80	4	39	40	467
Homeless Meal Provider	18	32	9	21	11	16	31	138
Shelter for Battered Women and Children	11	0	1	2	0	1	7	22
TOTALS	21,602	20,027	34,498	26,873	20,344	11,937	30,240	165,521

Source: STARS Management Activity Report 12/02/07

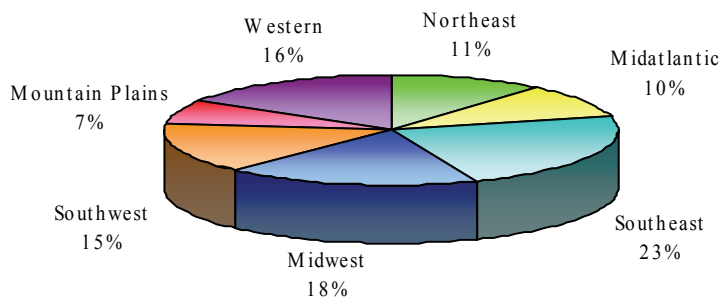
Redemptions by Region

Firms redeemed \$30,339,743,462 in food stamp benefits in FY 2007.

Total Redemptions by Region



Percentage of Total Redemptions by Region



Source: STARS Management Activity Report 12/02/07

Redemptions by Region, State & Percent of Households

The following shows the number of authorized firms, total redemptions by State, and the percent of participating households. Texas, California and New York redeem the largest volume of benefits.

Region	State	Number of Authorized Firms	Total Redemption Amount	Percent of Participating Households by State	Percent of Participating Households by Region
NERO	Connecticut	1,527	\$251,681,109	7.66%	0.96%
	Maine	1,232	\$166,598,584	5.54%	0.69%
	Massachusetts	3,064	\$469,634,747	16.24%	2.03%
	New Hampshire	572	\$75,081,573	1.95%	0.24%
	New York	14,045	\$2,300,155,628	64.44%	8.07%
	Rhode Island	737	\$86,336,582	2.48%	0.31%
	Vermont	425	\$41,841,627	1.69%	0.21%
Regional Totals		21,602	\$3,391,329,851	100.00%	12.53%
MARO	Delaware	427	\$76,732,452	2.23%	0.25%
	District of Columbia	352	\$63,447,530	3.46%	0.38%
	Maryland	2,278	\$398,306,459	11.27%	1.25%
	New Jersey	3,986	\$491,057,593	15.22%	1.69%
	Pennsylvania	7,378	\$1,254,661,291	40.61%	4.50%
	Virginia	3,673	\$20,932,691	0.36%	0.04%
	Virgin Islands	105	\$559,629,874	17.64%	1.95%
	West Virginia	1,828	\$259,976,367	9.20%	1.02%
Regional Totals		20,027	\$3,124,744,257	100.00%	11.08%
SERO	Alabama	3,184	\$598,755,880	8.20%	1.87%
	Florida	8,572	\$1,408,369,962	23.32%	5.33%
	Georgia	5,412	\$1,135,164,404	14.38%	3.29%
	Kentucky	3,415	\$681,313,964	9.90%	2.26%
	Mississippi	2,428	\$464,809,825	6.64%	1.52%
	North Carolina	4,773	\$971,164,331	14.52%	3.32%
	South Carolina	2,579	\$621,031,861	8.66%	1.98%
	Tennessee	4,135	\$975,500,186	14.39%	3.29%
Regional Totals		34,498	\$6,856,110,412	100.00%	22.85%

Redemptions by Region, State & Percent of Households

Region	State	Number of Authorized Firms	Total Redemption Amount	Percent of Participating Households by State	Percent of Participating Households by Region
MWRO	Illinois	6,3598	\$1,546,196,607	34.70%	4.83%
	Indiana	3,162	\$690,544,718	15.48%	2.15%
	Michigan	6,565	\$1,357,678,601	33.89%	4.71%
	Minnesota	2,092	\$283,937,015	8.04%	1.12%
	Ohio	6,206	\$1,281,215,204	30.05%	4.18%
	Wisconsin	2,250	\$365,509,449	9.88%	1.38%
	Regional Totals		26,873	\$5,525,081,594	100.00%
SWRO	Arkansas	1,704	\$416,318,069	9.64%	1.34%
	Louisiana	3,427	\$753,754,737	16.23%	2.26%
	New Mexico	1,098	\$247,314,589	5.62%	0.78%
	Oklahoma	2,547	\$451,845,017	10.75%	1.50%
	Texas	11,568	\$2,739,033,351	57.77%	8.04%
Regional Totals		20,344	\$4,608,265,763	100.00%	13.91%
MPRO	Colorado	1,633	\$313,791,288	13.51%	0.91%
	Iowa	2,147	\$267,634,464	13.67%	0.92%
	Kansas	1,307	\$193,822,944	10.47%	0.70%
	Missouri	3,332	\$745,173,871	38.08%	2.56%
	Montana	601	\$88,379,529	4.40%	0.30%
	Nebraska	815	\$130,595,598	6.55%	0.44%
	North Dakota	436	\$53,318,516	2.58%	0.17%
	South Dakota	561	\$66,849,069	3.13%	0.21%
	Utah	874	\$130,758,625	6.42%	0.43%
	Wyoming	231	\$26,012,029	1.20%	0.08%
Regional Totals		11,937	\$2,016,335,934	100.00%	6.71%
WRO	Alaska	466	\$85,230,081	1.24%	0.18%
	Arizona	2,720	\$638,314,488	12.95%	1.89%
	California	18,330	\$2,582,672,494	48.20%	7.02%
	Guam	214	\$55,560,442	0.46%	0.07%
	Hawaii	845	\$156,357,707	2.64%	0.38%
	Idaho	617	\$97,320,846	2.10%	0.31%
	Nevada	939	\$141,120,790	3.32%	0.48%
	Oregon	2,502	\$461,856,425	13.19%	1.92%
	Washington	3,607	\$599,442,376	15.88%	2.31%
	Regional Totals		30,240	\$4,817,875,650	100.00%
NATIONAL TOTALS		165,521	\$30,339,743,462	100.00%	

Source: STARS Management Activity Report 12/02/07

FSP: Average Monthly Participation (Households), Data as of 02/27/08

Redemptions By Firm Type

In prior annual reports, redemptions reported under supermarkets are now re-distributed under the super store category. Combined, supermarkets and super stores redeem over 85% of all food stamp benefits

Firm Type	Total Redemption Amounts	Percent Totals	Authorized Firms	Percent Totals
Bakery Specialty	\$84,198,669	0.28%	3,457	2.09%
Combination Grocery/Other	\$490,840,739	1.62%	25,623	15.48%
Convenience Store	\$1,310,467,140	4.32%	58,669	35.45%
Delivery Route	\$57,596,048	0.19%	800	0.48%
Farmers' Market	\$1,620,344	0.01%	532	0.32%
Fruits/Veg Specialty	\$53,827,266	0.18%	1,479	0.89%
Large Grocery Store	\$565,907,278	1.87%	3,126	1.89%
Meat/Poultry Specialty	\$347,731,050	1.15%	5,246	3.17%
Medium Grocery Store	\$711,713,437	2.35%	10,198	6.16%
Non-Profit Food buying Co-op	\$94,861,280	0.31%	987	0.60%
Seafood Specialty	\$97,871,878	0.32%	1,914	1.16%
Small Grocery Store	\$611,702,478	2.02%	15,895	9.60%
Super Store	\$10,674,478,711	35.18%	12,960	7.83%
Supermarket	\$15,164,633,903	49.98%	21,775	13.16%
Wholesaler	\$1,899,068	0.01%	11	0.01%
Subtotal	\$30,269,349,289	99.77%	162,672	98.29%
MEAL SERVICES:				
Communal Dining Facility	\$3,018,476	0.01%	545	0.32%
Drug and/or Alcohol Treatment Program	\$40,095,511	0.13%	1,025	0.63%
Group Living Arrangement	\$20,508,140	0.07%	477	0.28%
Homeless Meal Provider	\$3,422,949	0.01%	125	0.08%
Meal Delivery Service	\$197,618	0.00%	289	0.21%
Private Restaurant/Meal Delivery	\$2,188,983	0.01%	272	0.16%
Senior Citizens' Center/Residential Building	\$731,300	0.00%	24	0.02%
Shelter for Battered Women and Children	\$231,196	0.00%	17	0.01%
Meal Services Subtotal	\$70,394,173	0.23%	2,849	1.71%
Totals	\$30,339,743,462	100.00%	165,521	100.00%

Source: STARS Management Activity Report 12/02/07

Average Monthly Redemption Ranges

Bands illustrate average monthly redemption ranges among authorized firms. Sixty four percent of firms are small businesses whose average monthly redemptions range from \$100 to \$5,000.

Redemption Levels	Number of Firms	Percent of Firms	Average Monthly Redemption Ranges
Band A	5,598	3.38%	\$0.00
Band B	8,398	5.07%	\$0.01 to \$99.99
Band C	28,055	16.95%	\$100.00 to \$500.00
Band D	24,324	14.70%	\$501.00 to \$1,000.00
Band E	26,633	16.09%	\$1,001.00 to \$2,000.00
Band F	27,037	16.33%	\$2,001.00 to \$5,000.00
Band G	12,180	7.36%	\$5,001.00 to \$10,000.00
Band H	11,519	6.96%	\$10,001.00 to \$25,000.00
Band I	8,513	5.14%	\$25,001.00 to \$50,000.00
Band J	6,937	4.19%	\$50,001.00 to \$100,000.00
Band K	4,839	2.92%	\$100,001.00 to \$250,000.00
Band L	1,264	0.76%	\$250,001.00 to \$500,000.00
Band M	244	0.14%	\$500,001.00 and more
Total	165,521	100.00%	

Source: STARS Management Activity Report 12/02/07

Authorization and Administrative Activity

Store authorization and administration includes, but is not limited to, authorizing, reinstating, reauthorizing, and withdrawing firms. This activity is shown below.

Fiscal Year	Authorizations By Region FY 2002 - FY 2007							Total Authorizations
	NERO	MARO	SERO	MWRO	SWRO	MPRO	WRO	
FY 2002	2,430	2,054	3,357	2,150	2,169	951	3,228	16,339
FY 2003	2,736	2,059	3,289	2,399	1,884	1,084	3,670	17,121
FY 2004	3,159	2,602	6,399	3,470	3,538	1,518	3,972	24,658
FY 2005	2,957	2,708	5,458	3,371	2,937	1,325	4,836	23,592
FY 2006	3,114	2,367	4,554	3,781	2,325	1,391	4,269	21,801
FY 2007	3,135	2,355	4,658	3,980	2,634	1,193	3,630	21,585

Fiscal Year	Reinstatements By Region FY 2002 - FY 2007							Total Reinstatements
	NERO	MARO	SERO	MWRO	SWRO	MPRO	WRO	
FY 2002	114	192	190	190	136	76	193	1,091
FY 2003	154	175	186	185	152	59	220	1,131
FY 2004	137	192	182	233	119	73	178	1,114
FY 2005	138	102	205	167	137	101	191	1,041
FY 2006	145	77	282	265	215	84	198	1,266
FY 2007	155	91	298	278	157	102	202	1,283

Fiscal Year	Reauthorizations By Region FY 2002 - FY 2007							Total Reauthorizations
	NERO	MARO	SERO	MWRO	SWRO	MPRO	WRO	
FY 2002	2,963	2,646	3,651	4,830	3,076	1,205	1,786	20,157
FY 2003	3,548	4,064	4,500	4,812	3,602	3,436	6,546	30,508
FY 2004	3,246	4,517	5,139	5,104	3,250	2,575	6,266	30,097
FY 2005	3,915	4,234	8,082	5,321	2,163	2,131	3,780	29,626
FY 2006	4,725	4,140	5,501	8,353	2,431	4,278	2,599	32,027
FY 2007	3,605	2,348	5,825	5,616	3,562	3,213	11,042	35,211

Fiscal Year	Withdrawals By Region FY 2002 - FY 2007							Total Withdrawals
	NERO	MARO	SERO	MWRO	SWRO	MPRO	WRO	
FY 2002	3,252	2,766	4,779	3,117	2,989	1,217	3,300	21,420
FY 2003	2,806	2,751	3,361	2,593	2,264	1,160	3,292	18,227
FY 2004	2,448	2,226	3,416	2,293	2,060	1,105	3,724	17,272
FY 2005	2,758	2,077	4,116	2,104	2,042	832	2,898	15,363
FY 2006	2,687	2,225	4,102	2,588	2,819	1,258	4,418	20,097
FY 2007	2,760	2,130	3,786	2,750	2,246	1,138	3,409	18,219

Source: STARS Management Activity Report 12/02/07

Store Eligibility Accuracy Rate (SEAR)

SEAR is a measure of how well FNS is doing in ensuring that only stores that meet the Food Stamp Program's eligibility criteria accept food stamps. SEAR takes place during a two-month period each year. Data is collected on a nationwide, randomly selected, statistically valid sample of stores.

To date, there have been eight SEAR measurements - Fiscal Years 1999 through 2004 and Fiscal Years 2006-2007. SEAR was not done in FY 2005 due to continued phased implementation of STARS. Following are national SEAR results from the last five reporting periods:

Fiscal Year	Number of Authorized Firms	% Eligible	% Ineligible
2002	146,423	99.13%	0.87%
2003	145,312	99.24%	0.76%
2004	152,499	98.83%	1.17%
2006	162,015	98.86%	1.14%
2007	165,521	98.80%	1.20%

Source: Annual SEAR Reports

Sanction and Compliance Actions

Sanction Actions include permanent and non-permanent (term) disqualification actions, hardship, and trafficking civil money penalties (CMP)

Compliance Actions include all sanction actions as well as official warning letters

Region	Permanent Disqualifications	Non-Permanent (Term) Disqualification	Hardship or Trafficking CMP	Total Sanction Actions	Official Warning	Total Compliance Actions
NERO	161	124	9	294	124	418
MARO	85	60	10	155	53	208
SERO	170	149	53	372	146	518
MWRO	100	68	24	192	182	374
SWRO	23	26	8	57	68	125
MPRO	22	35	6	63	74	137
WRO	112	89	30	231	162	393
Totals	673	551	140	1,364	809	2,173

Source: STARS Management Activity Report 12/02/07

PENALTY BREAKDOWN BY FISCAL YEAR			
Fiscal Year	Permanent Disqualification	Term Disqualification	Total Firms Disqualified
2003	703	637	1,340
2004	841	556	1,397
2005	841	703	1,544
2006	798	576	1,374
2007	673	551	1,224

Other:

- **Transfer of Ownership (sale of store) civil money penalties: 57**
- **Fines for Unauthorized Acceptance of Food Stamp Benefits: 5**
- **Fiscal Claims: 11**

Sanction and Compliance Actions

Civil Money Penalties

A Civil Money Penalty (CMP) is imposed against an authorized firm in lieu of disqualification or against a disqualified owner who sells his/her store before the expiration of the disqualification period. FNS collected over \$2 Million in civil money penalties in FY 2007. There are three different types of CMPs:

A. Hardship

A hardship CMP is imposed in place of disqualification when a disqualification would cause a hardship, not just an inconvenience, to recipients.

B. Trafficking

A trafficking CMP is imposed in lieu of permanent disqualification if a firm meets specific criteria relative to owner/manager involvement in violations, and employee training.

C. Transfer of Ownership

A transfer of ownership CMP is imposed against an owner who sells his/her store prior to completion of a disqualification period or payment in full of a hardship or trafficking CMP.

CMPs Established during FY 2007

Hardship CMP

	CMPs Established	CMP Amounts Assessed
NERO	9	\$155,380
MARO	10	\$31,632
SERO	52	\$226,407
MWRO	24	\$69,061
SWRO	7	\$53,611
MPRO	6	\$19,382
WRO	29	\$146,007
Totals	137	\$701,480

Trafficking CMP

	CMPs Established	CMP Amounts Assessed
NERO	0	\$0.00
MARO	0	\$0.00
SERO	1	\$27,000
MWRO	0	\$0.00
SWRO	1	\$18,240
MPRO	0	\$0.00
WRO	1	\$21,221
Totals	3	\$66,461

Transfer of Ownership CMP

	CMPs Established	CMP Amounts Assessed
NERO	23	\$365,826
MARO	9	\$36,748
SERO	7	\$400,714
MWRO	7	\$93,147
SWRO	2	\$38,120
MPRO	1	\$2,500
WRO	8	\$299,963
Totals	57	\$1,237,018

Source: STARS Management Activity Report 12/02/07

Retailer Investigations Branch

The Office of the Inspector General (OIG) has responsibility for all investigative activity in the U.S. Department of Agriculture (USDA). However, authority to conduct retailer compliance investigations within the Food Stamp Program was delegated to the Food and Nutrition Service (FNS). In January 1977, the Retailer Investigations Branch (RIB) was established and its primary investigative mission is to safeguard the integrity of the Food Stamp Program (FSP). This has been historically accomplished through various types of undercover investigations of authorized firms that participate in the FSP.

Organizationally, RIB is part of the FSP headquarters office. RIB has four (4) out-stationed Area Offices (located in Chicago, Dallas, Memphis and Trenton), each managed by a Supervisory Investigator-in-Charge.

Investigations are conducted by a nationwide staff of investigators. All RIB investigators receive professional training at the Federal Law Enforcement Training Center at Glynco, Georgia.

RIB concentrates its investigations on stores with larger amounts of Electronic Benefit Transfer (EBT) redemptions. Its priority has been to conduct investigations of trafficking (the exchange of EBT benefits for cash, generally at a discount rate of about 50 cents on the dollar) or sale of ineligible goods. To help combat this type of fraud, RIB adopted a proactive approach in 1997 that utilizes an Anti Fraud system called ALERT (Anti-fraud Locator using EBT Retailer Transactions) to help identify possible violators in the Program.

During FY 2007, RIB conducted investigations of 3,834 stores nationwide. Approximately 34% (1,302) of these investigations documented evidence of FSP violations. Yearly food stamp redemptions for these 1,302 firms totaled \$93 million. Of the 1,302 positive investigations, RIB investigators uncovered trafficking in 197 firms with the annual redemptions of \$15.8 million.

In FY 2007, RIB in addition to ongoing investigative activity, conducted eight task force investigative operations in: Western, PA; New York, NY; Los Angeles, CA; Phoenix, AZ; Miami, FL; Atlanta, GA; Tampa, FL; and Quad Cities (Bettendorf and Davenport, Iowa and Moline and Rock Island, Illinois).

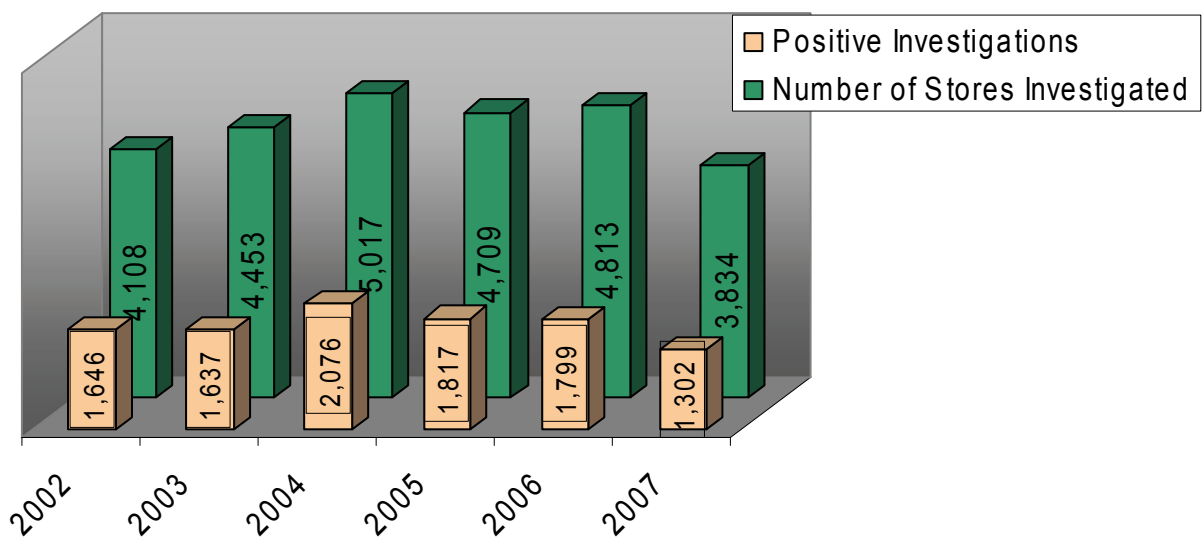


RIB Investigations

The number of investigations conducted by RIB in each of the last six fiscal years follows. A positive investigation is one in which an investigation reveals evidence of any program violation.

Fiscal Year	Total Stores Investigated	Total Positive RIB Investigations	Percentage of Total
2002	4,108	1,646	40.1%
2003	4,453	1,637	36.8%
2004	5,017	2,076	41.4%
2005	4,709	1,817	38.6%
2006	4,813	1,799	37.3%
2007	3,834	1,302	33.9%

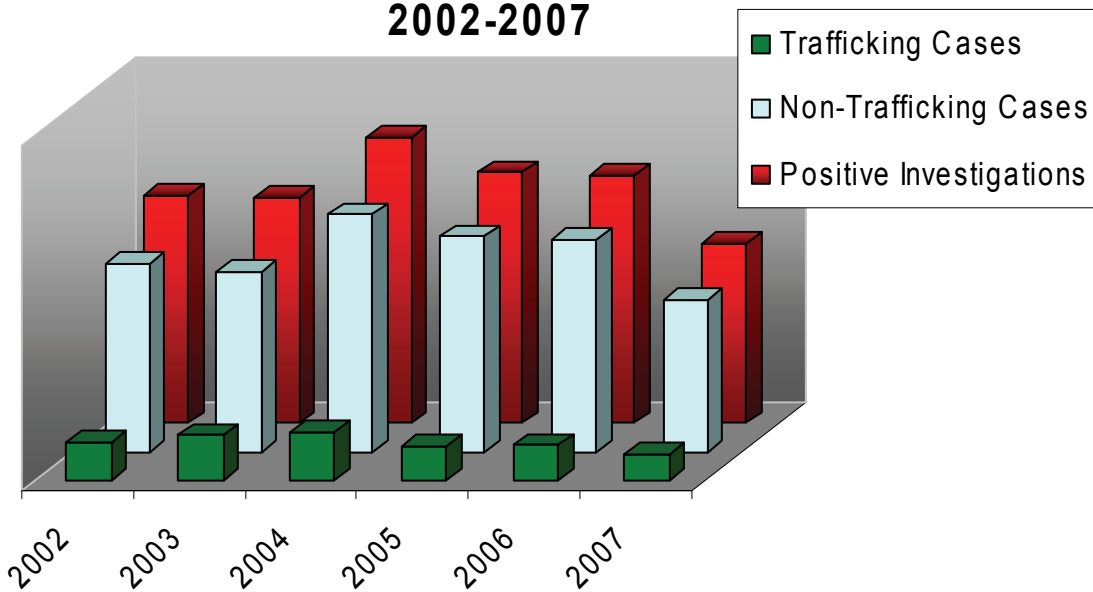
RIB Investigations 2002 - 2007



RIB Investigations

Fiscal Year	Total Non-Trafficking Cases	Total Trafficking Cases	Trafficking Cases as Percentage of Positive RIB Investigations
2002	1,362	284	17.3%
2003	1,303	334	20.4%
2004	1,724	352	17.0%
2005	1,562	255	14.0%
2006	1,539	260	14.5%
2007	1,105	197	15.1%

Breakout of Positive Investigations 2002-2007



Electronic Benefit Transfer (EBT) Branch

What is Electronic Benefit Transfer (EBT)?

EBT is the system used to deliver food stamp benefits electronically to recipients. It first began in October 1984 with a demonstration project in Reading, Pennsylvania and was implemented nationwide in June of 2004. All States are now operating online EBT systems.

An online EBT system works much like a debit card system. Instead of paper coupons, recipients are issued an EBT card that can be used at any FNS authorized retail food store. Clients run their card through a point-of-sale device at the checkout counter and then enter their personal identification number (PIN) in order to access their benefits to pay for eligible food items. The purchase receipt provides the recipient with their EBT account balance. On-going benefits are posted directly to the clients account each month by the administering State Agency.

During FY 2007, the EBT Branch was responsible for Food Stamp Program benefit issuance.

The Branch:

- Developed and disseminated issuance policy, and resolved questions and concerns.
- Provided State Agencies with information, direction, and technical assistance during EBT procurement, re-procurement, conversion/transition, testing, and operation.

To ensure compliance with FNS statute and regulations, the EBT Branch reviewed State Agencies':

- Advance Planning Documents
- Requests for Proposals
- System designs
- Contracts

The EBT Branch has also had primary responsibility for the Agency Anti-Fraud Locator using EBT Retailer Transactions (ALERT) System:



ALERT is a fraud detection decision support system designed to monitor and track EBT transactions conducted by Food Stamp Program clients at authorized retail stores and meal services. ALERT provides transaction level information to personnel charged with managing retailer compliance. The ALERT system analyzes all EBT transactions looking for signs of violations. These transactions are provided to FNS by the EBT processors.

EBT Highlights

Highlights of EBT activities and accomplishments for FY 2007 include:

State Activity: EBT staff facilitated conversions in Tennessee, Wyoming, and Oklahoma; approved RFP's for California, the U.S. Virgin Islands, and the Dakotas; approved EBT contracts for Texas, South Carolina, Indiana, and Wisconsin; and granted contract amendments/extensions to Louisiana, Oklahoma, Delaware, the Dakotas, and Maryland.

EBT becomes fully interoperable: In May 2007, the State of Wyoming converted from an offline, smartcard to an online, magnetic stripe EBT system. Wyoming was the last State to go to an online system and their conversion ensures that all States are now interoperable (i.e. recipients can use their EBT cards and benefits across State lines).

EBT 101 training held at the FNS Field Academy: In June 2007, EBT 101 training was provided to Field, Retailer Investigations, and Benefit Redemption Systems Branch staff. This training was both invaluable and well received. The training presentation is now available on the BRD web.

Two FSP OIG Audits Formally Closed: The Office of the Chief Financial Officer certified that final actions have been accepted on the Food Stamp Program Antifraud Locator Using EBT Retailer Transactions (ALERT) Watchlist, and the National Office Oversight of Electronic Benefits Transfer audits.

OIG Completes EBT Vendor Audit: Office of Inspector General (GAO) audit findings for JP Morgan Electronic Services relative to vendor oversight of EBT operations led to five recommendations to be managed in FY 2008.

Transition to daily transaction data in ALERT: In May of 2007, FNS began receiving transaction information on a daily (rather than monthly) basis from all EBT vendors. Daily transaction data assists us in expediting the review of potential retailer violators, thereby enhancing program integrity.

National EBT State Directors' Conference hosted by the Pennsylvania Department of Public Welfare: The seventh annual Conference was held April 2nd through 4th, in Philadelphia, Pennsylvania. The Conference focused on several key topics of interest to States, FNS, and EBT vendors, including internal and external fraud, disaster planning, outreach to farmers' markets, and technological innovations.

EBT Contributes to Revised Disaster Food Stamp Program Guidance: The new guidance incorporates many of the lessons learned during the active hurricane seasons of 2004 and 2005. Subsequent to release of the revised guidance, EBT staff participated in Regional Disaster Food Stamp Program Training Conferences. These in-depth working sessions reiterated responsibilities for assessing disasters, and planning, and operating a Disaster Food Stamp Program.

Food Stamp Program Demonstration Projects Approved for Maryland and New York Farmers' Markets: The FSP approved under its demonstration authority, the Fresh Check Incentive Program for the Tacoma Park Maryland Farmers' Market, and the Health Bucks Incentive Program for Food Stamp Customers at several New York City Farmers' Markets. These demonstrations provide food stamp clients with additional fruit and vegetable benefits for EBT benefit dollars spent at the Markets.

Administrative Review Branch

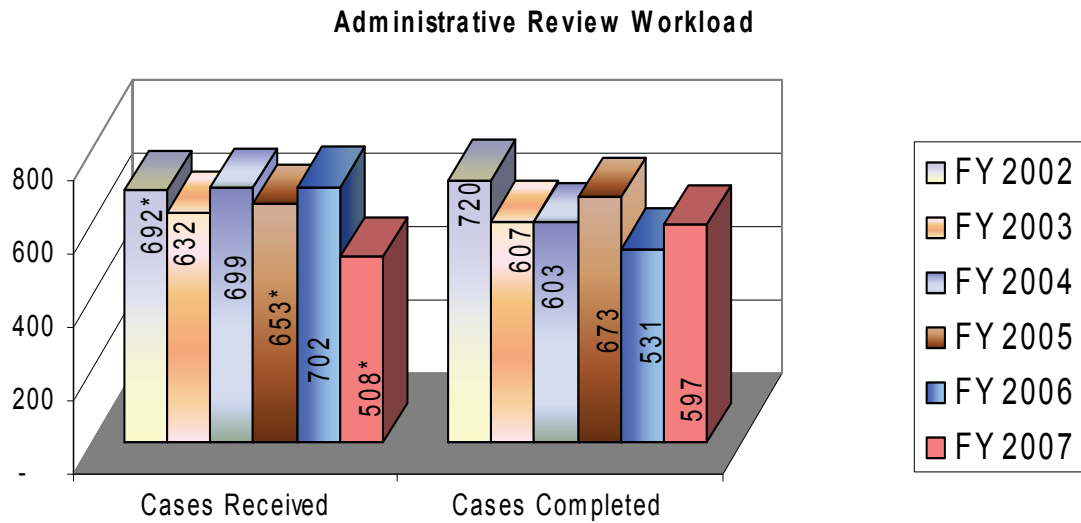
The Administrative Review Branch performs the final administrative review within the U.S. Department of Agriculture of appeals from: (1) retail and wholesale food firms aggrieved by action of the agency to deny, withdraw, or disqualify them from participation in the Food Stamp Program; (2) sponsors and vendors aggrieved in the Summer Food Service Program for Children, to deny their claims for reimbursement, or to demand refunds; (3) sponsoring organizations and institutions aggrieved in the Child Care Program, to deny their claims for reimbursement, or to demand refunds; and (4) State agencies aggrieved by actions of the agency to fiscally sanction them for non-compliance with regulations or State Plans of Operation.

In addition to the Branch Chief, there are currently four Administrative Review Officers (AROs) designated by the Secretary of Agriculture to conduct administrative hearings and issue Final Agency determinations. The purpose of AROs is to ensure that firms, institutions and State agencies aggrieved by FNS' adverse actions have the opportunity to have their position fairly considered by an impartial reviewing authority prior to that adverse action becoming final. AROs have the authority to reverse or otherwise alter any adverse decision found to be in error or inconsistent with FNS policy. The ARO decision is the final administrative action of the USDA, subject only to judicial review.

In FY 2007, in response to reduced resources, ARB continued to give primary focus to appeals which had a significant effect on retailers -- permanent disqualifications and denials of authorizations -- since the adverse actions on those cases are not held in abeyance pending a resolution of the appeals. The result was that, in FY 2007, ARB adjudicated over 200 permanent disqualification appeals and 92 denials of authorization, nearly 35% of all cases processed that year. Of those processed, over 90% of the adverse actions were sustained. By comparison, in FY 2006, ARB completed 236 permanent disqualification and 94 denials of authorizations, with an overall sustainment of just over 85%. So, on average from FY 2006 and 2007, there was an increase of 5% in the sustainment rate across the regional offices. While there was a slight decrease in the number of such cases that were processed, as illustrated in the diagrams below, despite the reduced resources in FY 2007, ARB was able to increase the number of total completed cases in FY 2007 by nearly 100.

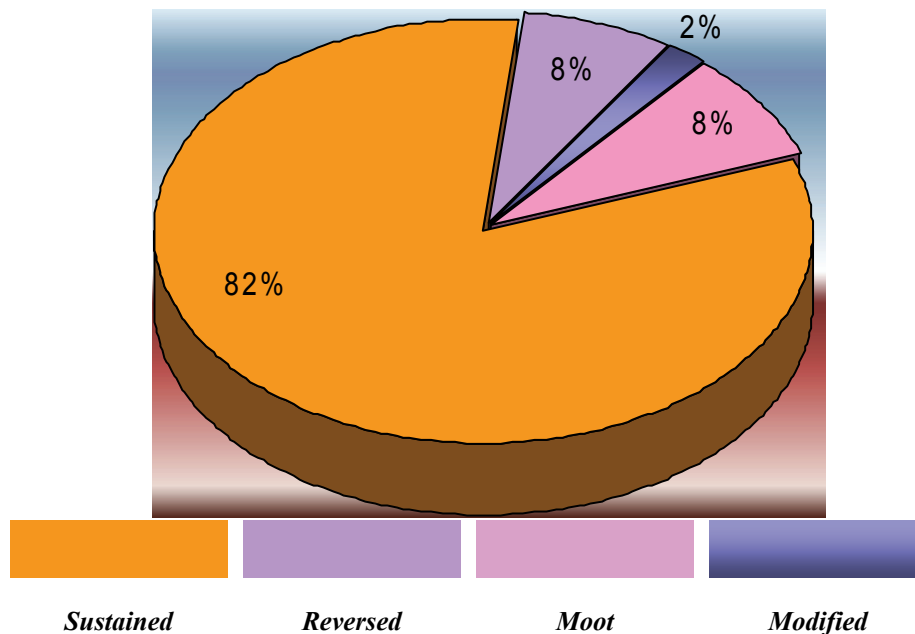


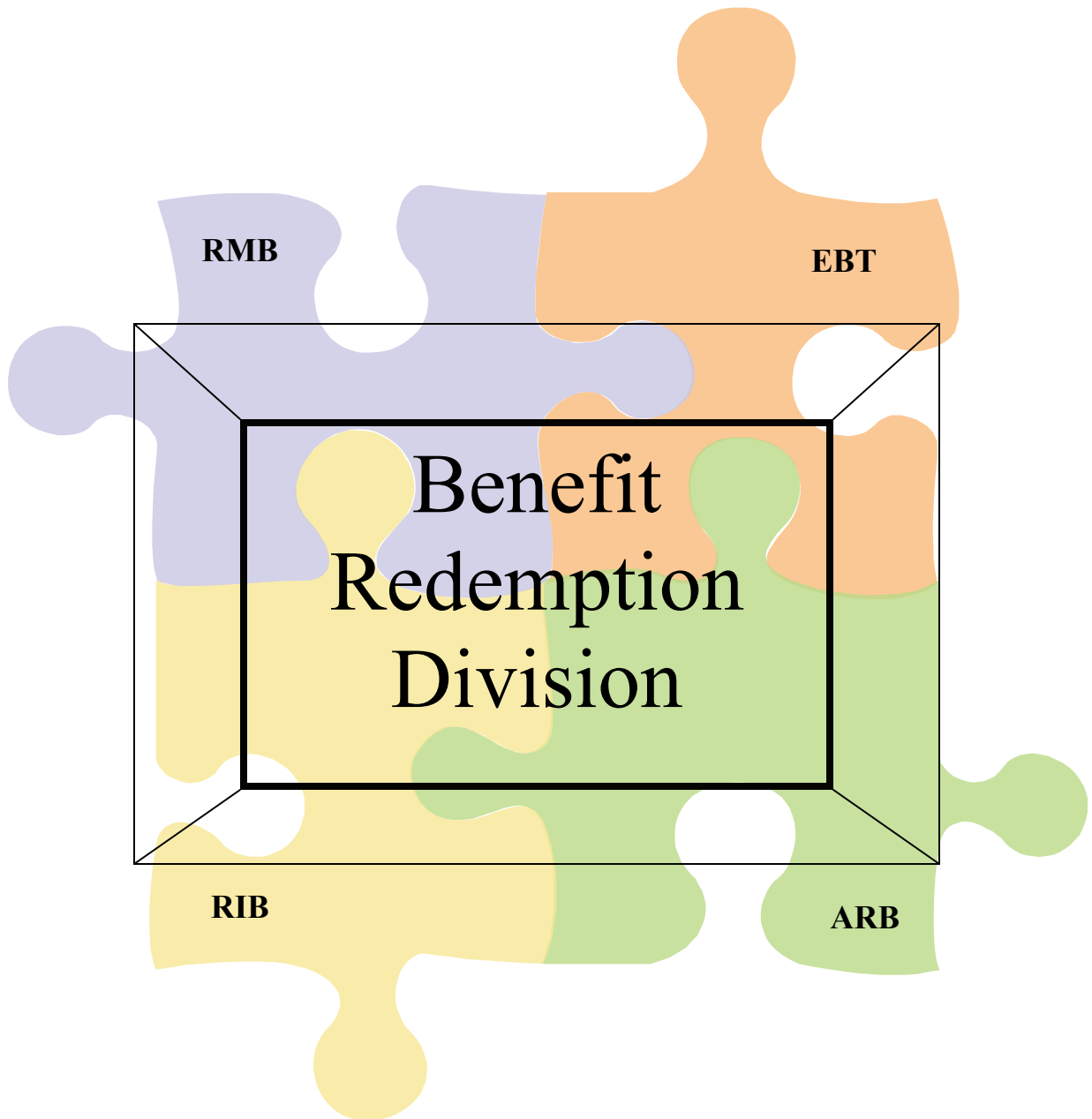
Administrative Review Workload and Outcomes



* Note: In years where there are more cases completed than received, uncompleted cases from the previous year carry over to the next year.

**Percentage of Administrative Review
Outcomes to Cases Completed - FY 2007**





For additional copies please visit our website at: <http://www.fns.usda.gov/fsp/retailers/information.htm>