



Department of Health and Social Services

Division of Public Assistance

Fraud Control Unit

FRAUD CONTROL UNIT SFY 2019 ACCOMPLISHMENTS

Facts about Fraud Control in Alaska from July 2018 through June 2019:

- Of the 87 *applicant* fraud referrals, 15 were proven to be fraudulent. Total state and federal cost avoidance savings from applicant fraud investigations was \$47,028.
- There were 597 categorically ineligible investigations completed where 584 found that the recipients were ineligible for future public assistance benefits for which they were previously authorized to receive. Total state and federal cost avoidance savings from categorically ineligible investigations was \$1,205,740.
- There were 555 *recipient* fraud referrals, 427 investigations were completed and 118 were found to be fraudulent. Total claims established to recover recipient fraud overpayments was \$269,886.
- Fraud claim collections totaled \$736,146.
- There were 26 convictions with \$378,720 in court-ordered restitution. There were 4 Civil Judgements involving \$69,134 in fraudulent overpayments. There were 25 cases referred for prosecution.
- The combined amount of cost avoidance and fraud claims established totaled \$2,096,387.
 - * *No cost avoidance value is estimated for the deterrent effect of an active fraud control effort. Many are dissuaded from committing welfare fraud knowing the consequence if they are caught intentionally breaking program rules.*

PUBLIC ASSISTANCE FRAUD CONTROL PROCESS

Referrals Made to the Fraud Control Unit

Fraud case referrals often involve benefits received from one or more programs. Most commonly, these include Alaska Temporary Assistance, SNAP, Medicaid, Adult Public Assistance and Child Care.

How Welfare Fraud Deterrence is Handled in Alaska

Two state agencies coordinate welfare fraud investigations:

- Department of Health and Social Services
Division of Public Assistance
Fraud Control Unit
(Recipient Fraud)
- Department of Law
Office of Special Prosecutions and Appeals
Medicaid Fraud Section
(Medical Provider Fraud)

Fraud Control Unit

The Division of Public Assistance, Fraud Control Unit (FCU) has statewide responsibility for the welfare fraud deterrent effort. This responsibility includes coordination of referrals to the Department of Law for possible criminal prosecution. The Fraud Control Unit conducts three types of investigations: applicant fraud, categorical ineligible and recipient fraud.

The Fraud Control Unit consists of 13 staff: nine in Anchorage, two in Fairbanks, one in Kenai, and one in Wasilla. Claims collection staff located in Juneau pursue debt collection. The SFY 2019 Fraud Investigation component budget was approximately \$1,999,999 which includes funds for a dedicated full-time Prosecutor housed in the Office of Special Prosecutions.

The Fraud Unit has three main functions:

1. Investigations

Early Fraud Detection

Caseworkers refer suspicious SNAP, Alaska Temporary Assistance Program (ATAP), Medicaid, Child Care (CC) and Adult Public Assistance (APA) applicants to the Fraud Control Unit for investigation. These referrals are assigned to unit staff, and investigations are usually completed before, or shortly after, the applicant is deemed eligible for benefits. Public Assistance applicant fraud investigations are conducted in Anchorage, Fairbanks, Kenai, and Mat-Su Valley where there are larger offices with investigators. Applicant fraud investigation activity is highlighted in the following table:

SFY 2019 Applicant Fraud Investigation Activity EFD			
Program	Referrals	Investigations Completed*	Determined Fraudulent*
Food Stamps (SNAP)	49	34	9
Alaska Temporary Assistance Program (ATAP)	26	19	4
Adult Public Assistance (APA)	3	2	1
Medicaid (ME)	5	2	1
Senior Benefits (SB)	2	1	0
Child Care Assistance (CCA)	2	3	0

*Note: Includes cases referred in prior year(s).

Categorically Ineligible Fraud Detection

FCU investigators identify, through various data mining techniques, “*categorical ineligible*” individuals with ongoing welfare program involvement. Specifically, individuals who are incarcerated, classified as fleeing to avoid prosecution or confinement for a felony-level crime, or individuals who are residing outside Alaska without an approved absence, such as obtaining medical treatment, are ineligible to receive public assistance benefits from the SNAP, Alaska Temporary Assistance, Medicaid, Adult Public Assistance, Child Care Assistance and Senior Benefits programs.

A total of 597 categorically ineligible investigations were completed by the unit in SFY 2019. Of these, 584 investigations found that the recipients were ineligible for future public assistance benefits for which they were previously authorized to receive.

SFY 2019 Categorically Ineligible Fraud Investigation Activity CAT		
Program	Investigations Completed	Determined Ineligible
Food Stamps (SNAP)	428	417
Adult Public Assistance (APA)	109	107
Alaska Temporary Assistance Program (ATAP)	18	18
Senior Benefits (SB)	13	13
Medicaid (ME)	29	29

The fraudulent cases are either not approved benefits or are adjusted to agree with factual circumstances.

Recipient Fraud Control

This function focuses primarily on intentional recipient fraud of ATAP, SNAP, Medicaid, Child Care Assistance and Adult Public Assistance benefits. (The Fraud Control Unit also assists with fraud detection efforts involving SNAP Hold Harmless; Supportive Services; Senior Benefits; Heating Assistance and Women, Infants and Children (WIC) benefits.)

Fraud referrals are received from the public, caseworkers and other agency staff. Most recipients suspected of welfare fraud are presented with the investigation findings and offered the option of accepting program disqualification and repaying the debt or facing an Administrative

Disqualification Hearing. If they choose not to sign a waiver, a disqualification hearing is held. Serious cases involving high dollar loss or egregious fraud are referred to the Department of Law, Office of Special Prosecutions for possible criminal prosecution.

During State Fiscal Year 2019 there were 555 recipient fraud referrals, 427 investigations were completed and 118 were found to be fraudulent. Recipient fraud investigation activity is noted in the following table:

SFY 2019 Recipient Fraud Investigation Activity PCI			
Program	Referrals	Investigations Completed*	Determined Fraudulent*
Food Stamps (SNAP)	295	232	55
Alaska Temporary Assistance Program (ATAP)	131	87	22
Adult Public Assistance (APA)	37	29	16
Child Care Assistance (CCA)	58	15	7
Medicaid (ME)	19	49	8
Heating Assistance	0	0	0
Senior Benefits (SB)	13	10	8
Food Stamps PFD Hold Harmless	0	2	1
Supportive Services	1	2	1
General Relief	1	1	0

**Note: Includes cases referred in prior year(s)*

2. Administrative Disqualification Hearings

Administrative Disqualifications Hearings are a key component of the fraud control process. When an investigation concludes fraud occurred, the individual is notified that a disqualification hearing will be scheduled. Many recipients when presented with the facts of the investigation opt to sign a hearing waiver and avoid the hearing. In doing so, they accept the disqualification penalty and agree to repay the fraud debt. If they do not sign the offer of a hearing waiver, a disqualification hearing is held. The Office of Administrative Hearings conducts the hearings, and the Fraud Control Unit staff present the facts supporting our finding of an intentional program violation. If the state prevails, a disqualification penalty is ordered along with repayment of fraudulently received benefits.

Individuals who sign a hearing waiver or who are found guilty in an Administrative Disqualification Hearing must repay the fraudulently received overpayments. Overpayment claims against these individuals are established and they sign promissory notes for the amount owed. A variety of debt collection methods are used including: monthly reduction of current benefits, periodic cash payments, garnishment of permanent fund dividends and interception of federal income tax refunds.

During SFY 2019, the Fraud Control Unit scheduled 15 Administrative Disqualification Hearings (ADHs).

- 9 ADHs were held.
- 7 ADH decisions were rendered.
- As a result of signed waivers, 34 disqualification penalties were imposed.

3. Claims Processing and Collection

The Benefits Issuance and Recovery Unit establishes all fraud debts and sets up each claim for recovery. Claims specialists handle all the fraud claims determined by the court, signed consent agreements, signed disqualification waivers, and administrative disqualification hearing decisions. The unit arranges repayment agreements and collects fraud losses as well as all other recipient and agency-caused overpayments.

The claims specialists use a variety of debt collection methods including: benefit reduction, small claims court actions, garnishment and assignment of rights to permanent fund dividends, and federal income tax refund interception (SNAP only). The specialists also work with the Department of Law to revoke probation in cases that default on court ordered payments.

Fraud claims managed by the Benefits Issuance and Recovery Unit for SFY 2019 are as follows:

SFY 2019 Fraud Claims		
Program	Number of Claims	Fraud Debt Balance
ATAP	454	\$1,376,060
SNAP	333	\$724,174
Adult Public Assistance	71	\$353,021

Fraud Control Efforts Save Money

Food Stamp Program benefits are 100 percent federally funded. However, as a fraud prevention incentive, states are allowed to keep 35% of SNAP fraud debt collected. Although ATAP is a federally funded block grant, Alaska retains all ATAP recipient fraud claim collections.

There is no overpayment recovery associated with the applicant fraud as no benefits were issued. However, there is significant cost avoidance associated with the activity. Applicant fraud savings for the state are the 50% of estimated ATAP costs that the state would have incurred on fraudulent applications over a six-month period. SNAP applicant fraud detection cost-avoidance savings is mostly federal funds, and estimated savings are also based on a six-month period of presumed eligibility. A similar method is used to calculate cost avoidance figures for the other welfare programs administered by DPA.

1. Established Fraud Loss Claims

These claims establish fraud loss debts for recipients proven guilty of welfare fraud or who admit intentional program violations. Administrative Disqualification Hearing decisions, signed hearing waivers and court orders are the basis for fraud loss claims. Established fraud loss debt for SFY 2019 totaled \$573,733.

ATAP	\$51,035
SNAP	\$134,630
SNAP PFD Hold Harmless	\$537
Medicaid	\$33,904
Adult Public Assistance	\$147,040
Child Care Assistance	\$170,032
Senior Benefits	\$33,675
Supportive Services	\$2,880
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	\$573,733

2. Applicant Fraud - Estimated Total and State Savings

During SFY 2019 there were 4 ATAP, 9 SNAP, 1 Medicaid, and 1 Adult Public Assistance cases in which the recipients were found to be ineligible for future public assistance benefits for which they were previously authorized to receive. Estimated cost avoidance savings totaled \$47,028.

ATAP Savings	\$17,694
SNAP Savings	\$26,605
Medicaid Savings	\$2,728
Adult Public Assistance	\$1
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	\$47,028

3. Fraud Claims Collections

The Benefit Issuance and Recovery Unit seeks repayment of established fraud debts and other overpayments. In SFY 2019, \$736,146 of fraud debt was recovered.

ATAP	\$95,397
SNAP	\$189,084
Medicaid	\$25,147
Medicare Premium	\$36,824
Adult Public Assistance	\$78,233
SNAP Hold Harmless	\$1,807
Supportive Services	\$1,946
Senior Benefits	\$61,946
Child Care	\$237,075
GRA	\$6,643
WIC	\$2,044
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	\$735,946

4. Fraud Disqualifications

Progressively longer program disqualification periods are assigned to individuals who commit fraud in the Alaska Temporary Assistance, SNAP, and Child Care Assistance programs. This results in direct savings to the programs since benefits are not paid to these individuals. In SFY 2019, \$269,886 was saved.

<u>Program</u>	<u>Direct Savings</u>
ATAP	\$44,280
SNAP	\$185,028
Child Care Assistance	\$40,578
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	\$269,886

*** Although there are direct savings realized for the Medicaid, APA and Senior Benefits programs when an individual is no longer receiving these benefits due to a successful fraud investigation, there is currently no federal or state authority in place to allow for a disqualification from any of these programs.*

5. Convictions and Restitution Handled by the Department of Law

- During State Fiscal Year 2019, there were 25 cases referred by the Fraud Control Unit to the Department of Law for criminal prosecution.
- There were 26 convictions, 4 Civil Judgements with court-ordered restitution totaling \$378,720.
- SFY 2019 restitution collected at change of plea hearings for criminal convictions totaled \$213,246. This equates to 37% of the total court-ordered restitution being recouped by the State of Alaska.
- An additional \$3,000 in investigative costs were also recouped in SFY 2019.

Combined Value of Fraud Control Efforts

The combined amount of cost avoidance, fraud claims established and direct savings from imposed disqualification periods totaled over \$2 million as shown in the following table. (This does not include the cases currently being prosecuted by the Department of Law.)

Monetary Value of SFY 2019 Fraud Control Efforts	
Fraud Control Efforts	Amount
Cost avoidance savings for <i>applicants</i> not approved benefits or benefit amounts reduced	\$47,028
Cost avoidance savings for <i>recipients</i> found ineligible due to: incarceration, fleeing felony prosecution/confinement, or residing out-of-state	\$1,205,740
Fraud debt established for recipients guilty of welfare fraud	\$573,733
Cost avoidance savings from recipients found to have committed welfare fraud	\$269,886
Total	\$2,096,387

No cost avoidance value is estimated for the deterrent effect of an active fraud control effort. Many are dissuaded from committing welfare fraud knowing the consequence if they are caught intentionally breaking program rules. The Departments of Law and Health and Social Services collaborate in the issuance of press releases for welfare fraud convictions.

Common Trends in Fraud Investigations

<u>Program</u>	<u>Recipient Allegation Type</u>	<u>Count</u>
SNAP	Failure to report Incarceration	265
	EBT (Residency) - Out of State Usage	145
	Earned income unreported or under reported	45
	Application Fraud - HHC	39
	Application Fraud - Earned Income	35
	No child in the home or child left the home	24
	Absent parent in the home or left the home	19
	Residency	18
	Household Composition - Spouse/NR in HH	14
	Income	11
	Application Fraud - Unearned Income	10
	Any household comp issue involving CSSD	9
	Application Fraud - Resources	6
	Household Composition - No Child in HH	5
	Residency unknown	4
	Household Composition - CSSD Related	4
	Unreported Bank Account(s)	4
	EBT Trafficking Issues	4
	Unreported Self Employment Income	3
	Any issue relating to Electronic Benefit Transfer	3
	Application Fraud - Other	3
	Trafficking	3
	Other	2
	Any other household comp issue	2
	Application Fraud - Benefits in 2 States	2
	Any type of Unearned Income received	2
	Unreported SSA Income	2
	Shelter expenses misrepresented	1
	Expenses exceed known income	1
	Unreported Direct Child Support from the AP	1
	Lump Sum Income (IE: SSA, Ins Settlement, etc.)	1
	Unreported Real Property	1
	Any forgery issue	1
	Unreported Vehicle(s)	1
	Received Assistance in 2 States in same month	1
	Resources	1
	No Separate Economic Unit	1
	Any identity issue	1

<u>Program</u>	<u>Recipient Allegation Type</u>	<u>Count</u>
ATAP	Application Fraud - HHC	20
	No child in the home or child left the home	18
	EBT (Residency) - Out of State Usage	16
	Absent parent in the home or left the home	14
	Any household comp issue involving CSSD	10
	Earned income unreported or under reported	8
	Application Fraud - Earned Income	5
	Income	5
	Household Composition - Spouse/NR in HH	4
	Household Composition - CSSD Related	4
	Household Composition - No Child in HH	4
	Unreported Bank Account(s)	3
	Any other household comp issue	2
	Residency	2
	Application Fraud - Unearned Income	2
	Any type of issue not already listed	1
	Any forgery issue	1
	Lump Sum Income (IE: SSA, Ins Settlement, etc.)	1
	Failure to report Incarceration	1
	Shelter expenses misrepresented	1
	Resources	1
	Unreported SSA Income	1

<u>Program</u>	<u>Recipient Allegation Type</u>	<u>Count</u>
Medicaid	EBT (Residency) - Out of State Usage	16
	Residency unknown	13
	Earned income unreported or under reported	10
	Residency	9
	No child in the home or child left the home	7
	Absent parent in the home or left the home	6
	Failure to report Incarceration	4
	Unreported Bank Account(s)	3
	Application Fraud - HHC	3
	Any type of Unearned Income received	2
	Application Fraud - Earned Income	1
	Application Fraud - Resources	1
	Unreported SSA Income	1
	Application Fraud - Other	1
	Application Fraud - Unearned Income	1
	Any other household comp issue	1
	Household Composition - Spouse/NR in HH	1

<u>Program</u>	<u>Recipient Allegation Type</u>	<u>Count</u>
APA	Failure to report Incarceration	51
	Residency	32
	EBT (Residency) - Out of State Usage	23
	Residency unknown	20
	Earned income unreported or under reported	3
	Household Composition - Spouse/NR in HH	2
	Application Fraud - Other	2
	Application Fraud - Unearned Income	2
	Incarceration	1
	Application Fraud - Earned Income	1
	Any other household comp issue	1
	Application Fraud - Resources	1
	Absent parent in the home or left the home	1

<u>Program</u>	<u>Recipient Allegation Type</u>	<u>Count</u>
Child Care	Application Fraud - HHC	12
	Absent parent in the home or left the home	3
	Household Composition - Spouse/NR in HH	1
	Any household comp issue involving CSSD	1
	Application Fraud - Earned Income	1

<u>Program</u>	<u>Recipient Allegation Type</u>	<u>Count</u>
SNAP PFD Hold Harmless	Application Fraud - Earned Income	2

<u>Program</u>	<u>Recipient Allegation Type</u>	<u>Count</u>
General Relief	Application Fraud - Earned Income	1

<u>Program</u>	<u>Recipient Allegation Type</u>	<u>Count</u>
Supportive Services	Earned income unreported or under reported	1
	Any household comp issue involving CSSD	1