

WELFARE FRAUD CONTROL

ACCOMPLISHMENTS REPORT

SFY 2003

July 2002 — June 2003



**State of Alaska
Department of Health and Social Services
Division of Public Assistance**

Frank Murkowski
Governor

Joel Gilbertson
Commissioner

Anthony Lombardo
Director

FRAUD CONTROL UNIT SFY 2003 ACCOMPLISHMENTS

Facts about Fraud Control in Alaska from July 2002 through June 2003:

- There were 595 applicant fraud referrals. 216 (36%) were proven to be fraudulent.
- Total state and federal cost avoidance savings from applicant fraud investigations was \$1,339,379.
- There were 747 recipient fraud referrals, and 698 investigations were completed. 178 (26%) were found to be fraudulent.
- Total new claims established for recipient fraud overpayment recovery was \$447,488.
- Fraud claim collections totaled \$420,174.
- Seven Fraud cases were referred to the Department of Law for criminal prosecution. There were eleven convictions with \$91,997 in court-ordered restitution. There are eight indictments involving about \$155,439 in alleged fraudulent overpayments pending disposition.
- 101 Alaska Temporary Assistance recipients were disqualified due to fraud resulting in direct program savings of \$245,204. 162 Food Stamp recipients were disqualified resulting in direct savings of \$398,742.
- The combined amount of cost avoidance, direct savings, fraud claims established and fraud claims recovered totaled over \$2.5 million*.

* 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, Food Stamps, Medicaid and Adult Public Assistance programs.

How is Welfare Fraud Deterrence Handled in Alaska?

Two state agencies coordinate welfare fraud investigation:

- Department of Health and Social Services
Division of Public Assistance
Fraud Control Unit
- Department of Law
Welfare Fraud Section

Fraud Control Unit Investigates

The Fraud Control Unit has statewide responsibility for the welfare fraud control effort. This responsibility includes coordination of referrals to the Department of Law for possible criminal prosecution. The Fraud Control Unit conducts two types of investigations, applicant fraud investigations and recipient fraud investigations.

The fraud unit consists of 14 staff, 10 in Anchorage, two in Fairbanks, one in Kenai, and one in Wasilla. One claims collection staff person is located in Juneau. The FY 03 Fraud Investigation component budget was approximately \$1,250,000, which includes funds for the Dept. of Law, Welfare Fraud Section.

The Fraud Unit has three main functions:

1. Investigations

- **Early Fraud Detection**

Caseworkers refer suspicious food stamp and Alaska Temporary Assistance applicants to the Fraud Control Unit for investigation. These referrals are assigned to unit staff, and investigations are completed before the applicant is deemed eligible for benefits. Applicant fraud control investigations are conducted in Anchorage, Fairbanks, Kenai and Mat-Su Valley.

Many of these cases were combination Food Stamps and Alaska Temporary Assistance (ATAP) cases. Individually there were 439 ATAP cases of which 131 were found to be fraudulent, and 584 food stamp cases referred with 195 found to be fraudulent. The fraudulent cases are either not opened or adjusted to agree with factual circumstances.

- **Recipient Fraud Control**

This function focuses primarily on intentional ATAP and Food Stamp fraud by recipients of these benefits.

These 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 hearing is scheduled. Serious cases involving high dollar loss or egregious fraud are referred to the Department of Law, Welfare Fraud Section for possible criminal prosecution.

During State Fiscal Year 2003 there were 747 combination ATAP and Food Stamp cases referred to the Fraud Control Unit. Individually, there were 390 ATAP cases of which 101 were found fraudulent, and 665 Food Stamp cases of which 162 were found fraudulent.

2. Administrative Disqualification Hearings

Administrative Disqualifications Hearings are a key focus of the Fraud Control Unit. The Department's Office of Hearings and Appeals hold these hearings. About 94% of clients presented with the facts of our fraud investigations sign a waiver and accept the penalties, the rest are scheduled for a disqualification hearing.

First offense fraud disqualification for the Alaska Temporary Assistance Program is six months and for the Food Stamp Program 12 months. A second fraud offense results in 12 month and 24 month disqualifications respectively. A third offense means permanent disqualification for both programs.

Individuals who sign a waiver or who are found guilty in an Administrative Disqualification Hearing must repay the fraudulently received overpayments. Claims against these individuals are established and they sign promissory notes for the amount owed. A variety of collection

methods are used including monthly reduction of current benefits and garnishment of Permanent Fund Dividends.

During FY 2003, 93 ATAP Waivers and 151 Food Stamp Waivers were signed. Seven combination ATAP/Food Stamp Administrative Disqualification Hearings were held. The agency prevailed in all seven hearings and disqualifications were imposed.

3. Claims Processing and Collection

The Claims Unit establishes all fraud claims. Staff sets up claims for fraud losses and other client and agency-caused overpayments, and recovers these debts. The claims specialist handles all the fraud claims determined by the court, signed consent agreements, signed disqualification waivers and Administrative Disqualification Hearings.

The claims specialist can file small claims actions, garnish and assign rights to permanent fund dividends, arrange federal income tax refund interception (food stamps only) and help the Department of Law revoke probation on cases that default on court ordered payments

There are currently a total of 298 active food stamp and 598 active ATAP fraud claims being managed by the Claims Unit.

Fraud Control Efforts Saves Money

Food Stamp benefits are fully funded by the Federal Government. As a fraud preventive incentive states are allowed to keep 35% of recipient fraud debt recovery. Alaska retains 50% of ATAP recipient fraud claim recovery.

There is no overpayment recovery with the applicant fraud because benefits are not issued. However, there is significant cost avoidance. 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. Food Stamp applicant detection savings are mostly federal and estimates are also based on a six-month period of presumed eligibility.

1. Applicant Fraud - Estimated Total and State Savings for FY 2003

During the period July 1, 2002 through June 30, 2003 there were 216 applicant referrals that were found to be fraudulent. Most of these were combination Food Stamp and ATAP cases. Estimated cost avoidance savings totaled \$1,339,379.

ATAP Savings	\$692,418	50% State Share = \$346,209
Food Stamp Savings	\$446,961	

2. Established Fraud Loss Claims

These claims establish actual fraud loss debt amounts for recipients proven guilty of welfare fraud. Administrative Disqualification Hearing decisions, signed hearing waivers and court orders are the basis for fraud loss claims.

Established fraud loss debt for FY 2003 totaled \$441,435.

ATAP	\$228,628
Food Stamps	\$147,148
APA/Medicaid	\$ 71,712

3. Fraud Claims Collections

The Claims Unit seeks repayment of established fraud debts and other overpayments. In FY 2003 \$420,174 of fraud debt was recovered.

ATAP	\$246,522
Food Stamps	\$137,026
Med /APA/HH/GA	\$36,626

4. Fraud Disqualifications

Progressively longer program disqualification periods are assigned to individuals who commit fraud in the Alaska Temporary Assistance and Food Stamp Programs. This results in direct savings to the programs since benefits are not paid to these individuals.

<u>Program</u>	<u>Disqualifications</u>	<u>Direct Savings</u>
ATAP	101	\$245,204
Food Stamps	162	\$398,742
Total		\$643,946

5. Department of Law Convictions and Restitution

During State Fiscal Year 2003, there were seven cases referred by the Fraud Control Unit to the Department of Law for criminal prosecution. There were eleven convictions with court-ordered restitution totaling \$91,997. There are eight current indictments awaiting disposition involving about \$155,439.

Common Trends in Fraud Investigations

Applicant Fraud:

<u>PROGRAM</u>	<u>ALLEGATION</u>	<u>COMPLAINTS</u>
ATAP	Other parent living in the home not reported	140
	Other household composition issues	128
	No eligible child living in the home	113
Food Stamps	Household members not reported in the home	212
	Significant other in household not reported	167
	Children on application not in the home	130

Recipient Fraud:

ATAP	Child on ATAP no longer living in household	109
	*Unreported or underreported earned income	57
	Other parent living in the home & unreported	50
	Unreported income (other)	67
	Other reasons (various)	88
Food Stamps	*Unreported or underreported earned income	207
	Child on FS not living in the household	119
	Significant other in household not reported	52
	Unreported household members (other)	46
	Unreported receipt of child support income	29
	EBT (misuse)	34
	Other reasons (various)	190