

WELFARE FRAUD CONTROL

ACCOMPLISHMENTS REPORT

SFY 2004

July 2003 — June 2004



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

**Frank Murkowski
Governor**

**Joel Gilbertson
Commissioner**

**Katherine Farnham
Director**

FRAUD CONTROL UNIT SFY 2004 ACCOMPLISHMENTS

Facts about Fraud Control in Alaska from July 2003 through June 2004:

- There were 643 applicant fraud referrals. 237 were proven to be fraudulent. Total state and federal cost avoidance savings from applicant fraud investigations was estimated at \$1,187,044.
- There were 779 recipient fraud referrals, and 615 investigations were completed. 213 were found to be fraudulent. Total claims established to recover recipient fraud overpayments was \$464,047.
- Fraud claims debt recovered totaled \$295,597.
- There were eleven criminal convictions with \$140,064 in court-ordered restitution. There are six indictments involving about \$26,595 in alleged fraudulent overpayments pending disposition.
- 109 Alaska Temporary Assistance recipients were disqualified due to fraud, resulting in direct program savings of \$276,750. 167 Food Stamp recipients were disqualified resulting in direct savings of \$451,902.
- The combined amount of cost avoidance, direct savings, and fraud claims established totaled nearly \$2.4 million.

Note: 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, and 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 Division of Public Assistance, Fraud Control Unit 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 two types of investigations, applicant fraud investigations and recipient fraud investigations.

The fraud unit consists of 16 staff, 12 in Anchorage, two in Fairbanks, one in Kenai, and one in Wasilla. The FY 04 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 promptly completed before the applicant is deemed eligible for benefits. Public Assistance applicant fraud investigations are conducted in Anchorage, Fairbanks, Kenai and Mat-Su Valley where we have larger offices and investigators in the community.

There were 425 applicant fraud referrals to the unit in FY 2004 that involved ATAP cases. Of the 426 ATAP applicant investigations completed, and 143 were found to be fraudulent. There were 620 referrals involving Food Stamp applicants. Of the 617 investigations completed, and 199 were found to be fraudulent. Fraudulent cases are either not opened, or they are adjusted to agree with the factual circumstances. Of the applicant fraud referrals referenced above, 407 were for combined applications where the household was applying for both Food Stamps and the Alaska Temporary Assistance Program.

- **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 criminal prosecution.

During State Fiscal Year 2004 there were 382 combination ATAP and Food Stamp cases referred to the Fraud Control Unit. Individually there were 404 ATAP cases referred to the Fraud Control Unit, of which 355 were investigated and 107 were found to be fraudulent. There were 726 Food Stamp cases referred, of which 582 cases were investigated and 207 were found to be fraudulent.

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. Most clients when presented with the facts of the investigations 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 scheduled. The Department's Office of Hearings and Appeals 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.

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 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.

During FY 2004, 109 ATAP recipients and 167 Food Stamp recipients signed hearing waivers or were found to have committed intentional program violations through a disqualification hearing.

3. Claims Processing and Collection

The Claims Unit establishes all fraud debts and sets up each claim for recovery. The claims specialist handles all the fraud claims determined by the court, signed consent agreements, signed disqualification waivers and Administrative Disqualification Hearings. The unit arranges repayment agreements and collects for fraud losses as well as all other client and agency-caused overpayments.

The claims specialist uses a variety of debt collection methods including small claims court actions, garnishment and assignment of rights to permanent fund dividends, federal income tax refund interception (food stamps only). The specialist also works with the Department of Law to revoke probation in cases that default on court ordered payments.

There are currently a 381 active food stamp fraud claims and 609 active ATAP fraud claims being managed by the Claims Unit.

Fraud Control Efforts Saves Money

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

There is no overpayment recovery associated with the applicant fraud because usually there were no benefits 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. Food Stamp applicant fraud detection cost-avoidance savings is mostly federal funds, and estimated savings are also based on a six-month period of presumed eligibility.

1. Applicant Fraud - Estimated Total and State Savings for FY 2004

During FY 2004 there were 143 applicant fraud referrals with ATAP involvement found to be fraudulent, and 199 with Food Stamp involvement. Estimated cost avoidance savings totaled \$1,187,044.

ATAP Savings	\$734,782
Food Stamp Savings	\$452,262

2. Established Fraud Loss Claims

These claims establish fraud loss debts for recipients proven guilty of welfare fraud or 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 FY 2004 totaled \$464,047.

ATAP	\$197,810
Food Stamps	\$167,413
APA/Medicaid	\$ 91,360
Child Care	\$ 7,464

3. Fraud Claims Collections

The Claims Unit seeks repayment of established fraud debts and other overpayments. In FY 2004 \$295,597 of fraud debt was recovered.

ATAP	\$173,146
ATAP Supportive Services	\$ 6,512
Food Stamps	\$ 87,867
Med /APA/HH/GA	\$ 28,072

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. In FY 2004 \$728,652 was saved.

<u>Program</u>	<u>Disqualifications</u>	<u>Direct Savings</u>
ATAP	109	\$276,750
Food Stamps	167	\$451,902

5. Department of Law Convictions and Restitution

During State Fiscal Year 2004, there were three cases referred by the Fraud Control Unit to the Department of Law for criminal prosecution. There were eleven convictions with court-ordered restitution totaling \$140,064. There are six current active prosecution cases involving about \$26,595.

Common Trends in Fraud Allegations

Applicant Fraud:

<u>PROGRAM</u>	<u>ALLEGATION</u>	<u>COMPLAINTS</u>
ATAP	Other parent living in the home not reported	182
	Other household composition issues	100
	No eligible child living in the home	108
Food Stamps	Household members not reported in the home	183
	Significant other in household not reported	235
	Children on application not in the home	127

Recipient Fraud:

<u>PROGRAM</u>	<u>ALLEGATION</u>	<u>COMPLAINTS</u>
ATAP	Child on ATAP no longer living in household	118
	*Unreported or underreported earned income	44
	Other parent living in the home & unreported	75
	Unreported income (other)	79
	Other reasons (various)	80
Food Stamps	*Unreported or underreported earned income	193
	Child on FS not living in the household	142
	Significant other in household not reported	88
	Unreported household members (other)	45
	Unreported receipt of child support income	60
	EBT (misuse)	0
Other reasons (various)	187	