

WELFARE FRAUD CONTROL

ACCOMPLISHMENTS REPORT

SFY 2005

July 2004 — June 2005



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

**Frank Murkowski
Governor**

**Karleen Jackson
Commissioner**

**Katherine Farnham
Director**

FRAUD CONTROL UNIT SFY 2005 ACCOMPLISHMENTS

Facts about Fraud Control in Alaska from July 2004 through June 2005:

- There were 635 applicant fraud referrals. 263 were proven to be fraudulent. Total state and federal cost avoidance savings from applicant fraud investigations was \$1,658,820.
- There were 649 recipient fraud referrals, and 652 investigations were completed. 225 were found to be fraudulent. Total claims established to recover recipient fraud overpayments was \$607,730.
- Fraud claim collections totaled \$299,924.
- There were two welfare fraud convictions with \$9,443 in court-ordered restitution, and four alternative to prosecution agreements that resulted in fraudulent overpayment claims totaling \$97,348. There are seven indictments involving an estimated \$66,165 in alleged fraudulent overpayments pending disposition by the court.
- 140 Alaska Temporary Assistance recipients were disqualified due to fraud resulting in direct program savings of \$292,248. 198 Food Stamp recipients were disqualified resulting in direct savings of \$459,726.
- The combined amount of cost avoidance, direct savings and fraud claims established totaled \$2.8 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 involve benefits received from one or more programs. Most commonly, these include Alaska Temporary Assistance Program (ATAP), Food Stamp Program, Medicaid and the Adult Public Assistance Program.

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
Office of Special Prosecutions and Appeals, 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, 11 in Anchorage, two in Fairbanks, one in Kenai, and two in Wasilla. The FY 05 Fraud Investigation component budget was approximately \$1,430,928, 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 usually 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 there are larger offices with investigators stationed there.

There were 421 applicant fraud referrals to the unit in FY 2005 that involved ATAP cases, and 416 Alaska Temporary Assistance applicant investigations completed. Of these, 158 were found to be fraudulent.

There were 611 referrals involving Food Stamp Program applicants, and 606 investigations completed. Of these, 232 were found to be fraudulent. The fraudulent cases are either not opened or they are adjusted to agree with the applicant's factual circumstances. Of the applicant fraud referrals referenced above, 399 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 Program 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. 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 2005 there were 372 combination ATAP and Food Stamp cases referred to the Fraud Control Unit. Individually there were 404 ATAP cases referred to the Fraud Control Unit. The unit completed 415 ATAP investigations, and 127 were found to be fraudulent. There were 578 Food Stamp cases referred and 603 investigations completed. Of these, 198 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 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 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 12 months for the Food Stamp Program. A second fraud offense results in 12 month and 24 month disqualifications respectively. For both programs, a third offense results in the individual's permanent disqualification.

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 returns.

During FY 2005, 140 ATAP recipients and 198 Food Stamp recipients signed hearing waivers, or were found to have committed intentional program violations through a disqualification hearing.

3. Claims Processing and Collection

A 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 of fraud losses and 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 Stamp Program only). The specialist also works with the Department of Law to revoke probation in cases that default on court ordered payments.

There are 417 active Food Stamp Program fraud claims and 539 active ATAP fraud claims being managed by the Claims Unit. The established fraud debt balance for the Food Stamp Program is \$511,390, and the ATAP fraud claims balance is \$1,863,106.

Fraud Control Efforts Saves Money

Food Stamp Program benefits are 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 this 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. A similar method is used to calculate Medicaid program cost avoidance.

1. Applicant Fraud - Estimated Total and State Savings for FY 2005

During FY 2005 there were 158 applicant fraud referrals with ATAP involvement found to be fraudulent, and 232 with Food Stamp Program involvement. Estimated cost avoidance savings totaled \$1,658,820.

ATAP Savings	\$801,003
Food Stamp Savings	\$566,202
Medicaid	\$291,615

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 2005 totaled \$607,730.

ATAP	\$267,464
Food Stamps	\$213,706
APA/Medicaid	\$126,560

3. Fraud Claims Collections

The Claims Unit seeks repayment of established fraud debts and other overpayments. In FY 2005 \$299,924 of fraud debt was recovered.

ATAP	\$157,932
Food Stamps	\$116,217
Medicaid	\$ 22,090
APA	\$ 1,373
Misc.	\$ 2,312

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 2005 \$752,014 was saved.

<u>Program</u>	<u>Disqualifications</u>	<u>Direct Savings</u>
ATAP	140	\$292,248
Food Stamps	198	\$459,766

5. Department of Law Convictions and Restitution

During State Fiscal Year 2005, there were four cases referred by the Fraud Control Unit to the Department of Law for criminal prosecution. There were two convictions with court-ordered restitution totaling \$9,443. There are seven current active prosecution cases involving about \$66,165.

An alternative to prosecution project resulted in four individuals agreeing to program disqualifications and repayment agreements totaling \$97,348.

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	182
	Other household composition issues	98
	No eligible child living in the home	102
Food Stamps	Household members not reported in the home	178
	Significant other in household not reported	236
	Children on application not in the home	121

Recipient Fraud:

ATAP	Child on ATAP no longer living in household	128
	*Unreported or underreported earned income	52
	Other parent living in the home & unreported	85
	Unreported income (other)	47
	Other reasons (various)	91
Food Stamps	*Unreported or underreported earned income	105
	Child on FS not living in the household	134
	Significant other in household not reported	103
	Unreported household members (other)	40
	Unreported receipt of child support income	22
	EBT (misuse)	4
	Other reasons (various)	173