

# **WELFARE FRAUD CONTROL**

## **ACCOMPLISHMENTS REPORT**

**SFY 2006**

**July 2005 — June 2006**



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

**Frank Murkowski  
Governor**

**Karleen Jackson  
Commissioner**

**Ellie Fitzjarrald  
Acting Director**

## FRAUD CONTROL UNIT SFY 2006 ACCOMPLISHMENTS

Facts about Fraud Control in Alaska from July 2005 through June 2006:

- There were 368 applicant fraud referrals. 150 were proven to be fraudulent. Total state and federal cost avoidance savings from applicant fraud investigations was \$1,013,335.
- There were 523 recipient fraud referrals, and 601 investigations were completed. 144 were found to be fraudulent. Total claims established to recover recipient fraud overpayments was \$320,635.
- Fraud claim collections totaled \$324,413.
- There were three convictions with \$30,756 in court-ordered restitution, and four alternative to prosecution agreements that resulted in fraudulent overpayment claims totaling \$50,284. There are six indictments involving an estimated \$89,452 in alleged fraudulent overpayments pending disposition.
- 76 Alaska Temporary Assistance recipients were disqualified due to fraud resulting in direct program savings of \$172,602. 111 Food Stamp recipients were disqualified resulting in direct savings of \$296,751.
- The combined amount of cost avoidance, direct savings, fraud claims established and fraud claims recovered totaled over \$1.9 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, 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  
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, eleven in Anchorage, two in Fairbanks, one in Kenai, and two in Wasilla. One claims collection staff person is located in Juneau. The FY 06 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 213 applicant fraud referrals to the unit in FY 2006 that involved ATAP cases, and 216 Alaska Temporary Assistance applicant investigations completed. Of these, 90 were found to be fraudulent. There were 354 referrals involving Food Stamp Program applicants, and 350 investigations completed. Of these, 134 were found to be fraudulent. The fraudulent cases are either not opened or they are adjusted to agree with factual circumstances. Of the applicant fraud referrals referenced above, 205 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 possible criminal prosecution.

During State Fiscal Year 2006 there were 281 combination ATAP and Food Stamp cases referred to the Fraud Control Unit. Individually there were 305 ATAP cases referred to the Fraud Control Unit. The unit completed 372 ATAP investigations, and 79 were found to be fraudulent. There were 483 Food Stamp cases referred, and 540 investigations completed. Of these, 111 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 6 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 2006, 76 ATAP recipients and 111 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 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 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 364 active Food Stamp Program fraud claims and 553 active ATAP fraud claims being managed by the Claims Unit. The established fraud debt balance for the Food Stamp Program is \$473,249.64, and the ATAP fraud claims balance is \$1,915,740.64.

#### **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 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. A similar method is used to calculate Medicaid Program cost avoidance.

**1. Applicant Fraud - Estimated Total and State Savings for FY 2006**

During FY 2006 there were 90 applicant fraud referrals with ATAP involvement found to be fraudulent, and 134 with Food Stamp involvement. Estimated cost avoidance savings totaled \$1,013,355.

ATAP Savings	\$480,864
Food Stamp Savings	\$372,060
Medicaid Savings	\$160,431

**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 2006 totaled \$320,635.

ATAP	\$123,301
Food Stamps	\$121,150
APA/Medicaid	\$ 76,184

**3. Fraud Claims Collections**

The Claims Unit seeks repayment of established fraud debts and other overpayments. In FY 2006 \$324,412.81 of fraud debt was recovered.

ATAP	\$148,602.72
Food Stamps	\$143,693.78
Medicaid	\$ 25,431.91
APA	\$ 5,145.79
Misc.	\$ 1,538.61

**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 2006 \$469,353 was saved.

<u>Program</u>	<u>Disqualifications</u>	<u>Direct Savings</u>
ATAP	76	\$172,602
Food Stamps	111	\$296,751

**5. Department of Law Convictions and Restitution**

During State Fiscal Year 2006, there were fourteen cases referred by the Fraud Control Unit to the Department of Law for criminal prosecution. There were three convictions with court-ordered restitution totaling \$30,756. There are six current active prosecution cases involving about \$89,452.

There were four alternative to prosecution agreements accepted by individuals agreeing to program disqualifications and repayment amounts totaling \$50,284.

**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	96
	Other household composition issues	42
	No eligible child living in the home	59
Food Stamps	Household members not reported in the home	91
	Significant other in household not reported	136
	Children on application not in the home	87

**Recipient Fraud:**

ATAP	Child on ATAP no longer living in household	93
	*Unreported or underreported earned income	36
	Other parent living in the home & unreported	49
	Unreported income (other)	46
	Other reasons (various)	73
Food Stamps	*Unreported or underreported earned income	106
	Child on FS not living in the household	100
	Significant other in household not reported	64
	Unreported household members (other)	29
	Unreported receipt of child support income	23
	EBT (misuse)	1
	Other reasons (various)	162

