

WELFARE FRAUD CONTROL

ACCOMPLISHMENTS REPORT

SFY 2007

July 2006 — June 2007



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

Sarah Palin
Governor

Karleen Jackson
Commissioner

Ellie Fitzjarrald
Director

FRAUD CONTROL UNIT SFY 2007 ACCOMPLISHMENTS

Facts about Fraud Control activity in Alaska from July 2006 through June 2007:

State Fiscal Year 2007 was marked by improved performance and production in every category of our welfare fraud deterrent effort.

- There were 556 *applicant fraud referrals* received, and 237 were proven to be fraudulent. Total projected state and federal cost avoidance savings from applicant fraud investigations was \$1,370,460.
- There were 503 *recipient fraud referrals*, and 664 investigations were completed. 172 were found to be fraudulent. Total claims established to recover recipient fraud overpayments was \$519,937.
- Fraud claim collections totaled \$419,190.
- There were eight convictions with \$95,349 in court-ordered restitution, and one alternative to prosecution agreement that resulted in fraudulent overpayment claims totaling \$22,741. There are thirteen indictments involving an estimated \$228,730 in alleged fraudulent overpayments pending disposition.
- 90 Alaska Temporary Assistance recipients were disqualified due to fraud resulting in direct program savings of \$205,902. 146 Food Stamp recipients were disqualified resulting in direct savings of \$345,390.
- The combined amount of cost avoidance, direct savings, fraud claims established and fraud claims recovered totaled over \$2.65 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 public assistance programs. Most commonly, these fraud allegations involve 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
(Criminal investigations may also involve coordination with other state and federal agencies to recover fraud-related losses in other programs.)

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. Claims collection staff located in Juneau pursue debt collection. The SFY 07 Fraud Investigation component budget was approximately \$1,530,600, which includes funds for the Dept. of Law, Welfare Fraud Section.

The Fraud Unit has three main functions:

1. Investigations

- **Early Fraud Detection**

Investigating questionable information provided by public assistance applicants is a proven deterrent to welfare fraud. This primary activity focuses on early detection of misrepresented applicant household circumstances.

Eligibility workers refer suspicious food stamp and Alaska Temporary Assistance applicants to the Fraud Control Unit for investigation. These referrals are assigned to unit staff, and the 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 317 applicant fraud referrals to the unit in SFY 2007 that involved Alaska Temporary Assistance cases, and 295 ATAP applicant investigations completed. Of these, 122 were found to be fraudulent.

There were 535 referrals involving Food Stamp Program applicants, and 509 investigations completed. Of these, 214 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, 300 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 program violations by Alaska Temporary Assistance, Food Stamp and Medicaid program benefit recipients.

These fraud referrals are received from the public, caseworkers and other agency staff. Upon completion of the investigation, recipients suspected of welfare fraud are presented with the 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.

In State Fiscal Year 2007, 221 ATAP and Food Stamp combined cases were referred to the Fraud Control Unit. There was a total of 241 ATAP cases referred. There were 397 ATAP investigations completed, and 96 were found to be fraudulent.

There were 464 cases involving Food Stamps referred this fiscal year, and 604 investigations completed. Of these, 146 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 formal hearing. In doing so, they accept a disqualification penalty and agree to repay the fraud debt. If they do not elect to sign the 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 the State's 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 SFY 2007, 90 ATAP recipients and 146 Food Stamp recipients signed hearing waivers or were found to have committed intentional program violations through an administrative disqualification hearing.

3. Claims Processing and Collection

A Benefit Issuance and Recovery Unit establishes all fraud debts and sets up each claim for recovery. A 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.

Claims specialists use 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 369 active Food Stamp Program fraud claims and 542 active ATAP fraud claims being managed by the Benefit Issuance and Recovery Unit. The established fraud debt balance for the Food Stamp Program is \$533,719, and the ATAP fraud claims balance is \$1,871,017.

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 percent 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 are projected at 50 percent of estimated ATAP benefit cost that the State would have incurred had the fraudulent applications been approved for a six-month period. Food Stamp applicant fraud detection cost-avoidance savings is mostly federal funds. The projected savings estimate is 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 2007

During SFY 2007 there were 122 applicant fraud referrals with ATAP involvement found to be fraudulent, and 214 with Food Stamp involvement. Estimated cost avoidance savings totaled \$1,370,460.

ATAP Savings	\$610,236
Food Stamp Savings	\$554,798
Medicaid Savings	\$205,426

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. Newly established fraud loss debt for SFY 2007 totaled \$519,937.

ATAP	\$186,933
Food Stamps	\$226,297
APA/Medicaid	\$106,707

3. Fraud Claims Collections

The Benefit Issuance and Recovery Unit seeks repayment of established fraud debts and other overpayments. In SFY 2007 \$419,190 of fraud debt was recovered.

ATAP	\$239,574
Food Stamps	\$129,103
Medicaid	\$ 42,281
APA	\$ 3,517.
Misc.	\$ 4,712

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 during the disqualification period. In SFY 2007 \$551,292 was saved.

<u>Program</u>	<u>Disqualifications</u>	<u>Direct Savings</u>
ATAP	90	\$205,902
Food Stamps	146	\$345,390

5. Department of Law Criminal Convictions and Restitution

During SFY 2007, the Fraud Control Unit referred twelve cases to the Department of Law for possible criminal prosecution. There were eight convictions with court-ordered restitution totaling \$95,349. There are thirteen additional active criminal cases involving about \$228,730 in program losses in which the individuals have been formally charged with a crime, yet the outcome is not final.

There was one alternative to prosecution agreements accepted by individuals agreeing to program disqualifications and repayment amounts totaling \$22,741.

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	172
	Other household composition issues	38
	No eligible child living in the home	77
Food Stamps	Household members not reported in the home	93
	Significant other in household not reported	260
	Children on application not in the home	108

Recipient Fraud:

ATAP	Child on ATAP no longer living in household	68
	*Unreported or underreported earned income	38
	Other parent living in the home & unreported	40
	Unreported income (other)	39
	Other reasons (various)	203
Food Stamps	*Unreported or underreported earned income	131
	Child on FS not living in the household	69
	Significant other in household not reported	68
	Unreported household members (other)	10
	Unreported receipt of child support income	17
	EBT (misuse)	0
	Other reasons (various)	167