

# WELFARE FRAUD CONTROL

## ACCOMPLISHMENTS REPORT

SFY 2009

July 2008 — June 2009



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

Sean Parnell  
Governor

William Hogan  
Commissioner

Ellie Fitzjarrald  
Director

## FRAUD CONTROL UNIT SFY 2009 ACCOMPLISHMENTS

Facts about Fraud Control in Alaska from July 2008 through June 2009:

- There were 547 applicant fraud referrals. 229 were proven to be fraudulent. Total state and federal cost avoidance savings from applicant fraud investigations was \$1,253,363.
- There were 405 recipient fraud referrals, and 402 investigations were completed. 124 were found to be fraudulent. Total claims established to recover recipient fraud overpayments was \$663,490.
- Fraud claim collections totaled \$581,729.
- There were seven convictions with \$245,259 in court-ordered restitution. There are eight indictments involving an estimated \$66,930 in alleged fraudulent overpayments pending disposition. There are nine additional cases that have been referred involving \$264,585 that are awaiting screening by the AG's office.
- 61 Alaska Temporary Assistance recipients were disqualified due to fraud resulting in direct program savings of \$163,833. 82 Food Stamp recipients were disqualified resulting in direct savings of \$237,582.
- The combined amount of cost avoidance, direct savings, fraud claims established and fraud claims recovered totaled over \$2.4 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.

## **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, two in Kenai, and one in Wasilla. Claims collection staff located in Juneau pursue debt collection. The FY 09 Fraud Investigation component budget was approximately \$1,794,600, 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.

There were 204 applicant fraud referrals to the unit in FY 2009 that involved ATAP cases, and 204 Alaska Temporary Assistance applicant investigations completed. Of these, 84 were found to be fraudulent. There were 465 referrals involving Food Stamp Program applicants, and 464 investigations completed. Of these, 192 were found to be fraudulent. The fraudulent cases are either not approved benefits or are adjusted to agree with factual circumstances. Of the applicant fraud referrals referenced above, 189 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 2009 there were 140 combination ATAP and Food Stamp cases referred to the Fraud Control Unit. There was a total of 159 ATAP cases referred. The unit completed 224 ATAP investigations, with 72 found to be fraudulent. There were 355 Food Stamp cases referred, and 356 investigations completed. Of these, 82 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 2009, the Fraud Control Unit scheduled 66 Administrative Disqualification Hearings (ADH's). There were 51 Administrative Disqualification Hearings held with 3 decisions still pending. There were 56 ADH decisions rendered resulting in 33 Temporary Assistance and 36 Food Stamp program disqualifications. There were 19 hearings re-scheduled at the client's request and 5 hearings "Dismissed without Prejudice". There were 28 Temporary Assistance and 46 Food Stamp disqualification penalties imposed as a result of clients' waiving their right to an ADH.

### **3. Claims Processing and Collection**

the Benefits Issuance and Recovery Unit establishes all fraud debts and sets up each claim for recovery. Claims specialists handle 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 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 274 active Food Stamp Program fraud claims and 462 active ATAP fraud claims being managed by the Benefits Issuance and

Recovery Unit. The established fraud debt balance for the Food Stamp Program is \$451,255.85, and the ATAP fraud claims balance is \$1,645,578.85.

### **Fraud Control Efforts Save 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 as no benefits were 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 2009**

During FY 2009 there were 84 applicant fraud referrals with ATAP involvement found to be fraudulent, and 192 with Food Stamp involvement. Estimated cost avoidance savings for FY 2009 totaled \$1,253,363.

ATAP Savings	\$416,700
Food Stamp Savings	\$535,351
Medicaid Savings	\$195,376
Adult Public Assistance	\$105,936

#### **2. Established Fraud Loss Claims**

These claims establish fraud loss debts for recipients proven guilty of welfare fraud or who 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 2009 totaled \$663,490.

ATAP	\$175,517
Food Stamps	\$166,757
Medicaid	\$213,959
Adult Public Assistance	\$107,257

### 3. Fraud Claims Collections

The Benefit Issuance and Recovery Unit seeks repayment of established fraud debts and other overpayments. In FY 2009, \$581,728.83 of fraud debt was recovered.

ATAP	\$289,722.71
Food Stamps	\$168,352.84
Medicaid	\$ 72,529.56
APA	\$ 7,185.00
Misc.	\$ 24,938.72

### 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 2009, \$404,415 was saved.

<u>Program</u>	<u>Disqualifications</u>	<u>Direct Savings</u>
ATAP	61	\$163,833
Food Stamps	82	\$237,582

### 5. Department of Law Convictions and Restitution

During State Fiscal Year 2009, there were nine cases referred by the Fraud Control Unit to the Department of Law for criminal prosecution. There were seven convictions with court-ordered restitution totaling \$245,259. There are seventeen current active prosecution cases involving about \$331,515.

### 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	107
	Other household composition issues	15
	No eligible child living in the home	61

Food Stamps	Household members not reported in the home	67
	Significant other in household not reported	215
	Children on application not in the home	105

**Recipient Fraud:**

ATAP	Child on ATAP no longer living in household	40
	*Unreported or underreported earned income	40
	Other parent living in the home & unreported	17
	Unreported income(other)	28
	Other reasons(various)	35
Food Stamps	*Unreported or underreported earned income	120
	Child on FS not living in the household	49
	Significant other in household not reported	28
	Unreported household members (other)	28
	Unreported receipt of child support income	18
	EBT (misuse)	2
	Other reasons (various)	114

\*Indicates the most common allegation type.