

Welfare Fraud Investigations 101

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Welfare Fraud Investigations 101

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Welfare Fraud Investigators

- Investigator has the authority to investigate questionable information provided by clients.
- Application forms include release of information for potential fraud investigation.
- Investigator is considered a tool of the financial worker to ensure the client receives the benefits they are eligible for – no more, no less.

Welfare Fraud Referral Criteria

- Referral required to start fraud investigation.
- Referrals are received from financial workers, child support officers, social workers, public complaints, family members, apartment managers.
- Best/worst referrals come from public.
- All referrals must be investigated.

Referral Criteria for Agency

- Expenses exceed income without explanation.
- Current application is inconsistent with prior case information.
- Absent parent information is suspicious.
- History of fraud, overpayments or questionable applications.
- History of working for cash.

Referral Criteria Cont.

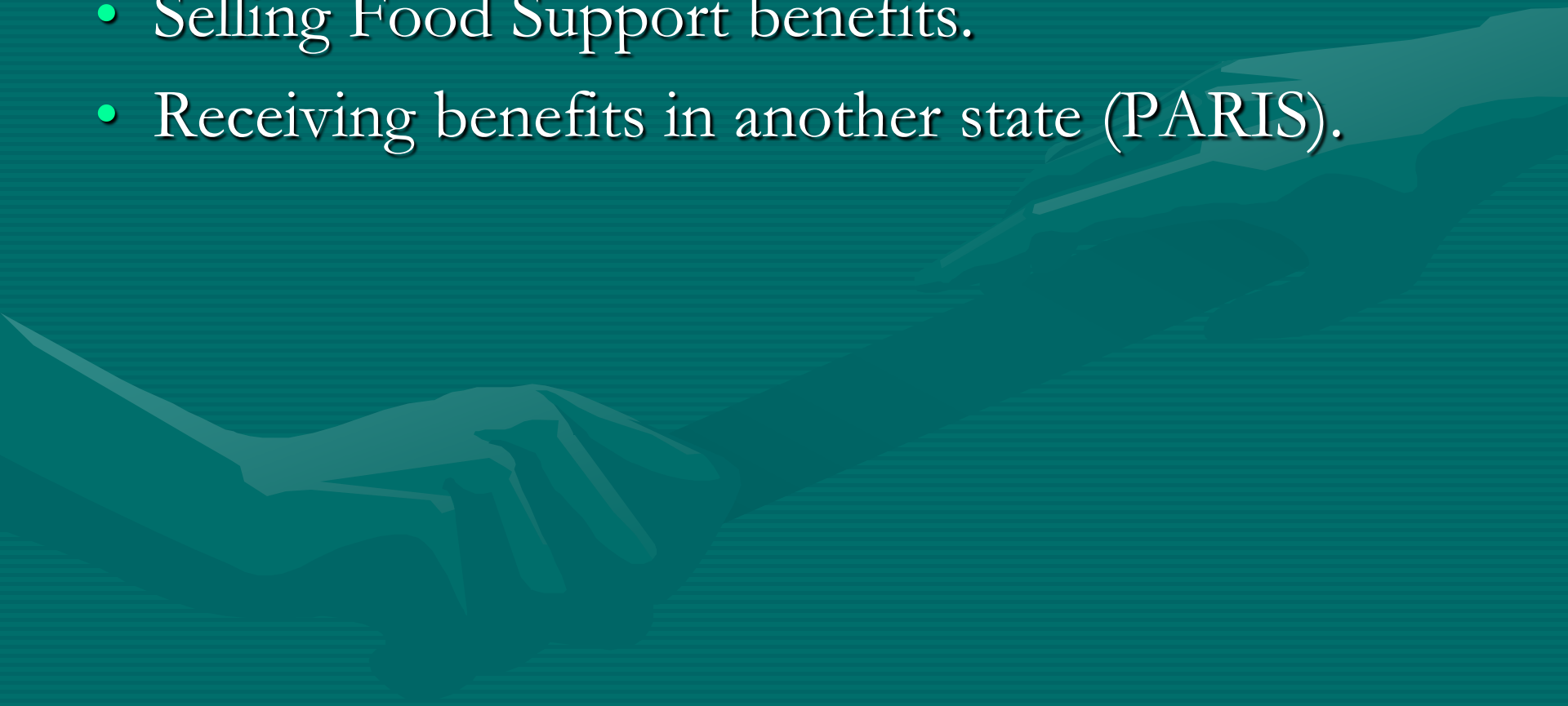
- Wage earner leaves family but custodial parent is unaware of wage earners location, but visits every day.
- Wage earner does not report Unemployment Compensation when reportedly unemployed.
- New Hires, Child Support Messages and anonymous tips.
- Some Financial Workers and Child Support Officers can sense something is wrong with a case.

Common Referrals

- Unreported Income – Wages, Child Support, Soc Sec, gambling winnings, gifts...
- Absent parent in the home.
- Child not in the home.
- Boyfriend or other unrelated person in the home.
- Unreported assets – bank accounts, vehicles, property.
- Employment under a different name/social security number.

Common Referrals Cont.

- Residence – Fail to report change of address.
- Selling Food Support benefits.
- Receiving benefits in another state (PARIS).



Case Studies – Criminal #1

- MFIP, DWP and FS case with absent parent.
- Child Support Hearing - absent parent questions why he has to pay support when he has children.
- Child Support makes fraud referral.
- Interview NCP – self-employed business owner, claims children with him during week, with mother on weekends.

Criminal #1 Cont.

- Willing to testify in court, not going to lie because word of mouth business would suffer.
- Interview CP – Claims to have children 50% of the time, AP is wrong.
- He said, She said.
- Contact school – AP is contact person and address of record.
- Contact Bus Company – Children are pick-up and dropped-off each day at AP (rural address).

Criminal #1 Cont.

- Client pleads guilty to Wrongfully Obtaining Assistance February 2010.
- \$5,687.00 Overpayment.
- Restitution, 5 years probation, 500 hours community service, no jail.

Case Study #2 – Sounds Like #1

- MFIP, DWP and FS case with absent parent.
- Child Support Papers Served on NCP - absent parent questions why he has to pay support when he has child.
- Child Support makes fraud referral.
- Interview AP – Child resides with him in rural Springfield, and goes to school in Springfield. CP lives in New Ulm, 30 miles away and rarely sees child.

Criminal #2 Cont.

- NCP continues that bus picks child up and drops off each day. Confirmed by bus co.
- Interview CP – Claims to have child at least 50% of the time, takes child to and from school each day. 60 miles round trip twice a day.
- Contact school – Address of record has not been changed and are not aware child moved.
- CS hearing – NCP provides verification of time child with CP (2x month) and brings bus driver to testify.

Criminal #2 Cont.

- CP fails to show for Child Support hearing.
- Interview CP regarding Child Support Hearing she missed and evidence of child location. Claims she was afraid for her safety.
- CP writes letter to magistrate requesting hearing and boyfriend writes letter that child lives with CP.

Criminal #2 Cont.

- Client pleads guilty to Wrongfully Obtaining Assistance October 2011.
- \$3,165.00 Overpayment.
- Restitution, 2 years probation, 45 days in jail.

Boyfriend of case #2

- Boyfriend leaves #2 and returns to wife who lives in Nicollet County.
- Fails to report income and signs ADH.
- Moves to Sibley County month later and reapplies for assistance. Includes 18 year old daughter on application, in school at New Ulm ALC.
- Guess what? 18 year old never lives with them while on assistance in Sibley Co.

Boyfriend Cont.

- 18 year old was living with her boyfriend and his family in Sleepy Eye.
- ALC principal willing to testify to where child lived and has forms signed by 18 year old and mother with Sleepy Eye address.
- 18 year old worked at Casey's in Sleepy Eye, have employment application with Sleepy Eye address.
- 18 year old also applied for assistance in Brown County using Sleepy Eye address.

Boyfriend Cont.

- Clients plead guilty to Wrongfully Obtaining Assistance August 2012.
- \$1,404.11 Overpayment.
- Restitution, 5 years probation, 10 days in jail.

Types of Investigations

- Fraud Prevention Investigation - FPI
- Fraud Control Investigations – Criminal
- In smaller counties this may be the same person, larger counties and FPI Operations these are different individuals or locations (Sheriff's Office, County Attorney).

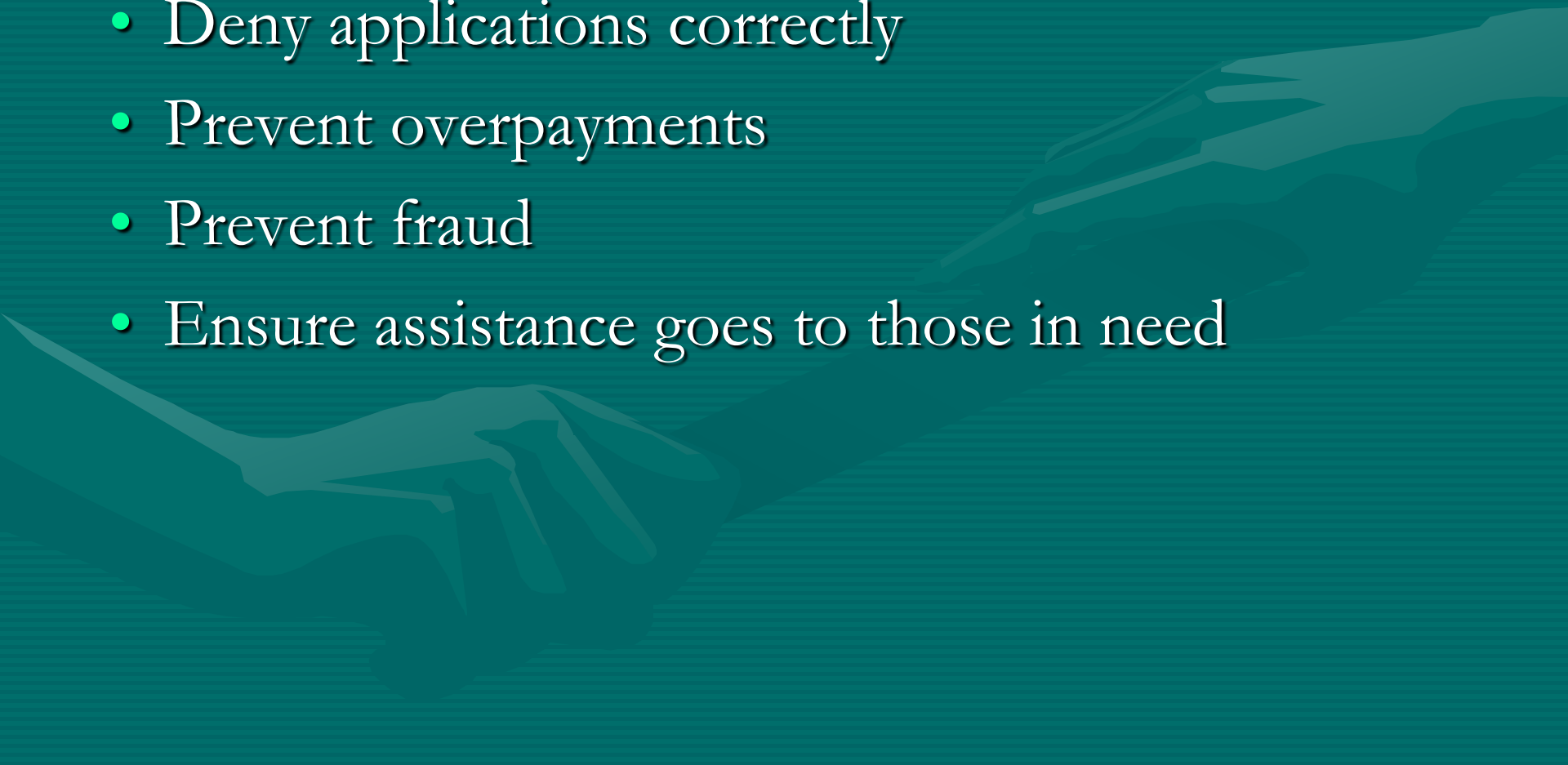
FPI Fundamentals

- Referral made to investigator at application to verify erroneous information, prior to determining eligibility.
- Provide recipient an opportunity to clarify, change or withdraw application prior to benefits being approved.
- Referral can also be made anytime during eligibility to clear up any inconsistencies.

FPI Fundamentals Cont.

- Many of the referrals require an unannounced visit to the client's home.
- It is critical that FPI referrals be handled quickly to ensure benefits are correctly determined.
- FPI referrals does not necessarily mean fraud exists – it is a tool used to look into questionable info.

Goals of FPI

- Open application correctly
 - Deny applications correctly
 - Prevent overpayments
 - Prevent fraud
 - Ensure assistance goes to those in need
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Impact of FPI Investigations

- Contacts made outside the human service agency, the agency extends into the community.
- Verifying inconsistent information with personal contacts at client's home.
- Clients many times will inform financial worker of changes before investigator returns to the office.
- Word of mouth – people talk to each other regarding experience at human service agency.

Impact of FPI

- If the agency has an active fraud unit, less likely for clients to risk providing false information.
- Investigators are immediately available to investigate financial workers concern.
- Reduce the amount of overpayments and ineligible issuance of benefits.
- What is your first reaction when you see a patrol car? Slow down, check your seat belt and make sure you are following the rules of the road.

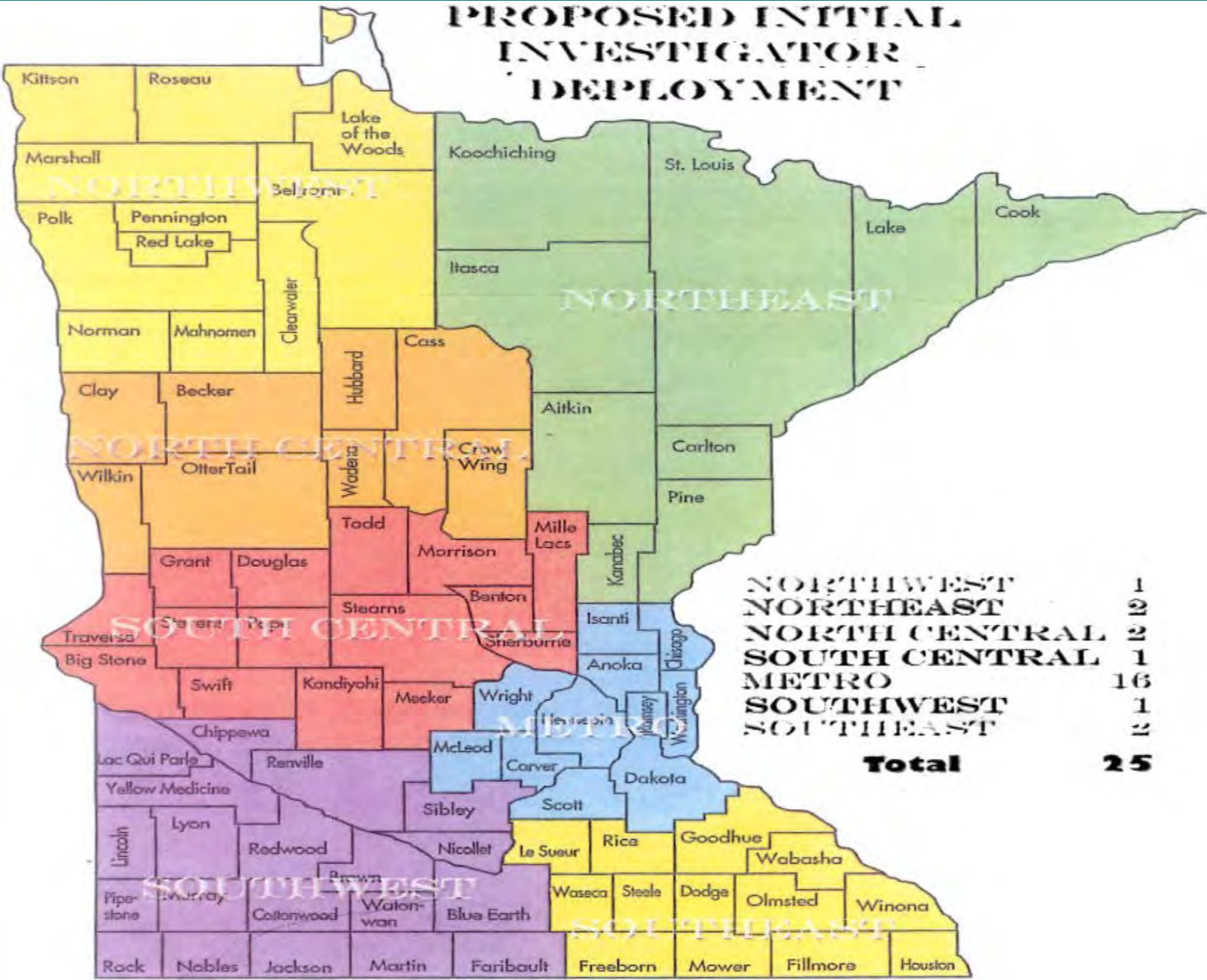
Impact of FPI

- Taxpayer confidence in public assistance program.
- If taxpayers feel those eligible for assistance are receiving assistance, they will support the programs.
- If not, they will resent those who receive assistance if they think they are cheating the programs.
- Saves \$, for every \$1 spent, \$5.00 is returned in savings.

2009 DHS Proposal

- Minnesota Department of Human Services Program Assessment and Integrity Division has proposed the State takeover FPI from counties.
- They propose 25 investigators two supervisors and one support staff.
- DHS would divide the state into regions and expand coverage to all 87 counties.
- Most investigators would be in the metro area.

PROPOSED INITIAL INVESTIGATOR DEPLOYMENT

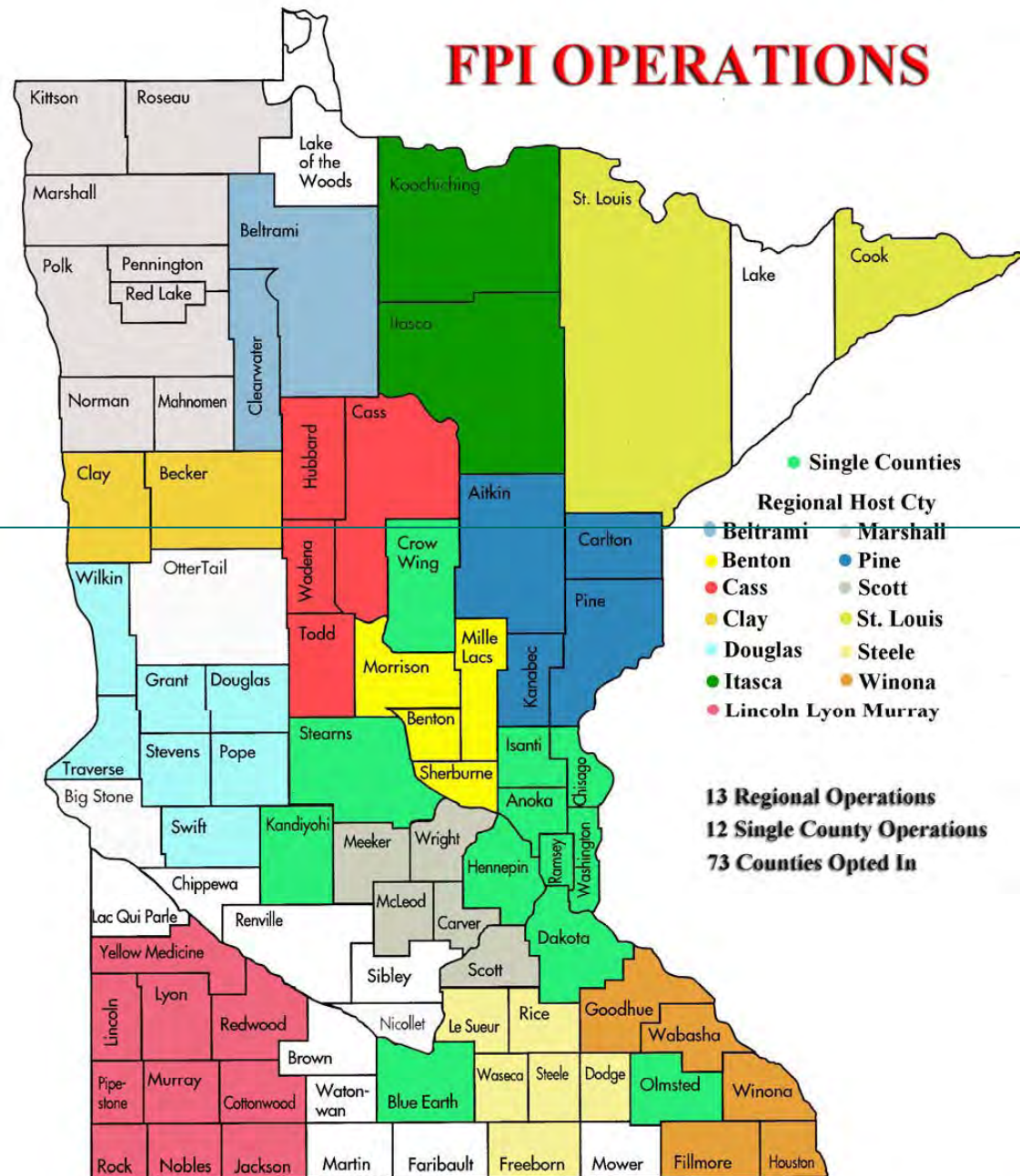


NORTHWEST	1
NORTHEAST	2
NORTH CENTRAL	2
SOUTH CENTRAL	1
METRO	16
SOUTHWEST	1
SOUTHEAST	2
Total	25

Outcome

- Legislature provided additional \$200,000 to FPI Program.
- DHS established new FPI regions.
- Counties were allowed to opting out of FPI Program.
- 13 regional operations, 12 single county operations, 73 counties participating in program.

FPI OPERATIONS



as of 11-01-2009

Office of Inspector General

- August 2011, DHS announces the creation of the Office of Inspector General.
- It was created to streamline fraud prevention and recovery operations at DHS.
- “This change is part of an increased emphasis by DHS on fraud prevention and recovery...”

OIG Cont.

- “Fraud prevention and recovery is a critical part of what we do every day at DHS,” said Commissioner Lucinda Jesson. “Every dollar of waste and fraud is one less dollar that goes to the people we serve. All Minnesotans deserve to know that DHS takes its role as stewards of its public dollars seriously, and will not tolerate those that misuse them.”

OIG Cont.

- Jerry Kerber assumes the title of inspector general.
- Kerber will report directly to Commissioner Jesson and Deputy Commissioner Anne Berry.
- They are saying and doing all the right things in the 1st year and we are excited about the new direction DHS is taking with welfare fraud.

Criminal Case #4

- MSA, FS, EA, GAMC case.
- Community report that client won large amount of cash and car at casino.
- Contact casino to obtain verification of winnings, won a car and over \$30,000 in jackpots in 2 year period.
- While waiting for verification client has renewal, FW questions on gambling – says he never wins anything at the casino.

Criminal Case #4 Cont.

- Client Interview – claims he won a car, but took cash instead.
- Used winnings to pay debts, provided written statements from debtors.
- Never acknowledged other \$30,000 in winnings.
- Claims he will take case to trial and beyond.

Criminal Case #4 Cont.

- Plead guilty to Wrongfully Obtaining Assistance in March 2010.
- \$3,946.20 Overpayment.
- Restitution, 5 years probation, no community service, no jail.

Fraud Control

- If a violation needs further investigation i.e. to criminally prosecute a case, the case is turned over to a fraud control investigator.
- Regional FPI investigators need to refer to a specific county for a control investigator, if they have one.
- This investigator determines what other evidence is needed to criminally prosecute the case.
- In some counties the fraud prevention investigator is also the fraud control investigator

Fraud Investigation Outcomes

- No violation found
- Overpayment – the client receives more benefits than they were eligible for. Fraud will not be pursued for an honest mistake, small \$ amounts, or no proof of intent.
- Administrative Disqualification Hearing or Waiver of Hearing (ADH) – an intentional violation did occur.
- Criminal prosecution – proof beyond a reasonable doubt.

ADH

- Administrative Disqualification Hearing, Waiver of Hearing (ADH) – an intentional violation did occur but the \$ amount is low or other reasons exists not to pursue criminal case.
- Client can admit to program violation and sign ADH waiver form.
- Client can refuse to sign the ADH waiver form and investigator can request a hearing with DHS referee.

ADH Penalties

- First offense – client is disqualified from receiving benefits for 1 year.
- Second offense – client is disqualified from receiving benefits for 2 years.
- Third offense – client is disqualified from receiving benefits for lifetime.
- 10 year disqualification for receiving duplicate assistance.

Criminal Prosecution

- Investigation determined that a client fraudulently received benefits with intent and proof beyond a reasonable doubt. Usually need substantial overpayment.
- Case file is referred to the county attorney for prosecution.
- If client is convicted, the same penalties apply as for ADH (disqualification period).

2009 Welfare Fraud Statistics

- 6802 FPI Investigations.
- 1852 Fraud Control Investigations.
- \$7,605,860.00 in overpayments established.
- 924 Administrative Disqualifications totaling \$1,825.231.00.
- 157 Criminal Prosecutions totaling \$871,124.00.
- FPI cost benefit ratio \$5.08 for every \$1.00 spent.

Criminal Case #5

- DWP, FS, MA case.
- Community report - client's wife is working under false ID (provided name).
- PA documents client reports wife is illegal and not employed.
- Client fails to meet investigator.
- Contact employer – wife is working, claims children as dependents, husband as emergency contact and beneficiary to life insurance.

Criminal Case #5 Cont.

- Both plead guilty to Wrongfully Obtaining Assistance March 2010.
- \$1,326.42 Overpayment.
- Restitution, 2 years probation, no community service, 2 days jail, 28 days home monitoring.

Criminal Case #6

- DWP, FS and MA case with several absent parents.
- AP for one of her children contacts FW questioning why CS wants to garnish his wages – he has been paying her directly for years.
- Investigator contacts AP and request proof of payments – he has been writing checks and money orders.

Criminal Case #6 Cont.

- AP made over \$17,000.00 in direct payments to CP from 2006-2010.
- Client refused to speak to me until charges were filed, then she wanted to talk.
- She wanted her current husband to be charged also – they were no longer getting along.

Criminal Case #6 Cont.

- Client plead guilty to Wrongfully Obtaining Public Assistance in 2011.
- \$5,136.00 Overpayment.
- Restitution, 5 years probation and 5 days in jail.

ADH Case

- GA, FS, GAMC client.
- FW informed client has been in jail past 2 months and roommate is using card.
- Verify that EBT card is being used during this period of time.
- Contact Hy-Vee requesting video surveillance of EBT activity for clients card.
- Observe female at service counter requesting cash and follow her to liquor store purchasing beer.

ADH Case Cont.

- Hy-Vee provides disc with video of activity.
- Interview with roommate – admits using EBT card and signs ADH (GA, FS, GAMC client).
- Later that day other roommate calls and admits using EBT card – comes in and signs ADH (GA, FS, GAMC client).

Channel 5 Investigation

- <http://kstp.com/article/stories/s1835667.shtml?cat=63>
- <http://kstp.com/article/stories/s1837108.shtml?cat=63>
- <http://kstp.com/article/stories/s1838840.shtml?cat=63>
- <http://kstp.com/article/stories/s1840847.shtml?cat=63>
- <http://www.khq.com/story/15372208/cia-special-report-investigating-welfare-fraud-abuse?autoStart=true&topVideoCatNo=default&clipId=6210251>
- <http://www.khq.com/story/15384113/part-2?autoStart=true&topVideoCatNo=default&clipId=6216084>

Why More EBT Cards Issues

- More people are eligible for Food Support because of legislative changes.
 - 2006, no longer count vehicles, boats, campers and ATV's as an asset.
 - 2006, asset limit increased from \$2,000.00 to \$7,000.00.
 - 2009, stimulus package increase size of food benefit package by 25%.

EBT Cards Cont.

- 2009, stimulus package eliminated 3 month limit for Food Support for single adults. Allowed single adults to receive unlimited number of months of Food Support.
- 2009, changed reporting requirements from every month to every six months. Allows client to be eligible for longer period of time.
- 2010, no asset test for Food Support.

EBT Cards Cont.

- Bad economy, many people that normally would not use services are now in the system.
- Over 30% increase in the number of household receiving Food Support in the last year in Minnesota.
- Brown County has a 65% increase in FS recipients in the past 2 years.

2011 and 2012 EBT Card Changes

- July 2011 unlawful to purchase alcohol or tobacco with EBT, could be disqualified from program for violation.
- September 2012 separate cards will be issued for cash and food. Cards will have head of households name printed on front of card.

More Cards & Benefits = More Fraud & Abuse

- People can't spend all the Food Support they now get (25% increase).
- Take grocery orders for friends and family in return for cash.
- Use food benefits on card to trade for cash and other items.
- Many more single adults with cards and developing ways scam the system.
- Can get new card at county office for \$2.00.

More Cards & Benefits = More Fraud & Abuse

- Some clients are getting new cards every month, or couple of months.
- DHS is establishing a report to track those clients that receive several cards a year.
- Developed a policy to meet with clients requesting large number of replacement cards, not allowed by my administration.
- Clay County is now using policy – revisit if they have success.

Tracking EBT Activity

- County can track all purchases and ATM transactions for a specific card.
- Includes location, time, specific register, type of benefit and amount of purchase.
- Can be used to obtain surveillance recordings at individual locations.
- Has been used to prove client allowed someone else to use benefit card.

Action on Unauthorized Use

- Client purchases food with own card, then sells for cash – difficult to prove.
- Client allows household member to purchase food for household – been told this is acceptable.
- Video surveillance of non-household member using card – this can be a problem for the client, have done ADH's on these cases.

Questions, Comments, Suggestions?

- Thank you for listening and participating.
- Make sure you get to know your local Welfare Fraud Investigator.
- Have a great conference.

