

State of Alaska FY2009 Governor's Operating Budget

Department of Health and Social Services Fraud Investigation Component Budget Summary

Component: Fraud Investigation

Contribution to Department's Mission

The Fraud Control Unit (FCU) provides cost-effective detection and deterrence of public assistance applicant and recipient fraud. The unit's efforts contribute to public assistance program integrity and financial solvency and to the public's confidence in the Division of Public Assistance's overall mission.

Core Services

- The Fraud Control Unit investigates public assistance applicant and recipient fraud allegations received from the public and division staff. Cases of proven fraud result in administrative sanctions and/or criminal prosecutions. An automated system tracks progressively severe administrative disqualification penalties for clients committing welfare fraud. Fraudulently received benefit debt amounts are determined and recovered.

FY2009 Resources Allocated to Achieve Results		
FY2009 Component Budget: \$1,777,700	Personnel:	
	Full time	16
	Part time	0
	Total	16

Key Component Challenges

- Continued reduction of fraud referrals awaiting investigation. Incoming fraud allegations are prioritized to first address cases involving current benefit recipients. The number of referrals at times exceeds the productive capacity of the unit.
- Increase the number of cases accepted by the Department of Law for criminal prosecution. An active prosecution effort is an added deterrent to welfare fraud and is a key component of successful fraud control.
- Effective staff development and training. Several new staff members have replaced experienced investigators. It takes time for new workers to be trained and to reach full productive capacity.
- Develop operational procedures to efficiently manage the complex incoming investigative workload related to Child Support Services.
- Increase the number of completed investigations that result in administrative disqualification hearings when the individual opts not to sign a hearing waiver.
- Completion of regulations establishing clear authority to enable fraud investigation and application of sanctions for intentional violation of Child Care program rules.
- Work on procedures and clarify the authority to expand the component's focus to enable investigation of Medicaid and Child Care program fraud.
- Acquire resources to develop design criteria and to replace or update the aging Fraud Control Management database used by investigators and managers to compile investigative findings, track assigned case activity, maintain records and provide reports.

Significant Changes in Results to be Delivered in FY2009

No change in budget support requested, but plan to increase service results by:

- Reviewing caseload to identify and close pended referrals with a low probability of success due to issues that are difficult to prove fraudulent (household composition) or have little cost effectiveness. Further reduce the number of pended fraud investigations by prompt referral to disqualification hearings when clients refuse waiver

offers, which will close more investigations.

- Increasing the number of cases accepted for criminal prosecution compared to the prior year.
- Increasing the number of Intentional Program Violations (IPV) detected and successfully proven by client consent or administrative disqualification hearing decision.
- Increasing the amount of fraud debt established by successful investigative outcomes and the amount collected on new and existing fraud claims.
- Increasing the amount of direct savings realized through disqualification of fraudulent individuals.
- Establishing authority and developing procedures for Child Care fraud investigation and debt recovery.

Major Component Accomplishments in 2007

- In FY07 the unit's investigative efforts resulted in cost-avoidance, direct savings, and established fraudulent overpayment claims totaling nearly \$2.6 million. This is a 36% increase from the prior year. The deterrent value of active fraud control cannot be quantified, yet significantly adds to this total.
- The unit investigated 295 Alaska Temporary Assistance and 509 Food Stamp applicant fraud allegations resulting in estimated cost avoidance savings of \$1.4 million through benefit reduction or denial – a 35% increase from the prior year.
- The unit completed 664 recipient investigations that established \$519.9 in fraudulent overpayment debt for the Alaska Temporary Assistance, Food Stamp, Adult Public Assistance and Medicaid programs. This is an increase of 62% over the prior year.
- Fraud claims collections were up 29% over the prior fiscal year. Fraud debt collected for the Alaska Temporary Assistance, Food Stamp, Adult Public Assistance and Medicaid programs totaled \$419.2.
- The unit's fraud investigators resulted in 90 Temporary Assistance program recipient disqualifications resulting in direct savings of \$205.9. There were 146 Food Stamp program participant disqualifications resulting in direct savings totaling \$345.4. Total savings due to participant disqualification increased by 17.5% over the prior year.
- Eight criminal prosecutions resulted in court-ordered restitution of \$95.3.
- Thirteen additional cases involving \$229.0 in fraud loss have been formally charged.
- Succeeded in improving prosecution efforts through increased cooperation with other departments and agencies when fraudulent action affected several programs.

Statutory and Regulatory Authority

AS 47.25.975 Food Stamp Program
 AS 47.27.015 Alaska Temporary Assistance Program
 7 CFR 273.16 Food Stamp Program
 45 CFR 235.110 Welfare Fraud

Contact Information

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**Fraud Investigation
Component Financial Summary**

All dollars shown in thousands

	FY2007 Actuals	FY2008 Management Plan	FY2009 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	1,248.1	1,379.6	1,458.6
72000 Travel	6.6	8.4	8.4
73000 Services	254.0	300.7	300.7
74000 Commodities	22.0	10.0	10.0
75000 Capital Outlay	0.0	0.0	0.0
77000 Grants, Benefits	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	1,530.7	1,698.7	1,777.7
Funding Sources:			
1002 Federal Receipts	811.4	952.4	994.3
1003 General Fund Match	719.3	706.3	741.8
1004 General Fund Receipts	0.0	40.0	41.6
Funding Totals	1,530.7	1,698.7	1,777.7

Estimated Revenue Collections

Description	Master Revenue Account	FY2007 Actuals	FY2008 Management Plan	FY2009 Governor
Unrestricted Revenues				
None.		0.0	0.0	0.0
Unrestricted Total		0.0	0.0	0.0
Restricted Revenues				
Federal Receipts	51010	811.4	952.4	994.3
Restricted Total		811.4	952.4	994.3
Total Estimated Revenues		811.4	952.4	994.3

**Summary of Component Budget Changes
From FY2008 Management Plan to FY2009 Governor**

All dollars shown in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2008 Management Plan	746.3	952.4	0.0	1,698.7
Adjustments which will continue current level of service:				
-FY 09 Bargaining Unit Contract Terms: General Government Unit	37.1	41.9	0.0	79.0
FY2009 Governor	783.4	994.3	0.0	1,777.7

**Fraud Investigation
Personal Services Information**

Authorized Positions		Personal Services Costs		
	<u>FY2008</u>	<u>FY2009</u>		
	<u>Management</u>	<u>Governor</u>		
	<u>Plan</u>			
Full-time	16	16	Annual Salaries	897,203
Part-time	0	0	COLA	73,430
Nonpermanent	0	0	Premium Pay	0
			Annual Benefits	493,813
			<i>Less 0.40% Vacancy Factor</i>	<i>(5,846)</i>
			Lump Sum Premium Pay	0
Totals	16	16	Total Personal Services	1,458,600

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Administrative Assistant	1	0	0	0	1
Elig Technician II	1	0	0	0	1
Elig Technician III	1	0	0	0	1
Investigator II	7	2	0	2	11
Investigator III	1	0	0	0	1
Investigator IV	1	0	0	0	1
Totals	12	2	0	2	16