

STATE INVESTIGATION OF FRAUD

IN THE AID TO FAMILIES WITH

DEPENDENT CHILDREN (AFDC) PROGRAM



OFFICE OF INSPECTOR GENERAL

OFFICE OF ANALYSIS AND INSPECTIONS

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THIS REPORT

This inspection, entitled "State Investigation of Fraud in the Aid to Families with Dependent Children (AFDC) Program," was designed to identify practices used in States to prevent, detect, investigate and prosecute fraud in the AFDC program; to identify areas where greater HHS involvement will aid the States; and to recommend regulatory changes to improve practices.

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**STATE INVESTIGATION OF
FRAUD IN THE AID TO FAMILIES
WITH DEPENDENT CHILDREN (AFDC) PROGRAM**

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**STATE INVESTIGATION OF FRAUD IN THE AID TO
FAMILIES WITH DEPENDENT CHILDREN (AFDC) PROGRAM**

EXECUTIVE SUMMARY

PURPOSE:

The purpose of this inspection is to determine methods which States use to detect, investigate and prosecute fraud in the Aid to Families with Dependent Children (AFDC) program and to identify areas where greater involvement by the Department of Health and Human Services (HHS) would aid the States in combating fraud.

BACKGROUND:

The purpose of the AFDC program, as stated in title IV of the Social Security Act, is to encourage "the care of dependent children in their homes...by enabling each state to furnish financial assistance and rehabilitation and other services."

The AFDC is the fifth largest HHS program, with a Federal cost in 1985 of \$7.9 billion. The program reached 3.7 million families consisting of 11 million individuals in that same year. The AFDC is a cooperative program among Federal, State and local governments, with State responsibilities including establishment and maintenance of systems for detecting, investigating and prosecuting fraud.

During the research phase of this project, it became apparent that the States were interpreting fraud differently depending on the context in which the term was being used. When dealing with fraud prosecutions, the States emphasized the need to establish an intentional misrepresentation of facts by the client. However, when fraud prevention was the objective, the States usually broadened their definition of fraud to include cases in which the client's misrepresentation of facts may have been unintentional. As a result, the findings of our study reflect that dual interpretation of fraud. For the sake of clarity, we have used the broader definition of fraud that includes unintentional misrepresentations of facts by clients for all our study findings and recommendations except those that deal only with prosecutions and/or sanctions.

MAJOR FINDINGS:

- o The AFDC fraud is a billion dollar problem that is not responding to traditional approaches to combating fraud. It often amounts to an interest-free loan for perpetrators who face little risk of prosecution or other punitive action.
- o An emphasis on the prevention of fraud, combining the eligibility workers' experience and intuition with the investigators' skills to identify and weed out misinformation in the preeligibility stage, would save approximately \$800 million annually in Federal and State cost avoidances. One model for this concept which has been successfully operated is the Orange County, California Fraud Early Detection and Prevention Program. It has been successfully transferred to many other jurisdictions throughout California and the nation.
- o Computerized eligibility verification has become a key tool in detecting fraud even though the 1984 Deficit Reduction Act (DEFRA) mandate for automated eligibility verifications only recently has taken effect. A wide variety of computer data matches are being conducted in States. Other effective matches could be made, but problems exist over inter-jurisdictional access to data.
- o The low priority AFDC fraud detection receives in many States may be attributable, in part, to the absence of national leadership, guidance and assistance from HHS.
- o The incidence of actual AFDC fraud cannot be accurately determined with existing data collection methods; however, experts agree it is consistently understated.
- o The AFDC program has no provision, such as those in the Food Stamp program, providing for administrative sanctions against perpetrators of fraud.
- o Other than the normal administrative cost sharing, there are no financial incentives for the States to aggressively detect fraud and recover fraud related overpayments. In fact, States could face increased sanctions if such detection efforts added to the error rate.

- o Training in AFDC fraud prevention, detection and prosecution is considered inadequate in most States.
- o Little publicity is given to AFDC fraud detection and prosecution.

RECOMMENDATIONS:

Based on our findings, we recommend that the Administrator, Family Support Administration (FSA):

- o Revise regulations (45 CFR 235) to require that States implement a preeligibility fraud detection and prevention program, similar to the Orange County, California program, as a condition of State plan approval.
- o Consolidate FSA's antifraud efforts into one component with high visibility. This component should have the responsibility to work closely with States, both directly and through the United Council on Welfare Fraud, to more sharply focus management attention on the prevention, deterrence and detection of fraud through the development of:
 - an improved fraud reporting mechanism that collects useful information on the incidence and nature of fraud prevention, detection, prosecution and overpayment recovery activities, and provides timely, meaningful feedback to the States on statistical data as well as narrative descriptions of innovative antifraud techniques;
 - a broad spectrum of training and information packages to upgrade the skills of AFDC workers in combating fraud as well as to increase judicial and public awareness of the significance of AFDC fraud and the positive steps being taken to combat it; and
 - a centralized information access center aimed at improving State access to and use of available Federal, State and private records to facilitate the timely verification of eligibility factors in order to prevent fraud and demonstrate Federal leadership.

INTRODUCTION

PURPOSE

The purpose of this inspection is to determine methods which States use to detect, investigate and prosecute fraud in the Aid to Families with Dependent Children (AFDC) program and to identify areas where greater involvement by the Department of Health and Human Services (HHS) would aid the States in combating AFDC fraud.

BACKGROUND

The AFDC program was established under title IV of the Social Security Act (Part A, Section 401). The purpose was to encourage "...the care of dependent children in their own homes or in the homes of relatives by enabling each state to furnish financial assistance and rehabilitation and other services...to needy dependent children and the parents or relatives with whom they are living to keep, maintain and strengthen family life and to help such parents or relatives to attain or retain capability for the maximum self-support and personal independence consistent with the maintenance of continuing parental care and protection...."

The AFDC is the fifth largest HHS program, ranking in Federal funding behind Social Security, Medicare, Medicaid and Supplemental Security Income. The combined Federal and State budget was \$14.4 billion in program monies for Fiscal Year 1984 (Fiscal Year 1985 Federal cost was \$7.9 billion) which was distributed to an average of 3.7 million families consisting of about 11 million individual recipients.

The AFDC is a cooperative program among the Federal, State and local governments with Federal regulations providing a degree of uniformity in the areas of organization and eligibility (45 CFR 235). These regulations require that each State establish and maintain procedures for the detection, investigation and prosecution of fraud but allow the States considerable latitude in the methods they may use. The HHS, Family Support Administration (FSA), Office of Family Assistance (OFA) is responsible for national administration of the AFDC program. Also within HHS, the Office of Inspector General (OIG) exercises oversight responsibility for the integrity of the program.

The circumstances that constitute fraud can vary widely from State to State. Furthermore, the States interpret fraud differently depending on the context in which the term is being used. For example, if the States are looking at fraud with an eye toward prosecution, fraud is apt to be any violation of a civil or criminal statute involving the intentional misrepresentation of facts for the purpose of obtaining unauthorized benefits or avoiding a reduction or termination of existing benefits. On the other hand, if the State is viewing

fraud from the preventive standpoint, the interpretation of fraud is likely to be broadened to include cases that involve unintentional misrepresentation of the facts. As a result, the findings of our study reflect the duality of these interpretations. However, for the sake of clarity, we have used the broader interpretation of fraud that includes both the intentional and unintentional misrepresentations of facts for all the study findings and recommendations except those that relate only to prosecutions and/or sanctions.

METHODOLOGY

The data collection and analysis for this program inspection included on-site personal discussions and the review of Federal and State statutes, regulations and policies. Discussions were held with 460 officials in 22 States (listed in Appendix A) and 62 county offices. Respondents were in six categories:

106	State level AFDC staff and managers
146	State and local fraud investigators and managers
160	local welfare agency caseworkers and supervisors
31	prosecutors
16	judges
<u>1</u>	elected county supervisor
460	Total Respondents

FINDINGS

Given the continuing pressure to reduce unnecessary Government spending, it is crucial that the AFDC program be managed in a way that minimizes unintended expenditures while sending a clear message that program fraud will not be tolerated. This inspection found a clear commitment in every part of the AFDC structure, be it local, State or Federal, to serve those who are eligible. It also found unanimity that fraud is an intolerable practice that demeans the entire system. Fraud is particularly damaging to those in need of assistance. Respondents expressed time and again that the limited resources that are available to assist those families truly in need simply cannot be squandered on the greedy.

This inspection revealed that States are expending considerable effort and resources on the deterrence and detection of fraud. In the past, this effort has been focused on the traditional law enforcement approach of reacting to the occurrence of fraud. This approach emphasizes the detection, investigation, and prosecution of accomplished fraud as a deterrent to continuing violations. It uses prosecution and conviction rates together with related administrative or court-ordered restitution as its measures of success. This traditional approach must be maintained to preserve the integrity of the system. However, there is now a redirection of some of these resources and efforts which produces dramatically better results. Our specific findings are:

EXTENT OF AFDC FRAUD

Estimates of the extent of fraud vary widely. In part, this is due to the absence of consistent and reliable data. It is also partly due to differing definitions and interpretations regarding what constitutes fraud. In either case, this inspection discovered many problems with reporting of fraud incidences.

- o The extent of AFDC fraud cannot be reliably determined because valid statistical information is not available.

The form SSA 4110, Recipient Fraud in Public Assistance Programs (Appendix B), was designed to gather information on instances of AFDC fraud in each State. However, the data collected by these semiannual reports are outdated and unreliable (extracts of which are attached at Appendix C). The FSA staff has reported that budget constraints have delayed publication of 4110 data. Further, they report that only a small portion of 4110 data is meaningful. Even so, no anticipated change in 4110 was reported by FSA staff. The latest national compilation is for Fiscal Year 1984 and, by failing to require uniform reporting, permits identical type cases to be treated as fraud in one State and non-fraud in

another. Further, some States did not even submit a report and, even in those that did, many of the counties advised that they had not contributed to the State submitted reports. As a result of inconsistent, untimely and incomplete data, these reports are of little use in estimating the extent of fraud.

- o State officials report that they are perplexed by the fraud reporting process and question the need for the reports.

The States are not aware of the uses made of the fraud data submitted to OFA, as little or no feedback has been received. In fact, they are convinced that little use could be made of the data submitted. A comment from one official typifies the State reaction:

"They (OFA) won't tell us how to do them (the reports) and I can't see how they could possibly use them. We can't even use the information we gather for them."

Many States have developed more realistic fraud reporting formats for their own use.

- o Many State officials estimated the magnitude of fraud to be much higher than has previously been reported.

The opinion of State fraud staff was sought to fill the void caused by the lack of statistically reliable data on the extent of fraud. State administrators, investigators and eligibility workers estimated fraud from 3 to more than 50 percent of the AFDC population. The most common estimates centered around 30 percent, with respondents who work closer to the service delivery level generally estimating higher than others.

- o State officials further reported that fraud perpetrators' sophistication is keeping pace with automated fraud detection techniques.

To evade computerized wage matches and other screens, such as those required by the Deficit Reduction Act of 1984 (DEFRA), perpetrators are increasing their use of false identities (e.g., names, Social Security numbers and dates and/or places of birth), bogus residences and commercial mail receiving services. Work "off the books" for cash is increasing as well. These types of fraud, involving the active concealment of income, assets or multiple entitlement, are difficult to detect, even in an automated environment.

Although the exact extent of fraud in the AFDC program remains unknown, these State opinions suggest that AFDC fraud is a billion dollar problem. Quantitative data on fraud prevention efforts provided later in this report support these opinions about the extent of AFDC fraud.

STATE PERCEPTION OF AFDC FRAUD

The attention and priority given to AFDC fraud varies widely from State to State. Clearly, respondents are frustrated when efforts to thwart perpetrators are ineffective. An increasing number of States are re-examining their AFDC fraud efforts.

- o Many State agencies are more comfortable dealing with overpayments than they are with suspected fraud.

Some agencies have policies prohibiting the use of the word "fraud" by other than investigative staff. One agency directs staff to use the term "intentional client error." Respondents reported that such attitudes seem to be encouraged by OFA in its focus on error rates and overpayment recoveries under DEFRA. Further, fraud investigation is viewed as a labor intensive and cost inefficient process while overpayment recovery actions are far simpler and more cost effective. The attitude expressed by one State budget officer is revealing:

"If you try to emphasize it (AFDC fraud), you lose two ways. The liberals criticize you for squandering scarce resources on pseudo-issues and the conservatives point to convictions and tell you, 'I told you so.' I just hold my nose and hope it goes away."

- o The eligibility worker is the cornerstone of the States' fraud detection efforts but is often poorly prepared for this responsibility.

The eligibility workers' primary responsibility is to provide vital assistance to families in need, including AFDC, Medicaid and Food Stamps. In addition to this demanding task, they are expected to use their interviewing skills to weed out fraud by applicants during the initial application process and to identify recipients who have engaged in fraudulent acts subsequent to entitlement. Even where circumstances indicative of fraud are uncovered, for example, by a computerized records match, it is usually the eligibility worker who must evaluate the match results and decide whether a fraud referral is appropriate.

There are a number of factors which limit the eligibility workers' ability to effectively deal with the high incidence of fraud they believe exists in their caseload:

Heavy Caseloads and Processing Time Requirements

In many States, the workers report that their caseloads are so heavy that it is difficult to adequately screen out questionable information. Additionally, States are under standards of promptness which require the workers to process claims as quickly as possible. This combination of heavy workloads and processing time standards limits the extent to which an eligibility worker can verify questionable information supplied by applicants.

Given these conditions, workers often adopt a priority which satisfies their perception of management's desire to "get the check out and ask questions later." As a result, potential fraud cases are unlikely to be referred because time simply is not available to develop the suspected fraud to the point where a referral for criminal investigation can be clearly supported. Moreover, there was reluctance to refer cases for fraud investigation because such referrals usually resulted in additional work for the already pressed eligibility worker. In addition, months often lapse between referral and completion of the investigation.

Inadequate Training

Most eligibility workers reported that they received too little training, and that training received usually consisted of on-the-job experience. While many workers and investigators reported that this type of on-the-job training worked out well, nearly all respondents reported a need for quality, formal training in detection and investigation techniques. In the States where the training was of high quality, the results were apparent both in terms of the individuals' confidence in their ability to perform the job and in the results attained.

Further, many investigators, particularly those without a formal law enforcement background, reported a need for good quality procedural manuals to guide their investigations and ensure that all evidentiary standards are met. Some States, notably Wisconsin, did have good investigative manuals which help to achieve and maintain a higher degree of professionalism in fraud detection and investigation.

Program Inconsistencies

Most respondents reported a need for closer coordination between the Federal agencies on AFDC, Food Stamp and Medicaid programs. The differences in eligibility factors and reporting requirements, as well as the markedly different avenues available for addressing fraud, increase the level of difficulty for the administering agency and especially for the welfare worker who must deliver services under these programs.

The States are aware of the HHS and Department of Agriculture intent to simplify program administration (Notice of Intent to Develop Regulations published in the Federal Register on February 19, 1985) but report that little progress seems to have been made.

- o Fraud detection and deterrence are not priority issues for many State-elected officials and AFDC program managers.

Eligibility workers in many States perceived a low statewide commitment to fraud detection though they see a high motivation toward error reduction caused by the imposition of fiscal sanctions for failure to meet the error rate targets originally set in the Michel Amendment. Their perception of management's emphasis on producing a technically accurate and timely product often works against the aggressive detection of fraud. To meet the timeliness standards, the workers sometimes suppress "intuitions" that the information supplied by the applicant, though seemingly sufficient to establish eligibility, may not be complete or factual. Within this context, the worker is expected to conduct investigative work of a varied nature on each case. This inspection found little evidence of such work.

Many respondents indicated that the perceived lack of commitment to fraud detection and deterrence in the AFDC program results directly from a similar lack of commitment by the Federal Government. They further indicated that the HHS focus on error rates and sanctions may be acting as a barrier to fraud detection because aggressive fraud detection could result in the identification of even more errors. They responded that the best way for antifraud efforts to improve at the State and county levels would be for the Federal Government to give antifraud efforts high priority and visibility at the national level.

Though there is no specific and visible organizational responsibility within OFA for AFDC fraud matters, OFA has

not been completely silent on this subject. Through its varied components, OFA collects data from the States on fraud cases, has approved some demonstration projects aimed at improved fraud prevention and prosecution, played a key role in the development of regulations for implementation of the antifraud DEFRA requirements; and, in 1985, issued a Fraud Control Digest which was a compilation of self-described fraud control measures undertaken by a number of States.

- o Many eligibility workers view the fraud investigation and prosecution process as being ineffective.

The eligibility worker often sees the fraud investigation effort as a waste of time. Even when prosecution occurs, the most common result is an order to make restitution. Seldom is punitive action taken. In fact, while restitution is being made, either directly to the agency or through the courts, the offender often remains on the AFDC grant. An extreme example was related by a county AFDC supervisor about a recipient who was found ineligible because of concealed income:

"Following a guilty verdict and an order to make monthly restitution, the recipient reapplied for AFDC payments claiming that a combination of one lost source of income and the added expense of the court-ordered restitution made her eligible for payments. At the appeals level, the claim was allowed and payment in the exact amount of the court-ordered restitution was authorized."

- o Eligibility workers report that the lenient response to AFDC fraud is well known in the communities.

Some recipients, even those with multiple offenses, have reportedly adopted very casual attitudes toward fraud and the States' antifraud efforts. This leaves workers with a bad taste for fraud deterrence and the miscreant recipient for whom they must often continue to provide service. One eligibility worker pointed out with disdain:

"After all my work proving that she was a fraud, she only got a slap on the wrist and an order to repay the money. Two days later she was in here reapplying for payments, bragging that we couldn't do anything to her because the State wouldn't put a mother with children in jail. I know she'll do the same thing again, but why should I waste my time sending it to the

investigator. She'll just be back in here laughing in my face again."

- o **The presence of an active, visible and effective fraud investigation function is critical to the integrity of the AFDC program.**

Nearly all respondents agreed that an aggressive investigative function, together with its threat of criminal prosecution, must be present if the States are to succeed in combating fraud. The organizational responsibility for this activity varied widely among the States, ranging from the establishment of investigation staff in State Offices of Inspectors General to the assignment of investigative responsibility to the eligibility workers.

Though there is inadequate data to measure the relative effectiveness of the different organizational placements of the investigative responsibility, two elements were consistently present in successful fraud investigation operations:

Management involvement--The commitment of the Governor, key legislative committees, and top program managers produced environments that led to more aggressive fraud detection and prevention.

Proximity/responsiveness of fraud units to eligibility worker--Those units that were accessible to the eligibility worker and that emphasized timely responses to fraud referrals were viewed by program staff as the more effective investigation units.

- o **The absence of an administrative recourse to AFDC fraud prosecution is viewed by some as an indication of the lack of Federal commitment to AFDC fraud deterrence.**

Respondents reported that the administrative hearing process in the Food Stamp program provides a meaningful alternative to criminal prosecution by eliminating dependency on an overloaded court system to deal with fraud. In the Food Stamp program, the law allows the State or county to disqualify a recipient for 6 months if found guilty of fraud by an administrative hearing officer. A second guilty finding through this administrative process results in disqualification for 12 months. A third such finding can lead to permanent disqualification. Those involved in investigation of Food Stamp fraud believe that the administrative sanctions deter fraud.

There is no similar administrative action the States can take against adult offenders to more directly deal with AFDC fraud. State respondents believe that such an authority could be equally effective in the AFDC program, particularly to deter repeat offenders.

One State official expressed frustration over the seeming indifference to AFDC fraud with the following comment:

"USDA (Food Stamps) is way ahead of you guys in addressing fraud. Sometimes we ask ourselves if anyone in HHS really cares."

- o The recovery of fraud-related overpayments from continuing grants are restricted in the same way as recovery for non-fraud overpayments.

The same standards set by the Social Security Act for the recovery of overpayments, in general, are applied equally to those resulting from fraud. This restriction on the amount that can be withheld from continuing grants means that the recovery of fraudulently obtained funds is, at best, a protracted process which often results in only a partial recovery. In effect, the fraud becomes an interest-free loan with a particularly favorable repayment schedule.

JUDICIAL RESPONSE TO AFDC FRAUD

"We're not talking about Dillinger here, but some of the judges treat (AFDC) fraud like a parking violation." This quote from a frustrated fraud investigator typified one end of the spectrum. On the other side, this inspection found some program agencies, prosecutors and judges working well together to address AFDC fraud.

- o Fraud in the AFDC program seldom results in punitive action.

Over two-thirds of the AFDC cases referred for prosecution are declined or settled in the pretrial stage, with the emphasis on recoupment. The remainder of the cases usually result in suspended sentences and an order requiring restitution, but without any penalty, interest or fine being assessed. Often the perpetrator continues to receive AFDC payments. Rarely is there a jail sentence or other punitive action.

Such lenient handling of AFDC fraud is an efficient means of moving cases through the court system. However, any deterrent effect that could come from the investigation and

prosecution process is diluted. The reluctance of judges to recommend jail sentences is well known and could serve as an inducement to some to risk cheating. While the volume of AFDC fraud alone makes it impractical and undesirable to prosecute all cases, many respondents, as indicated by the above quote, felt that the present practices are not tough enough on those committing fraud.

- o Many prosecutors and judges view welfare fraud as a minor offense that clutters an already overburdened court docket.

Respondents complained that even blatant fraud cases were often dealt with in a cursory fashion by the courts. Investigators have been told by judges not to bring "that kind of case (AFDC fraud) to me again." Most courts, particularly those in urban areas, are crowded with cases of rape, assault, robbery, murder, etc., which are realistically viewed by most people as more serious crimes than welfare fraud. Accordingly, AFDC fraud receives little priority in the court system. As one judge said:

"I have people stabbing each other with ice picks, and I resent hearing cases of poor mothers who tried to beat the system."

Another judge in a large city said:

"I got tired of State investigators bringing poor mothers into my court. I don't hear those kind of cases any more."

- o Some judges said that the program officials should be doing more to prevent AFDC fraud and should develop administrative alternatives to criminal prosecution.

Many judges see AFDC fraud as a basic program problem that should be addressed by program managers through more vigorous screening of AFDC applications to weed out those families who are cheating. Also, judges are at a loss as to how to handle a case of fraud involving the mother of several minor children. They are concerned that insufficient management attention is being focused on fraud prevention and, as a result, the courts are taking "a bum rap" for not dealing with the fallout of this poor management practice. One judge relayed the complaint of his parole officer who felt that the local welfare agency is "...using his office as a collection agency for AFDC and Food Stamp overpayments." Although the judges collectively acknowledged their responsibility to hear serious cases of welfare fraud, many suggest that program

managers look to themselves for a more reasonable and effective solution than criminal prosecution for the typical AFDC fraud case.

- o An offense treated as a prosecutable crime in one part of a State may not be handled as such in another.

This was seen in every geographic area of the study. In Massachusetts, cases identical in type and amount are prosecuted in Springfield, and handled simply as overpayments for administrative recoupment in Boston. In rural Tennessee, a \$300 case resulted in incarceration; while in Nashville, an identical type case was not even submitted for a prosecutive decision. In rural Michigan, one convicted AFDC offender complained to an investigator:

"This (offense) isn't even a crime in Detroit."

The major reason for this inconsistent punishment is the overcrowding of court dockets, particularly in urban areas, to the point that the system is not responsive to AFDC fraud. The local political environment and changing public pressures often impact on prosecutive priorities. In addition, AFDC fraud is viewed as a victimless crime by many prosecutors and judges while others treat it more seriously.

Clearly, criminal prosecution alone is not an effective deterrent to AFDC fraud. The courts simply cannot handle the additional cases and are ill-prepared to deal with the typical welfare cheater. The resultant appearance of leniency toward AFDC fraud may, in fact, be serving as an inducement to some to cheat.

STATE EFFORTS TO COMBAT AFDC FRAUD

Those States and counties that had developed aggressive anti-fraud efforts demonstrated strong management commitments toward the reduction of fraud and other payment errors. As an example, the two southern California counties that implemented aggressive fraud prevention strategies did so as a result of a sincere management focus on the reduction of all errors, including those originating from fraud. Not only did this focus result in significant reductions in the level of fraud but also in the maintenance of a high quality program with consistently low error rates.

Some of the techniques used by the States to eliminate fraud are:

- Fraud Early Detection And Prevention (FRED)

The most impressive antifraud effort identified during this inspection is the FRED program developed by Orange County,

California. The FRED program is predicated on a partnership between the eligibility worker and investigator in order to identify and prevent fraud during the application process. This program has saved considerable amounts of AFDC funds in avoided grant payments (which, if paid, may never have been recouped). An HHS-sponsored review of the Orange County program, made public in October 1985, indicated that FRED returns between \$16.60 and \$33.81 in savings to the Federal, State, and county governments for every \$1.00 spent on operating costs. At present, there are 23 California counties receiving State funds to operate FRED programs. The California legislature has a pending bill mandating the FRED program statewide and has estimated the annual State savings from such legislation at \$60.4 million.

In the FRED program, investigative staff are assigned to work with the eligibility staff in each district office and conduct prompt (usually within 8 calendar days in Orange County) in-depth investigations into suspicious allegations made by applicants for AFDC payments. Brief reports summarizing the eligibility worker's suspicions are made to the investigator if the applicant appears to be eligible but the worker suspects that one or more of the statements establishing this eligibility are false. If the investigation reveals that the applicant has misrepresented the facts, this information is relayed to the eligibility worker who denies those applications that had not already been withdrawn by the applicant as a result of the investigation. The principal focus of the FRED program is to prevent undeserved AFDC payments; criminal prosecution is secondary.

The FRED program, because it emphasizes prevention, puts a very broad interpretation on what is included in fraud. This broader definition includes unintentional misrepresentations of facts by clients. For the purposes of FRED, it is enough to know that something in the application for benefits raised a red flag and caused the eligibility worker to make a referral. If the subsequent investigation finds misrepresentation, the case is normally rejected as ineligible. In a small minority of cases prosecution may be sought. Many respondents, including several FSA staff, are bothered by such a broad interpretation of fraud and would prefer that the process be renamed. Many States prefer to call the system fraud prevention and to treat it in that fashion. Regardless of the name, the system is a popular and effective method of screening out ineligibles at intake.

The Orange County program, on which the FRED program was patterned, was first piloted in early 1980. It involved moving existing investigative staff from their traditional post-entitlement placement to the front-end of the

entitlement procedure. Because the process proved so successful, additional staffing was provided to handle the increasing number of preeligibility investigations. A similarly effective process was implemented about the same time in neighboring San Diego County. The basic difference between these operations is that Orange County's program is under the direct supervision of the County District Attorney while San Diego's is managed by the Department of Social Services and uses eligibility workers instead of fraud investigators. A California Auditor General Report, released in December 1986, noted several advantages of using fraud investigators. Primary among these is the ability of fraud investigators to use many more investigative techniques without the applicants' consent. Also, the fraud investigators are empowered to review many more sources of information than is the investigative caseworker. This report looked at three counties which had a total of 8,642 referrals. In this sample, 1,585 applications were denied and 824 were withdrawn.

Of the 106,075 initial AFDC applications handled by 21 California counties (excluding San Diego) in calendar year 1985, 19,062 (17.97 percent) were referred for pre-eligibility investigations and 5,652 (5.33 percent of total applications) resulted in the denial or withdrawal of the claim. This process allows eligibility workers to transfer that portion of their work load which they are least prepared to handle to a staff that are trained to deal with suspicious cases. Approximately 76 percent of the cases handled in the FRED program during calendar year 1985 involved issues such as residence, deprivation, and household composition that could not be identified or resolved through an automated screen or records match. The remaining 24 percent involved income or assets, some of which would presumably be detected by the Income and Earnings Verification System (IEVS) mandated by DEFRA. Based on the earlier reported findings that active concealment of income and assets is growing, it is estimated that half of this 24 percent involve employment "off the books" and other disguised income that would not be detected by IEVS or other automated screens.

One eligibility worker in Orange County pointed out that, prior to the inception of the FRED program,

"These frauds were often ignored because we didn't have the time or the clout to prove the client was lying."

The intuition of the eligibility worker for suspicious applications and the expertise of the investigator in establishing the facts are the tools needed and used most

effectively in this partnership to weed out fraud before a loss of funds occurs. This intuitive approach complements, and may even enhance, the less discriminating elements of automated eligibility verifications which are required under DEFRA. This program contains provisions to protect the rights of applicants for public assistance. Each individual whose application is denied or withdrawn as a result of the FRED program is provided a complaint form and advised of his/her right to file the complaint either in person or by mail. In 1984, the 20 counties operating the FRED program completed more than 19,000 investigations, which resulted in the withdrawal or denial of 7,457 applications. Of these, only 11 complaints were filed and 7 of these were unrelated to the FRED program. Moreover, only nine individuals who had been denied payments as a result of the FRED program in 1985 had applied for hearings. Of the nine hearings, three are still pending and five of the six that have been concluded were decided in favor of the county.

The State of Arizona and some counties in Colorado, Georgia, Kansas, New Jersey, and Wisconsin have implemented or are planning implementation of similar fraud detection and prevention efforts patterned more or less after the Orange County experience.

- Verification of Eligibility Factors

Computer matching has reportedly ushered in a new era in AFDC fraud detection. It has uncovered a large number of cases that previously went undetected. A large percentage of AFDC fraud results from the failure of a recipient to report income or assets. Matches with State wage records, bank records, motor vehicle registrations, unemployment insurance, and similar automated records are regarded by respondents as the most effective method of detecting this type of fraud.

Respondents estimate that 75 to 95 percent of fraud pertaining to unreported income or assets occurs shortly after eligibility. This technology enables the rapid comparison of relevant data from different sources and has proven highly effective in reducing losses due to overpayment caused by fraud.

Unlike most other States visited, California, Colorado, Illinois, and North Carolina place considerable emphasis on computer matching to verify initial and continuing eligibility. California has had significant success with its Assets Clearance Match which identifies unreported or under reported interest-bearing bank accounts. The State projects savings of \$13 million in Fiscal Year 1987 from this program alone.

One North Carolina county, without the automation capabilities of larger counties, places an increased emphasis on more proficient preeligibility interviewing to reduce fraud. As a result, the county has been effective in excluding as many as one-third of applicants as eligible.

These eligibility verifications, both automated and non-automated, parallel those required by DEFRA. The demonstrated effectiveness of these antifraud techniques lends support to the mandated national implementation of eligibility verifications of DEFRA.

- **Incentives for Fraud Detection, Prosecution and Related Overpayment Recoveries**

In State-supervised, county-administered programs where the counties' share of operating costs is higher than their share of grant costs, aggressive detection, investigation, and, to some extent, prevention of fraud may not be attractive to the counties from a cost-benefit standpoint. The savings and recoveries from these efforts that can be claimed by a county are based on the percentage of the county's grant cost and, thus, are small in proportion to both the total savings and antifraud activity operating costs. For example, California's experience with the FRED program revealed an average benefit-to-cost ratio of 2.1 to 1 for the counties, whereas the ratios for the State and Federal governments were 10.1 and 17.8 to 1, respectively. To remedy this fiscal disincentive, California is proposing to relieve the counties of operating costs of FRED. Currently, the nonfederal share (50 percent) of the operating costs of this program is divided equally between the State and counties. In a like manner, Colorado recently enacted legislation to provide a fiscal incentive for combating fraud by permitting the counties to retain 50 percent of the State's share of AFDC recoveries resulting from fraud related overpayments.

Two States have developed innovative approaches to collect fraud-related overpayments. In Massachusetts, the AFDC agency can formally establish itself as a priority lienholder in order to attach current or future assets of perpetrators. In this manner, sources not reachable by traditional offset and refund procedures can be attached to satisfy those overpayments that have proven difficult to collect. In Michigan, recovery methods include the interception of State tax refunds.

CONCLUSION

"Prosecution is a stopgap measure to be used until something can be done to prevent fraud."

This quote from an assistant district attorney expresses a sentiment shared by many of the 460 officials interviewed for this study. The AFDC fraud is a billion dollar problem that will not go away if left unaddressed. Eliminating fraud from the AFDC program will require the commitment of management resources at all levels of government. As this study demonstrates, much has already been done by the HHS, the States, and the counties to combat fraud, but the problem persists.

The traditional response to fraud, detection followed by prosecution and recovery of the fraudulently obtained payments, has proven to be ineffective in dealing with all but the most flagrant violators. Welfare workers are frustrated because they see little action being taken against offenders. As a result, they have a low commitment to the detection and referral of fraud for investigation. Violators who are investigated and prosecuted receive little more than a "slap on the wrist" because the criminal justice system cannot adequately deal with welfare mothers. The recovery of fraud-related overpayments, whether ordered by the courts or pursued administratively, is typically a protracted process that often fails to recoup the lost funds.

This ineffective response to AFDC fraud must be reversed in order to raise public confidence in this program and to ensure that funds will be available to provide assistance to those families who are truly in need. To eliminate the perceived high level of fraud from the AFDC program, an aggressive and balanced strategy consisting of the following elements is needed:

- o management commitment to the reduction of fraud and other payment errors;
- o front-end fraud detection that couples interviewer experience and intuition with investigative skills to identify and prevent fraud;
- o automated eligibility verifications such as those required under DEFRA to systematically detect unreported income and resources; and

- o a traditional investigation and prosecution function to deal with perpetrators that elude the fraud prevention efforts or commit the fraud subsequent to eligibility determination.

The concept of redirecting part of the investigative function to the front of the process is the key to this strategy that will save as much as \$818.5 million in avoided costs (see Appendix D for additional details regarding these estimated savings). This step will be an effective complement to the automated front-end eligibility verification required by DEFRA. Coupling these aggressive fraud prevention efforts with a more discriminating emphasis on prosecution, a bolstered overpayment recovery effort, and the authority to assess administrative penalties, where appropriate, will demonstrate that fraud will no longer be tolerated in the AFDC program.

This requires that HHS take the lead in combating AFDC fraud by:

- o working with the States to develop, test, and transfer effective fraud prevention, detection, and investigative skills;
- o making better use of the fraud reporting process to focus public, congressional, prosecutorial and judicial attention on the severity of AFDC fraud; and
- o formulating and espousing a clear antifraud policy including, where appropriate, the development of legislative proposals that provide States with the means to more effectively deal with fraud.

The FSA comments on the draft report are included at Appendix E. Two points raised in FSA comments need further clarification:

- o The FSA indicated that they are unable to accept the report's estimate of a billion dollars a year in fraud and the complementary finding that savings of \$800 million a year could be achieved because quality control experience does not show error rates at such levels.

We recognize that existing quality control data does not support the extent of fraud identified in this report. While the quality control process does uncover some fraud, that process misses the heart of the fraud detections by FRED. These cases are characterized by unsubstantiated deprivation, household composition, and residence. They are detected by investigative field work, unannounced home visits, and collateral contacts with neighbors, local businesses, etc., all of which are techniques more readily practiced by criminal investigators. The quality control activity is an essential component of the AFDC program but is principally a paper review process. Accordingly, it cannot be depended

upon to measure the extent of fraud since a significant portion of fraud can be detected only through the investigative techniques listed above.

- o The FSA further indicated that mandating a FRED-like program (See Recommendations, page 20) could result in the elimination or dilution of proven preeligibility verification programs.

We believe that mandating a front-end, fraud prevention effort like FRED can only enhance other preeligibility activity ongoing in a State. The selective identification of a small number of suspicious cases for investigation is the foundation of FRED. This permits the identification of misinformation that could not be detected by computerized front-end matching programs. Therefore, it complements rather than dilutes such efforts. Such a mandate could easily be written to assure that a FRED-like program would supplement any existing successful programs.

RECOMMENDATIONS

To address the billion dollar AFDC fraud problem identified in this inspection, the following actions are recommended for the Administrator, Family Services Administration:

- o Revise regulations (45 CFR 235) to require that States implement a preeligibility fraud detection and prevention program similar to the FRED program used in California and other areas of the country as a condition of State plan approval.
- o Consolidate and increase the visibility of OFA's scattered antifraud efforts in a specific component with the responsibility to work closely with States, both directly and through the United Council on Welfare Fraud, to more sharply focus management attention on the prevention, detection, and deterrence of fraud through the development of:
 - an improved fraud reporting mechanism that collects useful information on the incidence and nature of fraud prevention, detection, prosecution and overpayment recovery activities, and provides timely, meaningful feedback to the States on statistical data as well as narrative descriptions of innovative antifraud techniques;
 - a broad spectrum of training and information packages to upgrade skills in combating fraud and to increase judicial and public awareness of the significance of AFDC fraud and the positive steps being taken to combat it; and
 - a centralized information center aimed at improving State access to and use of appropriate Federal, State, and private records to facilitate the timely verification of eligibility factors in order to prevent fraud.

APPENDICES

APPENDIX "A"

22 STATES VISITED

**AFDC FRAUD PROGRAM INSPECTION
22 STATES VISITED**

**ARIZONA
CALIFORNIA
COLORADO
CONNECTICUT
FLORIDA
GEORGIA
ILLINOIS
IOWA
MARYLAND
MASSACHUSETTS
MICHIGAN
MISSISSIPPI
NEW YORK
NORTH CAROLINA
OHIO
OREGON
PENNSYLVANIA
TENNESSEE
TEXAS
WASHINGTON
WISCONSIN
WYOMING**

APPENDIX "B"

INSTRUCTIONS FOR FORM SSA-4110

Department of Health and Human Services
Social Security Administration
Office of Policy
Office of Research and Statistics
Division of Family Assistance Studies

INSTRUCTIONS
FOR
SSA-4110, RECIPIENT FRAUD IN PUBLIC ASSISTANCE PROGRAMS

Content: Form SSA-4110 provides information on administrative and legal actions taken during a six-month period on cases involving questions of recipient fraud, and recent developments and problems in the prevention and detection of recipient fraud.

Requirements: A report on Form SSA-4110 is required semiannually of all States (i.e., October-March and April-September). A report is due not later than the last day of the month following the end of the period covered by the report.

Submittal procedure: Send the report to:

- (1) Division of Family Assistance Studies
Office of Research and Statistics, SSA
Room 2227, Mary E. Switzer Building
330 C Street, S.W.
Washington, D.C. 20201
- (2) Assistance Regional Commissioner, OFA

Instructions for Part I (SSA-4110): Administrative and Legal
Action on Cases Involving a Question of Fraud

General Definitions

The statistical items to be reported in this section relate to cases that were in process during the fiscal year regardless of when the case initially became suspect of fraud. Consider a case as "in process" as soon as a determination has been made by agency personnel on the sufficiency of the evidence to support a question of fraud. Consider a case as no longer "in process" as soon as there is a determination of insufficient evidence to support a question of fraud or there is a determination of sufficient evidence and the fraud has been pursued to the fullest extent that will be attempted. If a case initially reported as having insufficient evidence acquires new evidence and is subsequently viewed as having sufficient evidence, the case is counted twice--once as an insufficient case and once as a sufficient case each time in the appropriate period(s) in which the decision took place. For a case viewed as having sufficient evidence, report each action or decision (or lack thereof) that occurred by the end of the period. If action is taken by both agency personnel and legal personnel in the same period, report both actions. For example, if a case was referred to an agency empowered to prosecute and ended in conviction in the same period, report the case in both 1.B.1 and 2.C.1.

AFDC, Medical Assistance, and Food Stamp Columns

Only cases involving AFDC fraud are to be reported on this form. If the AFDC fraud is in conjunction with Medicaid or Food Stamp fraud, place it in the appropriate box and if all three programs are involved record these cases in the right most column. This classification should be used regardless of the agency that raised the question of fraud or that took action on the case.

Specific Instructions

I. Action by Agency Personnel

Line 1A. Evidence not sufficient to support a question of fraud. Enter the total number of cases for which a decision was made by agency personnel that the evidence was insufficient to support a question of fraud.

Line 1B (1). Evidence sufficient, case referred to agency empowered to prosecute cases. Enter the total number of cases for which a decision was made during the period to refer the case to the agency empowered to prosecute cases regardless of whether all procedures necessary to make the referral had been completed by the end of the period.

Line 1B (2). Evidence sufficient, case not referred to agency empowered to prosecute cases, reason. Enter the number of cases in each of the subcategories for which a decision was made during the period not to refer the case to the agency empowered to prosecute cases. Select the most compelling reason why the case was not referred. Establish additional reason categories if those listed do not apply to all of the cases. Use a separate sheet if more than three reasons were added. Do not include more than five percent of the cases in a category called "other" if such a category is established.

Line 1B (3). Evidence sufficient, pending decision to refer to agency empowered to prosecute cases. Cases of suspected fraud for which a decision has not yet been made regarding the sufficiency or insufficiency of the evidence should not be reported on this form until such a decision is made. Enter the total number of cases on hand at the end of the period for which no decision had been made with respect to whether to refer the case to the agency empowered to prosecute.

II. Action by agency empowered to prosecute cases

Line 2A. Prosecution declined, reason. Enter the number of cases in each of the sub-categories for which a decision was made during the period not to prosecute. Select the most compelling reason why the case was not prosecuted. Establish additional reason categories if those listed do not apply to all of the cases. Use a separate sheet if more than three reasons were added. Do not include more than five percent of the cases in a category called "other" if such a category is established.

Line 2B. Pre-prosecution diversions. Enter the total number of cases for which a settlement was arranged prior to deciding whether to decline or initiate prosecution. Include all cases that have this status at the end of the period regardless of whether the settlement has been initiated.

Line 2C. Prosecution initiated, outcome. Enter the number of cases for which prosecution was completed or terminated during the period by appropriate outcome and the number pending. Select the outcome that best describes the status of the cases at the end of the period. Specify other outcomes such as "failed to indict," as necessary. Use a separate sheet if more than two outcomes were added. Do not include more than five percent of the cases in a category called "other" if such a category is established. Under convictions, include those cases convicted in part and acquitted in part. Under dismissals, include only those cases that were dismissed after an indictment of information was obtained. Under pre-trial, pre-decision diversions, include cases for which a settlement was arranged after deciding to prosecute. Under case pending, include cases for which prosecution was initiated but no outcome had been reached by the end of the period.

Line 2D. Case pending decision on action to be taken. Only cases referred to the agency empowered to prosecute case when the decision on the action to be taken has not been made should be included on this line. Enter the total number of cases on-hand at the end of the period in the agency empowered to prosecute cases for which no decision had been made on the action to be taken.

Instructions for Part II (SSA-4110): Nature of the Statistical Data Reported in Part I

Describe in this portion of the report the accuracy and completeness of the statistical data reported in Part I. Whenever accurate Statewide data are not available, use this part of the report to explain the method of estimation and/or the extent of the Statewide coverage used to complete the items in Part I. If coverage and/or estimation procedures varied by item, describe items separately. Include an explanation of why accurate Statewide data were not available.

Instructions for Part III (SSA-4110): Methods of Dealing with Questions of Recipient Fraud

Describe in this portion of the report recent developments in the prevention and detection of recipient fraud as well as problems that have been encountered. Clearly identify whether the information reflects a situation in the State as a whole or only a specific portion of the State.

PART II - NATURE OF THE STATISTICAL DATA REPORTED IN PART I

Statistical Data are: Actual Partially Estimated Completely Estimated

Show on an attachment which items are estimated, the basis for the estimation, and the reason actual data were not available)

Statistical Data are: Statewide Partially Statewide and Partially Non-Statewide Non-Statewide.

Show on an attachment which items are non-Statewide, the portion of the State that is covered by the data, and the reason data were not available for the rest of the State.)

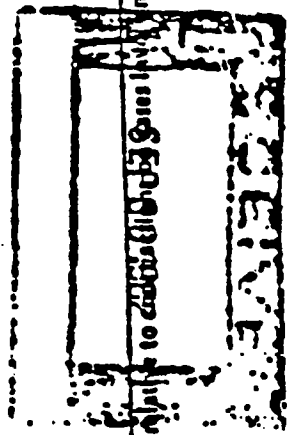
PART III - METHODS OF DEALING WITH QUESTIONS OF RECIPIENT FRAUD

Describe developments during this reporting period in regard to.....

a. Improvements in methods to prevent fraud and the use of criteria in identifying cases in which there may be a question of fraud:

b. Problems encountered in dealing with questions of recipient fraud and steps taken to resolve the problems:

c. Development of cooperative relationships with law enforcement officials and courts:



d. Receipt of information relative to cases involving charges of fraud.

f. Add any other comments, including suggestions or recommendations on questions of recipient fraud. Attach copies of reports and interpretative or illustrative materials pertinent to the subject area of recipient fraud that add to the informational value of the report.

APPENDIX "C"

**EXAMPLE OF SEMIANNUAL AFDC FRAUD
STATISTICS DEVELOPED FROM FORM SSA-4110**

ACTION BY AGENCY PERSONNEL, AFUC CASES ONLY
 OCTOBER 1983 - MARCH 1984
 EVIDENCE SUFFICIENT TO SUPPORT A QUESTION
 OF FRAUD

STATE	EVIDENCE NOT SUFFICIENT TO SUPPORT A QUESTION OF FRAUD		TOTAL	CASE REFERRED	CASE NOT REFERRED	REFERRAL PENDING
	TOTAL	OF FRAUD				
ALABAMA	653	0	653	141	312	200
ALASKA	53	4	49	1	48	0
ARKANSAS	124	51	73	54	19	0
CALIFORNIA	269695	15516	254159	2858	17271	234030
COLORADO	875	452	423	132	291	0
CONNECTICUT	727	0	727	727	0	0
DELAWARE	72	35	37	2	33	2
DIST. OF COLUMBIA	0	0	0	0	0	0
FLORIDA	3186	2865	321	91	0	230
HAWAII	12	4	8	2	6	0
ILLINOIS	0	0	0	0	0	0
INDIANA	583	180	403	116	262	25
IOWA	1070	7	1063	6	1031	26
KANSAS	709	6	703	28	585	90
KENTUCKY	294	60	234	155	79	0
LOUISIANA	1175	742	433	52	296	85
MAINE	960	0	960	160	800	0
MICHIGAN	3008	1919	1089	1089	0	0
MINNESOTA	1991	627	1364	436	928	0
MONTANA	545	10	535	26	18	491
NEBRASKA	6	1	5	1	2	2
NEW HAMPSHIRE	297	217	80	80	0	0
NEW JERSEY	23915	1642	22273	2001	5184	15088
NEW MEXICO	42	15	27	3	21	3
NORTH DAKOTA	47	0	47	47	0	0
OHIO	2881	2033	848	633	0	215
OKLAHOMA	57	35	22	7	10	5
RHODE ISLAND	548	390	158	32	126	0
SOUTH CAROLINA	19	1	18	4	6	8
SOUTH DAKOTA	111	0	111	0	0	111
TENNESSEE	1523	0	1523	94	418	1011
TEXAS	467	303	164	34	130	0
UTAH	510	270	240	240	0	0
VERMONT	177	52	125	0	0	125
VIRGINIA	1826	880	946	486	419	41
WASHINGTON	2192	852	1340	40	1259	41
WEST VIRGINIA	72	41	31	0	31	0
WISCONSIN	1812	262	1550	523	913	114
WYOMING	18	6	12	0	12	0
VIRGIN ISLANDS	0	0	0	0	0	0
TOTAL	322252	29498	292754	10301	30510	251943

REASON FOR NOT REFERRING CASES TO AGENCY EMPOWERED TO PROSECUTE
 AFDC CASES ONLY - - - OCTOBER 1983-MARCH 1984

STATE	CASE NOT REFERRED	SMALL AMOUNTS INVOLVED	REIMBURSEMENT ARRANGED	SPECIAL HARSHIP INVOLVED	OTHER
ALABAMA	312	0	312	0	0
ALASKA	48	8	2	0	38
ARKANSAS	19	9	0	3	7
CALIFORNIA	17271	0	15222	0	2049
COLORADO	291	82	65	5	139
CONNECTICUT	772	772	0	0	0
DELAWARE	33	0	5	0	28
DIST. OF COLUMBIA	0	0	0	0	0
FLORIDA	0	0	0	0	0
HAWAII	6	1	3	0	2
ILLINOIS	0	0	0	0	0
INDIANA	262	57	80	1	124
IOWA	1031	215	791	0	25
KANSAS	585	6	575	1	3
KENTUCKY	79	50	1	0	28
LOUISIANA	296	0	0	0	296
MAINE	800	136	43	0	621
MICHIGAN	0	0	0	0	0
MINNESOTA	928	23	270	6	629
MONTANA	18	2	6	0	10
NEBRASKA	2	0	2	0	0
NEW HAMPSHIRE	0	0	0	0	0
NEW JERSEY	5184	113	1058	5	4008
NEW MEXICO	21	3	12	1	5
NORTH DAKOTA	0	0	0	0	0
OHIO	0	0	0	0	0
OKLAHOMA	10	4	6	0	0
RHODE ISLAND	126	0	109	17	0
SOUTH CAROLINA	12	6	3	1	2
SOUTH DAKOTA	0	0	0	0	0
TENNESSEE	418	0	0	0	418
TEXAS	119	0	105	0	14
UTAH	0	0	0	0	0
VERMONT	0	0	0	0	0
VIRGINIA	419	124	177	1	117
WASHINGTON	1259	439	0	0	820
WEST VIRGINIA	31	1	15	0	15
WISCONSIN	913	23	731	26	133
WYOMING	10	5	5	0	0
VIRGIN ISLANDS	0	0	0	0	0
	31275	2079	19598	67	9531

AFDC ONLY CASES - - - OCTOBER 1903 - MARCH 1984

PROSECUTION INITIATED - INDICTMENTS OR INFORMATION ATTEMPTED

STATE	PROSECUTION DECLINED	PROSECUTION DIVERSIONS	TOTAL	CONVICTIONS	ACQUITTALS	DISMISSAL	PRE-TRIAL PRE-DECISION DIVERSIONS	OTHER OUTCOMES	CASE PENDING TO BE TAKEN	CASE PENDING DECISION ON ACTION	
ALABAMA	68	25	154	52	1	0	0	1	0	100	300
ALASKA	0	0	0	0	0	0	0	0	0	0	0
ARKANSAS	1	0	222	54	0	4	0	0	0	164	355
CALIFORNIA	708	0	1987	0	1721	10	258	0	0	0	6602
COLORADO	51	0	51	12	0	3	0	0	38	0	0
CONNECTICUT	24	0	68	23	0	0	0	0	0	45	2689
DELAWARE	1	0	1	0	0	0	0	0	1	0	0
DIST. OF COLUMBIA	0	0	0	0	0	0	0	0	0	0	0
FLORIDA	5	8	45	14	0	0	0	0	14	17	58
HAWAII	2	0	3	1	0	0	0	0	0	2	0
ILLINOIS	0	0	0	0	0	0	0	0	0	0	0
INDIANA	8	1	158	120	2	1	0	0	0	33	227
IOWA	1	0	4	4	0	0	0	0	0	0	6
KANSAS	4	10	158	19	0	1	0	9	77	54	85
KENTUCKY	13	0	302	88	0	11	0	0	13	182	303
LOUISIANA	15	41	205	28	0	0	0	0	0	177	262
MAINE	10	0	45	1	0	0	0	0	8	38	0
MICHIGAN	747	0	234	212	1	21	0	0	0	0	850
MINNESOTA	77	18	260	178	11	17	0	0	53	0	0
MONTANA	0	1	8	8	0	0	0	0	0	0	52
NEBRASKA	0	0	0	0	0	0	0	0	0	0	0
NEW HAMPSHIRE	0	0	108	45	11	52	0	0	0	0	123
NEW JERSEY	487	101	1061	792	59	8	202	0	0	0	11173
NEW MEXICO	0	0	1	1	0	0	0	0	0	0	0
NORTH DAKOTA	8	0	3	3	0	0	0	0	0	0	38
OHIO	712	0	173	78	1	2	19	0	0	73	215
OKLAHOMA	3	0	9	3	0	0	3	0	0	3	0
RHODE ISLAND	0	0	170	19	0	0	0	0	0	151	0
SOUTH CAROLINA	2	0	10	0	0	0	4	0	0	6	0
SOUTH DAKOTA	74	0	16	8	0	1	2	0	0	5	66
TENNESSEE	12	0	212	208	0	0	6	0	0	0	1011
TEXAS	20	0	52	14	0	34	0	0	4	0	176
UTAH	240	0	0	0	0	0	0	0	0	0	28
VERMONT	7	0	33	30	0	2	0	1	0	0	23
VIRGINIA	118	0	545	241	3	6	12	83	190	269	269
WASHINGTON	68	0	285	50	0	15	7	1	212	266	266
WEST VIRGINIA	1	0	2	2	0	0	0	0	0	0	0
WISCONSIN	158	2	252	133	0	8	8	1	104	110	110
WYOMING	0	0	2	0	0	0	0	0	2	0	0
VIRGIN ISLANDS	0	0	0	0	0	0	0	0	0	0	0
TOTAL	3818	205	6835	2438	1810	194	526	299	1568	25385	25385

BY AGENCY EMPOWERED TO PROSECUTE CASES
 AFDC ONLY CASES - - - OCTOBER 1983 - MARCH 1984

STATE	TOTAL CASES WITH PROSECUTION DECLINED	SMALL AMOUNTS INVOLVED	REIMBURSEMENT ARRANGED	SPECIAL HANDSHIP INVOLVED	OTHER
ALABAMA	66	0	0	0	66
ALASKA	0	0	0	0	0
ARKANSAS	1	0	0	0	1
CALIFORNIA	706	0	446	0	260
COLORADO	51	15	21	0	15
CONNECTICUT	24	0	12	0	12
DELAWARE	1	0	1	0	0
DIST. OF COLUMBIA	0	0	0	0	0
FLORIDA	5	0	1	0	4
HAWAII	2	0	0	0	2
ILLINOIS	0	0	0	0	0
INDIANA	8	0	5	0	1
IOWA	1	0	1	0	0
KANSAS	4	0	4	0	0
KENTUCKY	13	0	6	2	5
LOUISIANA	15	0	5	2	8
MAINE	10	0	0	0	10
MICHIGAN	747	5	683	8	51
MINNESOTA	77	24	2	6	45
MONTANA	0	0	0	0	0
NEBRASKA	0	0	0	0	0
NEW HAMPSHIRE	0	0	0	0	0
NEW JERSEY	467	280	142	3	42
NEW MEXICO	0	0	0	0	0
NORTH DAKOTA	6	0	5	0	1
OHIO	712	43	434	0	235
OKLAHOMA	3	0	3	0	0
RHODE ISLAND	0	0	0	0	0
SOUTH CAROLINA	4	1	0	1	2
SOUTH DAKOTA	74	38	13	0	23
TENNESSEE	12	0	0	0	12
TEXAS	20	2	13	0	5
UTAH	240	0	228	0	12
VERMONT	7	0	5	1	1
VIRGINIA	119	54	44	1	20
WASHINGTON	68	0	0	2	68
WEST VIRGINIA	1	0	0	0	1
WISCONSIN	159	0	83	2	74
WYOMING	0	0	0	0	0
VIRGIN ISLANDS	0	0	0	0	0
	3821	462	2157	28	874

ACTION BY AGENCY PERSONNEL, AFDC AND MEDICAID CASES
OCTOBER 1983 - MARCH 1984
EVIDENCE SUFFICIENT TO SUPPORT A QUESTION
OF FRAUD

STATE	TOTAL OF FRAUD	EVIDENCE NOT SUFFICIENT TO SUPPORT A QUESTION OF FRAUD	TOTAL	CASE REFERRED	CASE NOT REFERRED	REFERRAL PENDING
ALABAMA	0	0	0	0	0	0
ALASKA	0	0	0	0	0	0
ARKANSAS	0	0	0	0	0	0
CALIFORNIA	0	0	0	0	0	0
COLORADO	87	22	45	4	41	0
CONNECTICUT	0	0	0	0	0	0
DELAWARE	5	0	5	2	0	3
DIST. OF COLUMBIA	0	0	0	0	0	0
FLORIDA	8	8	0	0	0	0
HAWAII	4	2	2	0	2	0
ILLINOIS	0	0	0	0	0	0
INDIANA	39	15	24	18	5	3
IOWA	259	23	238	18	152	68
KANSAS	8	2	6	2	1	3
KENTUCKY	0	0	0	0	0	0
LOUISIANA	0	0	0	0	0	0
MAINE	3	0	3	3	0	0
MICHIGAN	103	88	17	17	0	0
MINNESOTA	3	0	3	0	3	0
MONTANA	0	0	0	0	0	0
NEBRASKA	3	2	1	0	0	1
NEW HAMPSHIRE	0	0	0	0	0	0
NEW JERSEY	0	0	0	0	0	0
NEW MEXICO	8	3	8	2	4	0
NORTH DAKOTA	4	0	4	4	0	0
OHIO	68	48	18	6	0	12
OKLAHOMA	15	7	8	2	5	1
RHODE ISLAND	0	0	0	0	0	0
SOUTH CAROLINA	3	0	3	0	3	0
SOUTH DAKOTA	18	0	18	0	0	18
TENNESSEE	0	0	0	0	0	0
TEXAS	85	4	81	52	39	0
UTAH	19	10	8	8	0	0
VERMONT	1	1	0	0	0	0
VIRGINIA	94	17	77	41	38	0
WASHINGTON	94	7	87	12	75	0
WEST VIRGINIA	1	0	1	0	1	0
WISCONSIN	114	5	109	68	40	3
WYOMING	0	0	0	0	0	0
VIRGIN ISLANDS	0	0	0	0	0	0
	1036	263	773	258	407	110

REASON FOR NOT RECEIVING CASES TO AGENCY EMPLOYED TO PURSUIT
 AFDC AND MEDICAID CASES --- OCTOBER 1 07-MARCH 1984

STATE	CASE NOT REFERRED	SMALL AMOUNTS INVOLVED	REIMBURSEMENT ARRANGED	SPECIAL HANDLED INVOLVED	OTHER
ALABAMA	0	0	0	0	0
ALASKA	0	0	0	0	0
ARKANSAS	0	0	0	0	0
CALIFORNIA	0	0	0	0	0
COLORADO	41	0	15	1	25
CONNECTICUT	0	0	0	0	0
DELAWARE	0	0	0	0	0
DIST. OF COLUMBIA	0	0	0	0	0
FLORIDA	0	0	0	0	0
HAWAII	2	0	1	1	0
ILLINOIS	0	0	0	0	0
INDIANA	5	0	2	0	3
IOWA	152	43	27	0	82
KANSAS	1	0	0	0	1
KENTUCKY	0	0	0	0	0
LOUISIANA	0	0	0	0	0
MAINE	0	0	0	0	0
MICHIGAN	0	0	0	0	0
MINNESOTA	3	0	0	0	0
MONTANA	0	2	0	1	0
NEBRASKA	0	0	0	0	0
NEW HAMPSHIRE	0	0	0	0	0
NEW JERSEY	0	0	0	0	0
NEW MEXICO	0	0	0	0	0
NORTH DAKOTA	4	0	3	1	0
NORTH DAKOTA	0	0	0	0	0
OHIO	0	0	0	0	0
OKLAHOMA	5	5	0	0	0
OREGON	0	0	0	0	0
RHODE ISLAND	0	0	0	0	0
SOUTH CAROLINA	3	0	1	2	0
SOUTH DAKOTA	0	0	0	0	0
TENNESSEE	0	0	0	0	0
TEXAS	39	0	26	1	2
UTAH	0	0	0	0	0
VERMONT	0	0	0	0	0
VIRGINIA	36	23	0	0	0
WASHINGTON	75	17	8	0	5
WEST VIRGINIA	1	0	0	0	58
WISCONSIN	40	3	26	2	9
WYOMING	0	0	0	0	0
VIRGIN ISLANDS	0	0	0	0	0
TOTAL	407	93	120	9	185

ACTION BY AGENCY COMMITTED TO PROSECUTE CASES
 AFDC AND MEDICAID CASES - . . . OCTOBER 1983 - MARCH 1984

PROSECUTION INITIATED - INDICENTS OF INFORMATION SUBMITTED

STATE	FRE-PROSECUTION		TOTAL	CONVICTIONS	ACQUITTALS	DISMISSAL	PRE-TRIAL			CASES PENDING TO BE TAKEN	LAW ENFORCEMENT DECISION ON ACTION
	DECLINED	DIVERSIONS					DIVERSIONS	OTHER OUTCOMES	PENDING		
ALABAMA	0	0	0	0	0	0	0	0	0	0	0
ALASKA	0	0	0	0	0	0	0	0	0	0	0
ARIZONA	0	0	0	0	0	0	0	0	0	0	0
ARKANSAS	0	0	0	0	0	0	0	0	0	0	0
CALIFORNIA	0	0	0	0	0	0	0	0	0	0	0
COLORADO	10	0	9	9	0	0	0	0	0	0	0
CONNECTICUT	0	0	0	0	0	0	0	0	0	0	0
DELAWARE	1	0	1	0	0	0	0	1	0	0	0
DIST. OF COLUMBIA	0	0	0	0	0	0	0	0	0	0	0
FLORIDA	0	0	0	0	0	0	0	0	0	0	0
HAWAII	2	0	1	1	0	0	0	0	0	0	0
ILLINOIS	0	0	7	7	0	0	0	0	0	0	0
INDIANA	2	3	4	1	0	0	0	0	0	3	3
IOWA	0	0	2	2	0	0	0	0	0	0	10
KANSAS	0	0	2	2	0	0	0	0	0	0	1
KENTUCKY	0	0	0	0	0	0	0	0	0	0	0
LOUISIANA	0	0	0	0	0	0	0	0	0	0	0
MAINE	0	0	0	0	0	0	0	0	0	0	0
MICHIGAN	12	0	0	0	0	0	0	0	0	0	14
MINNESOTA	0	1	12	12	0	0	0	0	0	0	0
MONTANA	0	0	0	0	0	0	0	0	0	0	0
NEBRASKA	0	0	0	0	0	0	0	0	0	0	0
NEW HAMPSHIRE	0	0	0	0	0	0	0	0	0	0	0
NEW JERSEY	0	0	0	0	0	0	0	0	0	0	0
NEW MEXICO	0	0	0	0	0	0	0	0	0	0	0
NORTH DAKOTA	0	0	0	0	0	0	0	0	0	0	4
OHIO	19	0	7	1	0	0	0	0	0	6	22
OKLAHOMA	5	0	2	2	0	0	0	0	0	0	0
OREGON	0	0	0	0	0	0	0	0	0	0	0
RHODE ISLAND	0	0	0	0	0	0	0	0	0	0	0
SOUTH CAROLINA	1	0	19	12	0	0	0	3	0	4	0
SOUTH DAKOTA	70	0	5	5	0	0	0	0	0	0	37
TENNESSEE	0	0	0	0	0	0	0	0	0	0	0
TEXAS	23	0	92	43	0	0	40	0	9	0	207
UTAH	0	0	0	0	0	0	0	0	0	0	1
VERMONT	0	0	0	0	0	0	0	0	0	0	0
VIRGINIA	8	0	9	4	0	0	0	1	4	0	0
WASHINGTON	4	0	11	3	0	0	0	4	0	4	21
WEST VIRGINIA	0	0	1	1	0	0	0	0	0	0	0
WISCONSIN	5	0	41	12	0	0	0	1	0	28	20
WYOMING	0	0	0	0	0	0	0	0	0	0	0
VIRGIN ISLANDS	0	0	0	0	0	0	0	0	0	0	0
	162	4	225	117	0	40	13	10	45	344	

REASON FOR DECLINING PROSECUTION
 BY AGENCY EMPLOYED TO PROSECUTE CASES
 AFDC AND MEDICAID CASES -- OCTOBER 1983 - MARCH 1984

STATE	TOTAL CASES WITH PROSECUTION DECLINED	SMALL AMOUNTS INVOLVED	FEINDEFINEMENT ARRANGED	SPECIAL REFERRAL INVOLVED	OTHER
ALABAMA	0	0	0	0	0
ALASKA	0	0	0	0	0
ARIZONA	0	0	0	0	0
CALIFORNIA	0	0	0	0	0
COLORADO	10	1	4	3	0
CONNECTICUT	0	0	0	0	0
DELAWARE	1	0	1	0	0
DIST. OF COLUMBIA	0	0	0	0	0
FLORIDA	0	0	0	0	0
HAWAII	2	0	1	0	1
ILLINOIS	0	0	0	0	0
INDIANA	2	0	1	0	1
IOWA	0	0	0	0	0
KANSAS	0	0	0	0	0
KENTUCKY	0	0	0	0	0
LOUISIANA	0	0	0	0	0
MAINE	0	0	0	0	0
MICHIGAN	12	1	9	1	1
MINNESOTA	0	0	0	0	0
MONTANA	0	0	0	0	0
NEBRASKA	0	0	0	0	0
NEW HAMPSHIRE	0	0	0	0	0
NEW JERSEY	0	0	0	0	0
NEW MEXICO	0	0	0	0	0
NORTH DAKOTA	0	0	0	0	0
OHIO	19	0	2	0	17
OKLAHOMA	5	0	0	5	0
OREGON	0	0	0	0	0
RHODE ISLAND	0	0	0	0	0
SOUTH CAROLINA	1	0	1	0	0
SOUTH DAKOTA	70	33	9	0	28
TENNESSEE	0	0	0	0	0
TEXAS	23	0	14	0	9
UTAH	0	0	0	0	0
VERMONT	0	0	0	0	0
VIRGINIA	8	1	1	0	6
WASHINGTON	4	0	0	0	4
WEST VIRGINIA	0	0	0	0	0
WISCONSIN	5	0	4	0	1
WYOMING	0	0	0	0	0
VIRGIN ISLANDS	0	0	0	0	0
TOTAL	162	36	49	6	71

ACTION BY AGENCY PERSONNEL OF FDIC AND FOOL ITAMP CASES
 OCTOBER 1983 - MARCH 1984
 EVIDENCE SUFFICIENT TO SUPPORT A QUESTION
 OF FRAUD

STATE	EVIDENCE NOT SUFFICIENT TO SUPPORT A QUESTION OF FRAUD		TOTAL	EVIDENCE SUFFICIENT TO SUPPORT A QUESTION OF FRAUD		TOTAL	CASE REFERRED	CASE NOT REFERRED	REFERRAL PENDING
	TOTAL	OF FRAUD		TOTAL	REFERRED				
ALABAMA	0	0	0	0	0	0	0	0	0
ALASKA	115	10	105	7	98	0	0	0	0
ARKANSAS	0	0	0	0	0	0	0	0	0
CALIFORNIA	0	0	0	0	0	0	0	0	0
COLORADO	137	37	100	41	59	0	0	0	0
CONNECTICUT	1212	0	1212	737	475	0	0	0	0
DELAWARE	20	2	18	7	2	0	0	0	0
DIST. OF COLUMBIA	0	0	0	0	0	0	0	0	0
FLORIDA	0	0	0	0	0	0	0	0	0
HAWAII	30	13	17	10	7	0	0	0	0
ILLINOIS	0	0	0	0	0	0	0	0	0
INDIANA	267	174	93	35	44	0	0	0	0
IOWA	964	9	955	41	819	0	0	0	0
KANSAS	220	1	219	75	92	0	0	0	0
KENTUCKY	0	0	0	0	0	0	0	0	0
LOUISIANA	0	0	0	0	0	0	0	0	0
MAINE	808	0	808	107	701	0	0	0	0
MICHIGAN	119	67	52	52	0	0	0	0	0
MINNESOTA	80	0	80	0	80	0	0	0	0
MONTANA	0	0	0	0	0	0	0	0	0
NEBRASKA	21	1	20	3	3	0	0	0	0
NEW HAMPSHIRE	0	0	0	0	0	0	0	0	0
NEW JERSEY	0	0	0	0	0	0	0	0	0
NEW MEXICO	30	10	20	7	9	0	0	0	0
NORTH DAKOTA	24	0	24	24	0	0	0	0	0
OHIO	3675	2862	813	658	0	0	0	0	0
OKLAHOMA	221	173	48	8	35	0	0	0	0
OREGON	0	0	0	0	0	0	0	0	0
RHODE ISLAND	211	0	211	101	110	0	0	0	0
SOUTH CAROLINA	140	2	138	31	21	0	0	0	0
SOUTH DAKOTA	12	0	12	0	0	0	0	0	0
TENNESSEE	0	0	0	0	0	0	0	0	0
TEXAS	476	47	429	112	317	0	0	0	0
UTAH	140	74	66	66	0	0	0	0	0
VERMONT	47	47	0	0	0	0	0	0	0
VIRGINIA	363	216	147	20	127	0	0	0	0
WASHINGTON	1201	38	1163	161	1002	0	0	0	0
WEST VIRGINIA	30	5	25	0	25	0	0	0	0
WISCONSIN	1262	143	1119	105	867	0	0	0	0
WYOMING	12	12	0	0	0	0	0	0	0
VIRGIN ISLANDS	0	0	0	0	0	0	0	0	0
TOTAL	11837	3943	7894	2408	4893	153	5	14	593

REASON FOR NOT REFERRING CASES TO AGENCY EMPLOYED TO PROSECUTE
 AFDC AND FOOD STAMP CASES --- OCTOBER 1983-MARCH 1984

STATE	CASE NOT REFERRED	SMALL AMOUNTS INVOLVED	REIMBURSEMENT ARRANGED	SPECIAL HARSHIP INVOLVED	OTHER
ALABAMA	0	0	0	0	0
ALASKA	98	49	11	0	38
ARKANSAS	0	0	0	0	0
CALIFORNIA	0	0	0	0	0
COLORADO	59	0	12	1	46
CONNECTICUT	475	475	0	0	0
DELAWARE	2	0	2	0	0
DIST. OF COLUMBIA	0	0	0	0	0
FLORIDA	0	0	0	0	0
HAWAII	7	1	4	0	2
ILLINOIS	0	0	0	0	0
INDIANA	44	1	39	0	4
IOWA	819	315	333	0	171
KANSAS	92	0	88	0	4
KENTUCKY	0	0	0	0	0
LOUISIANA	0	0	0	0	0
MAINE	701	13	0	0	688
MICHIGAN	0	0	0	0	0
MINNESOTA	80	0	0	0	80
MONTANA	0	0	0	0	0
NEBRASKA	3	2	0	0	1
NEW HAMPSHIRE	0	0	0	0	0
NEW JERSEY	0	0	0	0	0
NEW MEXICO	9	0	8	0	1
NORTH DAKOTA	0	0	0	0	0
OHIO	0	0	0	0	0
OKLAHOMA	35	25	10	0	0
OREGON	0	0	0	0	0
RHODE ISLAND	110	55	0	0	55
SOUTH CAROLINA	21	8	8	0	5
SOUTH DAKOTA	0	0	0	0	0
TENNESSEE	0	0	0	0	0
TEXAS	317	1	312	0	4
UTAH	0	0	0	0	0
VERMONT	0	0	0	0	0
VIRGINIA	127	24	37	0	66
WASHINGTON	1002	301	2	0	699
WEST VIRGINIA	25	1	23	0	1
WISCONSIN	867	131	663	26	47
WYOMING	0	0	0	0	0
VIRGIN ISLANDS	0	0	0	0	0
	4893	1402	1552	27	1912

ACTION BY AGENCY EMPOWERED TO PROSECUTE CASES
 AFDC AND FOOD STAMP CASES -- -- OCTOBER 1983 -- MARCH 1984

PROSECUTION INITIATED -- INDICTMENTS OR INFORMATION ATTEMPTED

STATE	PROSECUTION DECLINED	PRE-PROSECUTION DIVERSIONS	TOTAL	CONVICTIONS	ACQUITTALS	DISMISSALS	PRE-TRIAL PRE-DECISION DIVERSIONS	OTHER OUTCOMES	CASE PENDING DECISION ON ACTION TO BE TAKEN	1983
ALABAMA	0	0	0	0	0	0	0	0	0	0
ALASKA	0	0	13	0	0	0	0	0	0	0
ARKANSAS	0	0	0	0	0	0	0	0	0	0
CALIFORNIA	0	0	0	0	0	0	0	0	0	0
COLORADO	7	0	16	3	0	0	0	0	0	0
CONNECTICUT	2	21	154	43	0	0	0	13	0	0
DELAWARE	1	0	9	0	2	0	0	0	109	1983
DIST. OF COLUMBIA	0	0	0	0	0	0	0	3	4	0
FLORIDA	0	0	0	0	0	0	0	0	0	0
HAWAII	0	0	0	0	0	0	0	0	0	0
ILLINOIS	0	0	45	19	0	0	0	0	0	0
INDIANA	0	0	0	0	1	0	0	0	44	0
INDIANA	4	8	28	11	0	0	0	0	0	0
IOWA	0	0	8	8	2	0	0	0	15	12
KANSAS	0	0	170	25	0	0	0	0	0	41
KENTUCKY	0	0	0	0	0	0	0	101	41	26
LOUISIANA	0	0	0	0	0	0	0	0	0	0
LOUISIANA	0	0	0	0	0	0	0	0	0	0
MAINE	0	0	25	1	0	0	0	0	0	0
MICHIGAN	0	0	0	0	0	0	0	2	22	0
MINNESOTA	41	0	8	6	1	0	0	0	0	31
MONTANA	0	0	0	0	0	0	0	0	0	0
NEBRASKA	0	0	0	0	0	0	0	0	0	0
NEW HAMPSHIRE	0	0	2	0	0	0	0	0	0	0
NEW JERSEY	0	0	0	0	0	0	0	0	2	0
NEW MEXICO	0	0	0	0	0	0	0	0	0	0
NORTH DAKOTA	0	0	1	0	0	0	0	0	0	0
OHIO	3	0	6	1	0	0	0	0	0	0
OKLAHOMA	375	1	593	252	2	0	9	0	0	15
OKLAHOMA	2	0	44	43	0	0	0	6	307	424
OREGON	0	0	0	0	0	0	0	0	0	0
RHODE ISLAND	0	0	0	0	0	0	0	0	0	0
SOUTH CAROLINA	2	0	17	17	0	0	0	0	0	0
SOUTH CAROLINA	2	0	7	0	0	0	0	0	0	18
SOUTH DAKOTA	2	0	14	8	0	0	0	7	0	21
TENNESSEE	0	0	0	0	0	0	0	0	3	0
TEXAS	41	0	179	94	0	0	0	0	0	425
UTAH	74	0	2	1	0	71	0	14	0	7
VERMONT	0	0	0	0	0	0	0	0	1	0
VIRGINIA	38	0	0	0	0	0	0	0	0	0
WASHINGTON	23	0	64	49	0	1	0	0	0	0
WASHINGTON	0	0	147	75	0	4	13	0	0	174
WEST VIRGINIA	0	0	6	3	0	0	19	0	49	0
WISCONSIN	41	0	21	9	0	0	0	0	1	0
WYOMING	0	0	0	0	0	0	1	0	11	43
VIRGIN ISLANDS	0	0	0	0	0	0	0	0	0	0
TOTAL	682	30	1599	682	8	89	50	159	611	3220

REASON FOR DECLINING PROSECUTION
 BY AGENCY EMPOWERED TO PROSECUTE CASES
 AFDC AND FOOD STAMP CASES -- -- OCTOBER 1983 -- MARCH 1984

STATE	TOTAL CASES WITH PROSECUTION DECLINED	SMALL AMOUNTS INVOLVED	REIMBURSEMENT ARRANGED	SPECIAL HARDSHIP INVOLVED	OTHER
ALABAMA	0	0	0	0	0
ALASKA	0	0	0	0	0
ARKANSAS	0	0	0	0	0
CALIFORNIA	0	0	0	0	0
COLORADO	7	2	3	0	2
CONNECTICUT	2	0	2	0	0
DELAWARE	1	1	0	0	0
DIST. OF COLUMBIA	0	0	0	0	0
FLORIDA	8	0	0	8	0
HAWAII	6	0	0	0	6
ILLINOIS	0	0	0	0	0
INDIANA	4	0	4	0	0
IOWA	0	0	0	0	0
KANSAS	0	0	0	0	0
KENTUCKY	0	0	0	0	0
LOUISIANA	0	0	0	0	0
MAINE	6	0	0	0	6
MICHIGAN	41	1	36	0	4
MINNESOTA	6	0	0	1	5
MONTANA	0	0	0	0	0
NEBRASKA	0	0	0	0	0
NEW HAMPSHIRE	0	0	0	0	0
NEW JERSEY	0	0	0	0	0
NEW MEXICO	0	0	0	0	0
NORTH DAKOTA	3	0	3	0	0
OHIO	375	44	183	3	145
OKLAHOMA	2	2	0	0	0
OREGON	0	0	0	0	0
RHODE ISLAND	0	0	0	0	0
SOUTH CAROLINA	2	0	2	0	0
SOUTH DAKOTA	2	0	1	0	1
TENNESSEE	0	0	0	0	0
TEXAS	41	0	19	1	21
UTAH	74	0	71	0	3
VERMONT	0	0	0	0	0
VIRGINIA	38	24	12	0	2
WASHINGTON	23	1	0	2	20
WEST VIRGINIA	0	0	0	0	0
WISCONSIN	41	2	2	1	36
WYOMING	0	0	0	0	0
VIRGIN ISLANDS	0	0	0	0	0
	682	77	338	16	251

APPENDIX "D"

**METHODOLOGY OF COMPUTING COST AVOIDANCE SAVINGS
FROM FRAUD EARLY DETECTION AND PREVENTION (FRED)**

**METHODOLOGY OF COMPUTING COST AVOIDANCE SAVINGS
FRAUD EARLY DETECTION AND PREVENTION (FRED)**

Since the California counties involved in the FRED program include large and small as well as urban and rural populations, their experiences should translate well to other counties throughout the Nation.

1. Total Payment Potential

The number of AFDC applications received in each quarter of fiscal year 1984, the latest year for which complete data is available, is multiplied by the average monthly payment per family for the respective quarter.

Quarter	Applications	Average Monthly Payment	Total Payment Potential
First	783,928	X \$317 =	\$248,505,176
Second	776,480	X \$324 =	\$251,579,520
Third	700,873	X \$319 =	\$223,578,487
Fourth	822,603	X \$326 =	\$268,168,578

	Total		\$991,831,761

2. Fraud Detection/Prevention Rate

This rate was determined by an analysis of the results of 21 counties in California that had a Fraud Early Detection and Prevention (FRED) program in place during calendar year 1985. A rate of 5.33 percent was reached by dividing the number of denials and withdrawals resulting from this program by the number of AFDC applications received by the counties in 1985. A second rate of 4.85 percent was determined by excluding the five counties with more than 40 percent of their total applications being referred into the FRED program. The 21 county rate would yield higher potential savings, totaling \$899,544,593. However, the 16 county rate is preferred because the high referral rates in the five excluded counties are inconsistent with the concept of selective referrals based on eligibility worker intuition. It is this highly selective referral process that offers a degree of economy and flexibility unlikely to be found in automated fraud detection/prevention efforts.

Denials and Withdrawals	AFDC Applications in 21 Counties	Rate
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Monthly Cost Avoidance		Factor		Reductions
\$48,103,840	X	17%	=	\$ 8,177,653
\$48,103,840	X	12.1%	=	\$ 5,820,565
		Total		<u>\$13,998,218</u>

Monthly Cost Avoidance		Reductions		Adjusted Monthly Cost Avoidance
\$48,103,840	-	\$13,998,218	=	\$34,105,622

5. Annual Cost Avoidance

The average length of a family's stay on AFDC as used in the HHS-funded review of the Orange County program was 24 months. This same estimate is used here to compute the amount of payments that would have been made had the fraud not been detected in the preeligibility stage.

Adjusted Monthly Cost Avoidance		Average Months on Aid		Annual Cost Avoidance
\$34,105,622	X	24	=	\$818,534,928

This cost avoidance computation does not include the potential savings resulting from the small percentage (0.23 percent) of applications that would result in payment of a grant, but at a lower amount than would be the case if not for the FRED program. Similarly, it does not include the potentially significant Food Stamp savings that would result from the FRED program. The California experience in the 16 counties alone resulted in annual savings of approximately \$5.7 million in avoided Food Stamp costs.

APPENDIX "E"

**RESPONSE FROM FAMILY SUPPORT ADMINISTRATION TO
DRAFT REPORT OAI-04-86-00066, "STATE INVESTIGATION
OF FRAUD IN THE AID TO FAMILIES WITH DEPENDENT
CHILDREN (AFDC) PROGRAM"**



Memorandum

AUG 14 1987

Date: .

From: Administrator
Family Support Administration

Subject: OIG Draft Report--"State Investigation of Fraud in the AFDC Program"

To: Richard P. Kusserow
Inspector General

We agree wholeheartedly with the basic thrust of this report-- that we can and must work vigorously to reduce fraud in the AFDC program. Not only do we have an obligation to do so as stewards of the public trust, but also we have an obligation to do so because fraud prevention is more cost effective than prosecution and punishment.

We are committed to working vigorously to attack fraud, wherever found. However, to make the report more meaningful, I would like to bring to your attention some observations on the data in the report and the conclusions based on these data.

Extent of Current Fraud

The report makes clear that fraud has been defined throughout most of the findings and recommendations to include unintentional misrepresentation of facts. This definition was selected because definitions of fraud often vary from State to State and within a State in different situations. However, even though the report's definition of fraud is made clear, we still have reservations as to whether it is an appropriate one. Unintentional client error is a problem for which we must seek solutions, but in many ways it is a different problem than intentional misrepresentation and may respond to different approaches. Furthermore, we are concerned that using this broad definition of fraud--a definition which certainly is broader than that generally used by the public or by lawmakers--may result in readers' misunderstanding the findings of the report.

A second area of concern is the report's estimate of fraud as "a billion dollar problem" and projected savings of \$800 million from fraud prevention activities. We agree that form SSA-4110 information is not a perfect measure of the extent of fraud--in large part because States exercise their discretion in using varying definitions of what constitutes fraud and, according to the report, States may be lax in filling out the requested information. We currently are working with States to improve the accuracy and usefulness of the form 4110. However, we believe

See also SSA-4110

that the report vastly overstates the problems with form 4110 and understates the level of OFA's concern for uniform reporting. We are convinced that the estimates derived from the information included on these forms is the best available estimate of fraud (using generally accepted definitions of the term).

We are unable to accept the report's estimate of a billion dollars a year in fraud, and the complementary finding that savings of \$800 million a year could be achieved. We would note that the interviews from which these estimates apparently were derived do not appear to have been part of a statistically valid sample or survey. We would further note that the individuals who provided this information appear in many instances to be the same individuals who provide information on the form 4110. Finally, we would note that neither quality control case audits, nor other research, would support figures that high for all client error, whether fraudulently intended or not.

Pre-eligibility Fraud Prevention

The reports recommend that regulations be revised to require that States implement a pre-eligibility fraud detection and prevention program similar to the Orange County, California program as a condition of State Plan approval. We would caution against widespread mandatory adoption of such a program based only on the findings of this demonstration. The savings reported for the Orange County program may not or cannot be extrapolated safely to the AFDC program in general.

Specifically, the Orange County demonstration used a pre/post design which compared the demonstration results to a prior situation where very little was done at intake to detect and investigate possible overpayments. For other jurisdictions, the AFDC savings achieved under a program like this one would depend upon the nature and extent of verification procedures existing prior to implementation of the Orange County model. For example, States already using other follow-up verification practices could expect to experience lower savings, or no savings at all, if the study's procedures were implemented. In fact, it is conceivable that regulations such as those proposed by the report could require a jurisdiction to eliminate or dilute a proven pre-eligibility verification program in order to institute potentially less effective activities which would be required.

Impact of Quality Control and Federal Leadership

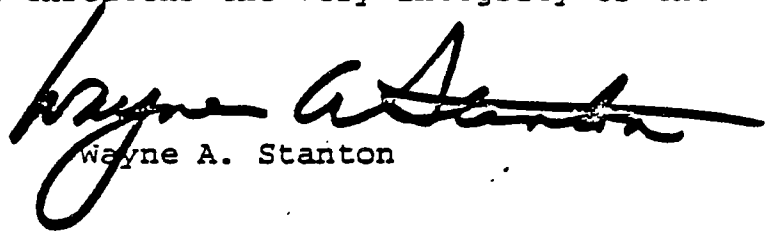
The report contends that "States could face increased sanctions (disallowances for excess erroneous spending) if such (fraud) detection efforts added to the error rate." We disagree with

this contention because the State's error rate is based on the accuracy of a sample of actual cases reviewed by Quality Control reviewers at the State level with Federal re-review of a subsample. Any error, whether resulting from fraud or any other cause, that is corrected before the review month would not be counted in the State's error rate. On the other hand, if the error is not discovered until the State or Federal quality control reviewer examines the case, the error would be included in the State's error rate. Thus, aggressive fraud prevention and detection increases the likelihood that an error will be found before a case becomes part of a quality control sample, when the reviewer is likely to find any previously undetected errors.

While we appreciate the report's acknowledging many FSA/OFA activities to combat fraud, we believe other sections of the report may lead the reader to underestimate the extent of our agency's work in this field. In fact, we have been active on, and supportive of, the United Council on Welfare Fraud. We have used technology transfer funds to pay for State-to-State visits by fraud personnel as well as expenses of State fraud personnel attending training conferences. FSA/OFA also has been a leader in the field of computerizing the eligibility verification process (FAMIS) to eliminate errors and has compiled and made available to States' information on "best practices" in fraud prevention and detection. Furthermore, our aggressive error detection and corrective action activities address both client and agency errors.

Certainly, we believe more needs to be done. I will look into the feasibility of implementing the report's recommendation to consolidate and increase the visibility of our anti-fraud efforts in a specific component. The question I will be examining is whether such a move is an efficient use of resources and consistent with our overall program objectives. We will continue to work for smooth implementation of the Income Eligibility Verification System (IEVS), which accomplishes the goals of the report's recommendation for centralized information access. We also will continue to provide such assistance as we can to States in their efforts to control fraud, as the report recommends, and to increase judicial and public awareness of the significance of AFDC fraud and steps taken to combat it. As for the report's recommendation to develop an improved fraud reporting mechanism, I agree in principle, but, as the report itself indicates, there are considerable barriers to such a system. We will continue the efforts described above to improve the timeliness and usefulness of the Form 4110, which is designed to serve that purpose.

Finally, one of my absolute highest priorities as Administrator of FSA is improved administrative efficiency. I consider fraud prevention and detection to be an important part of that goal, so I can assure you that FSA will be ever vigilant in our efforts to control this problem which threatens the very integrity of the program.

A handwritten signature in black ink, appearing to read "Wayne A. Stanton". The signature is fluid and cursive, with a long horizontal stroke at the end.

Wayne A. Stanton