



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

Preventing Welfare Fraud

*Preventing Overpayments to Public Assistance Recipients
Employed by the Public Sector*

An Operational Review by the:

**Fraud, Waste, and Abuse
Prevention Division**



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OFFICE OF THE AUDITOR

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By under reporting their income, public assistance recipients may receive benefits to which they are not otherwise entitled. This report discusses the results of a match by my office of public assistance recipients with current contributors and retirees in four of Ohio's public retirement systems. The purpose of the match was to identify individuals who are both employed by government agencies and receiving public assistance benefits. The report also makes recommendations for preventing future overpayments.

Copies of this report are being sent to the President of the Senate, the Speaker of the House, the Senate Minority Leader, the House Minority Leader, members of the Senate Committee on Human Services and Aging, members of the House Subcommittee on Human Services, County Directors of Human Services, and other interested parties. Any questions concerning the content of the report should be directed to me at (614) 466-4483 or Richard Sheridan, Chief of our Fraud, Waste, and Abuse Prevention Division, at (614) 728-7125.


JIM PETRO
Auditor of State

EXECUTIVE SUMMARY

The State of Ohio and the federal government pay about \$1.74 billion annually to Ohioans in support of the Aid to Dependent Children (ADC) and Food Stamp programs. Given the magnitude of these outlays and the program changes brought about by welfare reform, the Auditor of State is concerned that appropriate controls are in place to ensure that program funds are not lost to fraud, waste or abuse.

By under reporting income, public assistance recipients may receive benefits to which they are not entitled. To prevent the over issuance of benefits, the Ohio Department of Human Services (ODHS) needs timely information from outside sources to confirm income information reported by recipients. To this end, the Auditor, in cooperation with ODHS, matched a file of ADC recipients with a file of contributors to four public retirement systems.

Our match identified 1,719 individuals who were both employed and receiving public assistance benefits. The results of the 1,640 cases investigated to date show that recipients

- Had properly reported the income in 1,108 cases (68 percent);*
- Had not timely or accurately reported the income in 287 cases (17 percent), and the CDHS's had acted or were acting to adjust the recipients' benefits; and*
- Had not timely or accurately reported the income in the remaining 245 cases (15 percent), and the CDHS's had not been informed of the employment or had not yet acted to make the appropriate benefit adjustments. These cases accounted for about \$229,000 in ADC and food stamp overpayments, including 49 cases that were closed with monthly savings of about \$17,000. We believe there will also be savings in the Medicaid program since most ADC recipients are eligible for Medicaid benefits.*

Our match also identified 137 cases in which two persons appeared to be using the same social security number. These cases were forwarded to the Social Security Administration to determine which person was using the correct number. Based on the outcome of their investigation, we will ask the retirement system or the county responsible for the public assistance recipient to take appropriate action against the person using the incorrect number.

We are recommending that ODHS (1) obtain on-line access to retirement systems data so that employment information could be verified before benefits are issued and (2) develop audit checks to ensure compliance with processing Income and Eligibility Verification System (IEVS) information.

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ABBREVIATIONS

ADC	Aid to Dependent Children
AOS	Auditor of State
CDHS	County Department of Human Services
CRIS-E	Client Registry Information System - Enhanced
FWAP	Fraud, Waste, and Abuse Prevention (Division of)
IEVS	Income and Eligibility Verification System
ODHS	Ohio Department of Human Services
ORC	Ohio Revised Code
PERS	Public Employees Retirement System
PFDPF	Police and Firemen's Disability and Pension Fund
SERS	School Employees Retirement System
SSN	Social Security Number
STRS	State Teachers Retirement System

BACKGROUND

In 1996, the Ohio Department of Human Services (ODHS) issued about \$742 million in Aid to Dependant Children (ADC) payments and about \$899 million in Food Stamps. ODHS estimates that two percent of all dollars issued are the result of fraud. Not counting undetected fraud and other erroneous overpayments, 1996 losses exceeded \$32 million. Given the magnitude of these outlays and the program changes brought about by welfare reform, the Auditor of State is concerned that appropriate measures be taken to ensure that program funds are not lost to fraud, waste or abuse.

Section 4871.2 of the Public Assistance Manual requires all applicants and recipients of public assistance to make accurate, full and complete disclosure of the facts necessary to determine their eligibility and the correct amount of benefits due them. This disclosure includes reporting any changes in income such as getting or losing a job. To ensure recipients receive the correct amount of benefits, federal regulations mandate that state agencies administering federally funded public assistance programs operate an Income and Eligibility Verification System (IEVS). To meet this requirement ODHS obtains income and benefit information from the Ohio Bureau of Employment Services (OBES), Social Security Administration (SSA), and Internal Revenue Service. The information received is collected and incorporated into the IEVS and other Client Registry Information System-Enhanced (CRIS-E) data exchange components through the use of alerts and are displayed by recipient. When recipients under report their income, either intentionally or unintentionally, caseworkers are required to use IEVS information to determine whether an overpayment has occurred and make the appropriate adjustment to the recipients' benefits.

PURPOSE, SCOPE AND METHODOLOGY

Pursuant to Ohio Revised Code Section 5101.181 (B) and (D), the Auditor of State (AOS) matched records of ADC recipients with records of individuals paying into four State of Ohio public retirement systems. The retirement systems included the Public Employees Retirement System (PERS), the State Teachers Retirement System (STRS), the School Employees Retirement System (SERS), and the Police and Firemen's Disability and Pension Fund (PFDPF).

The purpose of this match was to identify individuals who are both employed by government agencies and receiving public assistance benefits. Once identified, the matches were sent to the County Departments of Human Services (CDHS) for investigation. The match was conducted as a joint effort with the ODHS. This report presents the results of the match, as well as recommendations for preventing overpayments.

To determine whether public assistance recipients were employed by a government agency, public assistance recipients as of September 30, 1996 were matched against individuals contributing to, or receiving benefits from, State of Ohio Public Retirement Systems. The match identified 13,206 potential hits, including 8,933 current contributors and 4,273 retirees. Because of the volume of potential hits, the AOS decided to defer working the retiree cases. Various filters were then applied to minimize the number of "false hits" sent the CDHS's for investigation and to focus on those hits that had the potential for higher overpayments. These filters were based in part on a pilot study conducted in partnership with the Franklin CDHS. The end result was 1,719 hits which were sent to the CDHS's for investigation, along with a data collection instrument to record the results. The distribution of hits by county is shown in Appendix I, and an example of the data collection instrument is shown in Appendix II.

The work was performed from October 1996 through July 1997 at ODHS headquarters in Columbus, Ohio; offices of the retirement systems; and various CDHS's. A draft of this report was provided to ODHS for comment on September 4, 1997. A response had not been received as of the date the report was issued.

RESULTS

Public assistance recipients are expected to fully and timely (within 10 days) disclose all changes that would affect their eligibility or the amount of assistance they receive. For those who do not timely or accurately report, ODHS relies on the counties to use IEVS data to assist in making correct benefit determinations.

UNREPORTED INCOME CAUSED \$229,000 IN OVERPAYMENTS

CDHS's can now collect about \$229,000 in ADC and Food Stamp overpayments as a result of the AOS match and save \$17,000 monthly by closing 49 public assistance cases. These overpayments resulted because 245 recipients did not timely or accurately report income they had earned as a result of being employed by a state, county, city, or school entity.

Following are examples of some of the overpayments that were identified as a result of the AOS match.

- Recipient A is a city school employee whose employment ended December 1996. During the employment period, the recipient received ADC and food stamp benefits. Because this income was not reported, the recipient was overpaid about \$2,526.
- Recipient B is a state university employee. Case records contained no information concerning this employment. Recipient was overpaid about \$3,775--\$2,096 in ADC and \$1,679 in food stamps.

- Recipient C was a city employee for four months during which time she received ADC and food stamps. This income was not reported and she was overpaid \$791.
- Recipient D was a local housing authority employee that was overpaid \$1,521 in ADC and food stamp benefits over a 3-month period.
- Recipient E was employed by a local school district for the entire school year. The case worker had no knowledge of this employment. The recipient was overpaid \$4,472 in benefits--\$2,840 in ADC and \$1,632 in food stamps.
- Recipient F has been employed by a city board of education since June 1996 and has been receiving benefits. Recipient F has also been in two different cases. Wage information appeared in one case, but not the other. The recipient did not report the employment in the case where no wage information appeared. The recipient was overpaid about \$2,768 and the county will save another \$220 per month as a result of closing the case.
- Recipient G is a county agency employee who was overpaid \$1,611 in ADC and food stamp benefits. The CDHS closed the case and will save \$279 a month as a result.

CDHS investigations were still ongoing as of September 1997. Through September 16, 1997, CDHS's had returned 1,640 (95 percent) of the 1,719 cases they received. Of these, 532 (32 percent) had income that was either not reported timely or not reported accurately. Of the 532 cases of improperly reported income, the CDHS's stated that they were aware of 287 of the cases and were acting to recover the overpayments. Case workers had learned of the unreported income through CRIS-E employment screens or through IVES alerts.

It was not determined why the remaining 245 cases of unreported income discovered through this match were not known to the case workers. It does suggest, however, that not all employers are reporting employee income and/or case workers are not working the IEVS alerts or accessing employment screens during the redetermination process. In January 1997, the AOS reported¹ that up to one third of IEVS alerts were not being worked or worked timely as required, and neither ODHS nor the counties adequately monitored the IEVS to ensure that matches were worked. The U. S. Department of Agriculture's Food and Consumer Services also cited Ohio in its 1996 State Agency Office Review for not having an effective system to monitor county or case worker activities in conducting IEVS matches. As a result, the State was found to be out of compliance with 7 CFR 272.8(g)(4), which requires that procedures be established to monitor completion of IEVS matches.

¹State of Ohio, Single Audit Report for the Year Ended June 30, 1996

DIFFERENT PERSONS SOMETIMES USED THE SAME SSN

In the course of matching records of retirement system contributors with records of public assistance recipients, 137 instances were identified where two individuals were using the same SSN. Since most cross checks and verifications are based on SSN matches, a person identified by an incorrect SSN (SSNs are assigned to one person only) is able to avoid most fraud controls, such as the checks on unreported income. Correspondingly, the person who is unknowingly "sharing" his SSN with another person may at some point be subject to inquiries about apparent discrepancies in earned benefits. To determine which party was using the correct number, the list of duplicate users was sent to the Social Security Administration for their investigation. The results of that investigation were still pending as of September 1997. The SSNs will be sent to the appropriate CDHS and retirement system to verify and correct their files, if necessary.

CONCLUSIONS

The failure of ADC recipients to properly report income from public employment resulted in substantial overpayments. Recipients either do not understand or do not take seriously their reporting requirements. ODHS and the CDHS's should have better control over income reporting. ODHS must take advantage of every possible avenue to issue benefits only to those who are eligible, and identify and collect those benefits which have been overpaid.

ODHS and the CDHS's could benefit by instituting measures to increase compliance with the recipient and employer reporting requirements. Such measures should reduce the number and amount of overpayments from occurring.

RECOMMENDATIONS

To reduce the number and amount of overpayments resulting from improperly reporting public employment income, it is recommended that ODHS obtain on-line access through data exchange of all contributors to the various State of Ohio public retirement systems. This would give case workers access to employment data that would permit them to make correct benefit determinations at the time of application or redetermination.

It is also recommended that ODHS develop audit checks to ensure case workers take appropriate action on all employment information, including resolving IEVS.

APPENDIX I
DISTRIBUTION OF MATCHES BY COUNT

	COUNTY	PERS	STRS	SERS	PFDPF	TOTAL		COUNTY	PERS	STRS	SERS	PFDPF	TOTAL
1	Adams	4	0	1	0	5	45	Licking	8	0	2	0	10
2	Allen	3	0	3	0	6	46	Logan	2	0	0	0	2
3	Ashland	0	0	0	0	0	47	Lorain	15	2	16	0	33
4	Ashtabula	11	0	2	0	13	48	Lucas	35	1	31	3	70
5	Athens	10	0	3	0	13	49	Madison	0	0	1	0	1
6	Auglaize	1	0	0	0	1	50	Mahoning	31	3	31	1	66
7	Belmont	7	3	1	0	11	51	Marion	1	0	0	0	1
8	Brown	3	0	0	0	3	52	Medina	5	1	1	0	7
9	Butler	12	1	7	0	20	53	Meigs	1	0	3	1	5
10	Carroll	2	0	0	0	2	54	Mercer	0	0	0	1	1
11	Champaign	1	0	0	1	2	55	Miami	1	0	1	0	2
12	Clark	8	3	7	0	18	56	Monroe	3	0	0	0	3
13	Clermont	4	0	2	0	6	57	Montgomery	91	1	30	3	125
14	Clinton	2	0	0	0	2	58	Morgan	1	0	1	1	3
15	Columbiana	8	0	3	0	11	59	Morrow	1	0	0	0	1
16	Coshocton	2	0	0	0	2	60	Muskingum	4	0	1	1	6
17	Crawford	2	0	0	0	2	61	Noble	2	0	0	0	2
18	Cuyahoga	290	22	246	5	563	62	Ottawa	2	0	0	0	2
19	Darke	0	0	0	0	0	63	Paulding	1	0	0	0	1
20	Defiance	2	0	0	0	2	64	Perry	7	0	0	0	7
21	Delaware	0	0	0	0	0	65	Pickaway	2	0	3	0	5
22	Erie	2	0	2	0	4	66	Pike	2	2	4	0	8
23	Fairfield	3	0	1	0	4	67	Portage	29	2	4	0	35
24	Fayette	1	0	0	0	1	68	Preble	0	0	0	0	0
25	Franklin	128	7	35	1	171	69	Putnam	1	0	0	0	1
26	Fulton	1	0	0	0	1	70	Richland	4	0	3	0	7
27	Gallia	3	2	0	0	5	71	Ross	6	1	3	1	11
28	Geauga	2	0	1	0	3	72	Sandusky	7	0	0	0	7
29	Greene	9	0	3	0	12	73	Scioto	7	4	11	2	24
30	Guernsey	4	0	0	0	4	74	Seneca	2	0	0	0	2
31	Hamilton	51	0	51	3	105	75	Shelby	1	0	0	0	1
32	Hancock	0	0	1	0	1	76	Stark	35	0	20	2	57
33	Hardin	1	0	0	0	1	77	Summit	32	7	46	3	88
34	Harrison	0	1	1	0	2	78	Trumbull	24	2	18	0	44
35	Henry	0	0	0	0	0	79	Tuscarawas	2	0	0	0	2
36	Highland	2	0	3	0	5	80	Union	0	0	1	0	1
37	Hocking	0	0	2	1	3	81	Van Wert	0	0	0	0	0
38	Holmes	0	0	0	0	0	82	Vinton	2	1	3	0	6
39	Huron	2	0	1	0	3	83	Warren	1	0	1	0	2
40	Jackson	2	0	3	0	5	84	Washington	4	0	1	0	5
41	Jefferson	10	2	2	0	14	85	Wayne	3	0	2	0	5
42	Knox	2	0	1	0	3	86	Williams	0	0	0	0	0
43	Lake	4	1	3	1	9	87	Wood	1	0	0	0	1
44	Lawrence	6	4	9	1	20	88	Wyandot	1	0	0	0	1

PERS TOTAL 982
STRS TOTAL 73
SERS TOTAL 632
PFDPF TOTAL 32
GRAND TOTAL 1719

APPENDIX II
SAMPLE DATA COLLECTION INSTRUMENT

OHIO DEPARTMENT OF HUMAN SERVICES - OHIO PUBLIC
RETIREMENT SYSTEMS MATCH

PERIOD OF EXAMINATION: 7/1/96 THRU 2/28/97

COUNTY QUESTIONNAIRE

Match Name: _____ Match SSN: _____
Case Number: _____ Retirement System: _____
Employer: _____ County: _____
Beginning date of employment: _____ Ending date of employment: _____

1. Did client report employment? (Choose one)
____ Yes. If yes, when? _____
Did client timely report the correct amount of income? (Choose one)
____ Yes. If yes, STOP.
____ No. If not, what was the amount under-reported? \$ _____
____ No. If no, did you discover this employment from this match?
____ Yes.
____ No. If no, when did you discover it? _____
How did you discover it? _____

2. (a) Check which of the following occurred as a result of the unreported or under-reported income (If overpayment not yet calculated, please estimate):
____ ADC overpayment Amount: \$ _____
____ Food Stamp overpayment Amount: \$ _____
____ Other (identify) overpayment Amount: \$ _____
____ Grant adjustment due to employment Effective date: _____
____ Case closed Date closed: _____
____ No action. Explain: _____ (if no action, STOP)
- (b) How much overpayment has been collected if any? \$ _____
(c) What is the monthly amount the county saves due to the grant adjustment? \$ _____
(d) What is the monthly amount the county saves due to the case being closed? \$ _____
(e) Has the county prosecutor been notified? (Choose one)
____ Yes. If yes, when? _____
____ No. If no, why not? _____ (END)

3. Comments:



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EMPLOYED BY THE PUBLIC SECTOR**

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

By: _____ *Jill M. Burck*
Clerk of the Bureau

Date: **SEP 25 1997**