

State of New York
Office of the Welfare Inspector General



2014 Annual Report

Andrew M. Cuomo
Governor

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EXECUTIVE SUMMARY

The 2014 Annual Report of the New York State Office of the Welfare Inspector General (OWIG) demonstrates the successful execution of its mission to investigate fraud, abuse, and illegal acts involving social services programs administered and funded by New York State and in each local social services district.

In 2014, OWIG investigations established evidence of more than one million dollars in fraud and/or improper social services benefit payments. More than half of OWIG's identified fraud was discovered in connection with criminal prosecutions, which included 15 arrests. In addition, OWIG has continued to expand its statewide presence with investigations of public assistance fraud throughout New York State.

OWIG also embarked on several proactive initiatives to facilitate earlier fraud detection. OWIG has partnered with federal, state, and local law enforcement and local social services districts to target fraudulent schemes that occur in particular areas of the state where public assistance fraud is prevalent. The goal of OWIG's proactive initiatives is to curtail fraudulent activities and yield significant savings to New York State.

In addition to investigations, OWIG strives to promote efficiency and integrity in government. To that end, OWIG's Compliance Review Program evaluates select programs within local social services districts to ensure state funds are properly expended and delivered, and that New York's local social services districts are operating efficiently and effectively. In 2014, OWIG completed its first reviews of two local social services districts.

Finally, OWIG continues to raise awareness of public assistance fraud. In 2014, at several two-day trainings to social services and law enforcement personnel, OWIG personnel presented on public assistance fraud and investigative techniques. OWIG will continue to foster partnerships with organizations to provide training and target public assistance fraud throughout New York State through investigations and proactive initiatives.

PURPOSE AND SCOPE OF THIS ANNUAL REPORT

Pursuant to New York State Executive Law §74(6), the Office of the Welfare Inspector General is mandated to submit a report summarizing the activities of the office during the preceding calendar year. Consistent with this statutory mandate, this report will provide an overview and summary of OWIG's accomplishments for 2014. Specifically, this Annual Report will provide information about OWIG's activities: outreach and training conducted by OWIG; investigations and reviews commenced; fraud uncovered; and significant prosecutions resulting from referrals made by OWIG.

INTRODUCTION AND BACKGROUND

In 1992, Executive Law §74 established the Office of the Welfare Inspector General, and empowered it to conduct and supervise investigations of fraud, abuse, or illegal acts relating to social services programs administered and funded by New York State, and in each local social services district.¹ These programs include several state and federal public assistance programs,

¹ In the public assistance community, local services districts are commonly referred to as county departments of social services (DSS).

including Family Assistance, Safety Net Assistance, Supplemental Nutrition Assistance Program (SNAP), Supplemental Security Income (SSI), and Medicaid.

Each public assistance program is designed to address the specific needs of the indigent: Safety Net and Family Assistance provide basic grant allowances, home energy allowances, supplemental home energy allowances, shelter allowances, and fuel allowances;² SSI provides monthly payments to “people who have low income and few resources and are age 65 or older, blind or disabled;”³ United States Department of Agriculture (USDA) Food and Nutrition Service (FNS) administers the SNAP program which provides nutrition assistance to low-income individuals and families; and, Medicaid provides medical coverage to individuals who cannot afford to pay for medical care. Recipients eligible to receive SNAP and cash benefits receive their benefits by Electronic Benefit Transfer which can be accessed using a Common Benefit Identification Card (“EBT Card”).

In New York State, each local social services district provides or administers publicly funded social service and cash assistance programs. New York State is divided into 58 local social services districts, including the five boroughs of New York City comprising one district. Outside of New York City, each district corresponds to one of the 57 counties. OWIG’s jurisdiction includes government employees and agencies responsible for administering social services programs, recipients of public assistance benefits, and contractors receiving public funding for privately administered social services programs.

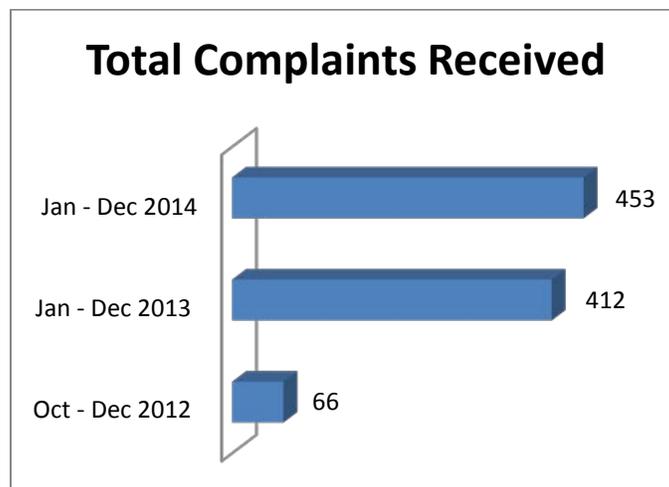
² New York State Office of Temporary and Disability Assistance, Temporary Assistance Source Book, Chapter 2, October 20, 2011 Overview of Temporary Assistance Programs, <http://otda.ny.gov/programs/temporary-assistance/tasb.pdf>.

³ Social Security Administration Supplemental Security Income Booklet, August 2012, <http://www.ssa.gov/pubs/EN-05-11000.pdf>.

OVERVIEW AND SUMMARY

A. Investigations in Response to Complaints

Since Inspector General Catherine Leahy Scott was designated Acting Welfare Inspector General in October 2012, complaints filed with OWIG have continued to increase. In 2014, OWIG received 453 allegations of public assistance fraud, compared to 69 and 412 complaints filed in 2012 and 2013, respectively.



Discussed further below, OWIG also saw an increase in its open investigations as compared to previous years: 147 in 2014 and 131 in 2013. The increase in complaints received and investigations opened in 2014 by OWIG is directly attributable to OWIG's training initiatives and increased presence in the Central, Western, and Northern regions of New York State.

As noted, from January 1, 2014, through December 31, 2014, OWIG processed 453 complaints alleging welfare fraud. When OWIG receives a complaint, it is evaluated by OWIG's Complaint Management Unit (CMU) as well as by OWIG executive staff and senior

management. When it is determined that an investigation should be commenced, a multi-disciplinary team is assigned to conduct the investigation.

OWIG conducted a preliminary analysis of these 453 complaints to determine their viability. Following this preliminary analysis, OWIG closed 306 of the matters because either the allegations were unsubstantiated or OWIG lacked jurisdiction to investigate. The remaining 147 matters were either investigated by OWIG or assigned to the appropriate local social services district or agency for further action. Within 45 days, the district or agency responsible for each assigned complaint must report its progress to OWIG. OWIG remains involved through the evaluation of progress reports communicated to OWIG by the respective assigned district or agency, providing resources as needed in the form of staff, investigatory equipment and tools to ensure that the investigations are thorough and sound.

When evidence in an OWIG investigation indicates criminality, OWIG partners with the appropriate prosecutorial agency, but also continues its investigation and retains an integral role in the process, providing resources in support of all aspects of the prosecution, including hearings, trials and appeal. OWIG encourages its prosecutorial partners to seek full restitution of the monetary amount of the fraud uncovered by OWIG.

In addition to criminal penalties, civil sanctions can also be pursued against individuals engaged in public assistance fraud. Violations of program rules, such as making false or misleading statements intended to misrepresent, conceal, or withhold facts concerning eligibility, can result in administrative sanctions such as the issuance of an Intentional Program Violation (IPV) or the execution of a Disqualification Consent Agreement (DCA). DCAs and IPVs prevent individuals from rejoining public assistance programs for specified periods; in egregious

and/or repeated cases, the individuals can be barred for life. IPVs and DCAs result in cost-avoidance savings for New York State equivalent to the amount that the individual otherwise would have received during the specified period.

Successfully Identified Fraud and Prosecutions

Once an OWIG investigation has established evidence of fraud and improper social services benefit payments, an analysis is conducted to determine the overpayment paid by the social services benefit program. For OWIG cases opened from January 1 - December 31, 2014, overpayments and fraud amounts identified and confirmed by OWIG investigations totaled \$1,115,334.37.

Fund recoupment can be pursued through criminal prosecutions and civil recoupment by the local social services district. Specifically, in 2014, OWIG worked with its prosecutorial partners on four investigations, which resulted in the arrest of 15 defendants. The total fraud amount attributable to these four investigations exceeded \$730,000. Of note, this dollar amount does not reflect matters that have been referred to a prosecutor where charges have not yet been filed. As compared to OWIG's 2013 cases that resulted in prosecutions, all of which occurred within New York City, OWIG's 2014 arrests addressed fraud committed throughout New York State. The following is a synopsis of the four OWIG investigations that resulted in arrests and prosecutions. All defendants are deemed innocent unless and until proven guilty in a court of law.

Queens Man, Impersonating Deceased Twin Brother, Charged with Stealing More Than Half Million Dollars in Welfare Benefits

On September 9, 2014, the Queens District Attorney charged a Queens man with defrauding federal, state, and city government agencies of more than \$581,000 in welfare benefits from 1994 to 2013. This matter is still pending. The defendant allegedly committed the fraud by impersonating his twin brother, who died in 1962 shortly after birth. OWIG's investigation uncovered an elaborate scheme wherein the defendant used his deceased twin brother's Social Security number to apply for social services benefits, which he then collected for more than 18 years. Evidence obtained during the investigation revealed an intricate plot by the defendant to conceal his dual identity by maintaining separate addresses, bank accounts, and driver licenses in both his and his deceased brother's names. Moreover, the investigation uncovered that the defendant had been employed by the New York City Department of Sanitation since 2006 and was unqualified to receive benefits. As a result of the defendant's false filings, he is alleged to have improperly obtained a total of \$581,805.80 in public assistance benefits, as follows: \$216,481.80 from Medicaid, \$15,024 in SNAP benefits, \$209,902 in state rental subsidies, and \$140,398 from the Social Security Administration. The defendant is charged in two complaints with a total of 10 felonies and two misdemeanors. In one complaint, he is charged with two counts of Second Degree Grand Larceny, one count of Second Degree Welfare Fraud, one count of First Degree Identity Theft, two counts of First Degree Falsifying Business Records, and two counts of First Degree Offering a False Instrument for Filing. In a second complaint, he is charged with one count each of First and Second Degree Falsifying

Business Records, First Degree Offering a False Instrument for Filing, and one count of Making a Punishable False Written Statement.⁴

Arrest of 11 for Scheme to Use EBT Cards Stolen from Mental Health Residents

Two New York State Office of Mental Health (OMH) employees, Therapy Aide Alphonso Bradshaw and Therapy Aide Ethalyn Crowder, both assigned to Hutchings Psychiatric Center, and nine other individuals were charged with the illegal use of SNAP EBT cards belonging to residents living in mental health facilities in Syracuse and Dewitt. OWIG's investigation revealed that Bradshaw stole EBT cards from nine OMH residents and sold them to friends and family for half the value of the benefits on the cards. Crowder also stole a resident's card and made multiple unauthorized purchases. Unauthorized charges totaling \$17,332.90 - which included large purchases of items such as crab legs, steak and shrimp - occurred between January 2012 and February 2014. Bradshaw and Crowder were charged with felony Criminal Possession of Stolen Property in the Fourth Degree, and misdemeanor counts of Misuse of Food Stamps and Official Misconduct; Bradshaw was also charged with Conspiracy in the Fifth Degree. The remaining nine defendants⁵ were charged with felony counts of Criminal Possession of Stolen Property, felony and/or misdemeanor counts of Misuse of Food Stamps, and misdemeanor counts of Conspiracy for making purchases on the cards. All 11 defendants were found guilty and sentenced for making purchases on the cards they obtained from a Therapy Aide at Hutchings Psychiatric Center community residences located in the Syracuse area. Bradshaw pleaded guilty to Criminal Possession of Stolen Property in the Fourth Degree, a class E felony, and Official Misconduct, a class A misdemeanor. He was sentenced to six

⁴ The defendant is innocent unless and until proven guilty.

⁵ The remaining nine defendants are not named herein as they are private citizens and not employees of New York State or the county DSS.

months in jail, five years' probation, and was ordered to pay \$8,666.45 in restitution. Crowder pleaded guilty to Official Misconduct, a class A misdemeanor, and was sentenced to a conditional discharge and ordered to pay restitution in the amount of \$503.67. Both defendants resigned their employment with the state.

Sullivan County Woman Charged with Stealing More Than \$25,000 in Benefits in Two Counties

A Sullivan County woman allegedly collected \$11,169.04 in child care assistance benefits that she failed to remit to the child care provider. In addition, OWIG's investigation revealed that the defendant received \$882 in SNAP benefits from Orange County, while residing in Sullivan County. Moreover, the defendant failed to report she was living with the father of one of her children, and that his salary at the time was more than \$70,000, rendering her ineligible to receive benefits. This alleged theft is in addition to charges she stole more than \$12,000 in child care, SNAP, and Temporary Assistance cash benefits through the Sullivan County Division of Health and Family Services between July 2012 and January 2013. The defendant was charged with four felony offenses including, Grand Larceny in the Third Degree, Offering a False Instrument for Filing in the First Degree, Falsifying Business Records in the First Degree, and Providing a False Sworn Statement in the First Degree. She is alleged to have stolen \$8,408 in child care benefits, \$3,550 in SNAP benefits, and \$335 in Temporary Assistance cash, for a total of \$12,293. Between the two counties, she fraudulently obtained \$25,884.04. Both matters are being prosecuted by the Sullivan County and Orange County District Attorneys.⁶

⁶ The defendant is innocent unless and until proven guilty.

Bronx Woman Allegedly Stole More Than \$115,000 from New York’s Public Assistance Programs

A Bronx County woman was charged with multiple felony and misdemeanor crimes including one count of Grand Larceny in the Second Degree, one count of Welfare Fraud in the First Degree, and three counts of Offering a False Instrument for Filing in the First Degree for submitting false benefit applications to the New York City Human Resources Administration. OWIG’s investigation determined that from January 2006 to April 2012, the defendant failed to disclose, as required, that she lived with her spouse, who was earning an income as part of her household. As a result of these false filings, the defendant is alleged to have improperly obtained a total of \$115,438 in public assistance benefits: \$57,563 from Medicaid, \$33,057 in Temporary Assistance cash benefits, and \$24,818 in SNAP benefits. The Bronx County District Attorney is prosecuting the matter.⁷

B. Initiatives

In 2014, OWIG embarked on several proactive initiatives to facilitate earlier fraud detection. Specifically, OWIG partnered with the federal government, local district attorneys, and local social services districts to target fraudulent schemes in specific areas of the state. Targeted fraudulent schemes include the exchange of SNAP benefits for cash, also known as SNAP trafficking. In addition, in late 2014, OWIG implemented its cross-match initiative, which identifies ineligible individuals currently collecting public assistance benefits. These proactive initiatives are targeted to curtail fraudulent activities and yield significant savings to New York State.

⁷ The defendant is innocent unless and until proven guilty.

SNAP trafficking is a form of SNAP fraud that can result in the criminal prosecution of both retailers and benefit recipients. In addition to criminal penalties, the state and federal governments can pursue civil penalties. For example, if a retailer is found guilty of SNAP trafficking, USDA FNS possesses the authority to permanently disqualify a retailer from participation in the SNAP program.⁸ State agencies must also pursue any case of a recipient, as set forth in 7 CFR § 23.16(a)(1), “alleged [to have committed an] intentional Program violation (IPV) and [it must] ensur[e] that appropriate cases are acted upon either through administrative disqualification hearings.” Thus, SNAP trafficking investigations provide law enforcement the opportunity not only to identify fraud, but also to prevent future occurrences committed by those implicated in the investigation.

In 2014, OWIG partnered with law enforcement in Western New York in an investigation which identified SNAP trafficking at the Cazenovia Mini Market. The owner of the market was convicted of Grand Larceny in the Third Degree and Misuse of Food Stamps, sentenced to five years of probation, and ordered to pay \$30,000 in restitution. Following the arrest, and in partnership with the USDA Inspector General and Erie County Department of Social Services, OWIG organized the interviews of 80 public assistance recipients of suspected fraudulent purchases associated with a Buffalo area retailer. As a result, OWIG successfully obtained Disqualification Consent Agreements from 26 recipients, rendering them ineligible to receive benefits for a one-year period, resulting in a projected savings of \$83,000.

⁸ *Id.*

C. OWIG Compliance Review Program

Executive Law §74 mandates that the Welfare Inspector General “conduct and supervise investigations related to the programs of the department of social services,” and investigate “fraud, abuse or illegal acts perpetrated within the department of social services or local social services districts.” In response to that mandate, in 2013, OWIG developed and implemented a program wherein each local social services district would be reviewed to ensure state funds are being properly expended and delivered, and that New York’s local social services districts are operating efficiently and effectively. OWIG’s determination of which programs to include in its review reflects each county’s demographics. Upon completion of each compliance review, OWIG will share its findings and recommendations with the local social services districts.

OWIG commenced its compliance review of selected programs within local social services districts/departments of social services. To date, OWIG has completed two program reviews in two counties. The results of these compliance reviews will be transmitted to the respective districts for review of findings, and implementation of recommendations.

D. Outreach and Education

In 2014, the Inspector General provided training, which included integrity-based training and investigative techniques, to local social services districts, law enforcement investigators, and prosecutors. As a member of the New York State Welfare Fraud Investigators Association (NYWFIA), Inspector General Scott delivered the keynote address at NYWFIA’s June 2014 summer conference. In addition, in partnership with NYWFIA, OWIG presented at several two-day conferences, providing training to hundreds of local social services district investigative staff as to how to best prepare cases for prosecution, effective report writing techniques, as well as

interview and interrogation techniques. OWIG will continue to foster partnerships with organizations to provide training as well as proactive initiatives to raise awareness and target public benefit fraud throughout New York State.

CONCLUSION

The OWIG 2014 Annual Report demonstrates the successful execution of OWIG's mission to investigate fraud, abuse, and illegal acts involving social services programs administered and funded by New York State and in each local social services district. In 2015, OWIG will continue to promote efficiency and integrity in government through its Compliance Review Program and pursue proactive initiatives to curtail fraudulent activities and yield significant savings to New York State.