

# THE INFORMER

APRIL 15, 2015

## MESSAGE FROM THE PRESIDENT

TAMMY FREY, CWFC PRESIDENT

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Dear CWFC Members,

Here we are, less than one month away from our annual training conference in May at the Embassy Suites in Loveland. This training is turning out to be one of the best attended conferences in CWFC history. As you know, this conference has been put together with SSTABS and we would like to let them know we really appreciate their time and energy in co-hosting this event.

I don't think anyone has any idea what goes into these training conferences except for

those who have put one together. The time and effort that is necessary for a successful conference can be overwhelming. Everything from meals, hotel rooms, entertainment, speakers and presenters, down to the agenda, posters, gift bags, and all the little things that add up very quickly, have to be addressed. I have all the respect in the world for Mark Magnuson and his conference committee. Please take the time to let them know how much you appreciate them!

I would again like to encourage everyone to take some classes

out of your comfort range as by understanding the process for eligibility workers, you can better pursue the fraud issues when they arise. Likewise, it is beneficial for eligibility workers to understand the fraud process so that they can better understand the fraud investigator point of view when ensuring program integrity.

Please don't forget to bring a basket from your county, as it's always an exciting time when you get picked to receive one!

Thank you for being loyal CWFC and SSTABS members!

## CWFC/SSTABS CONFERENCE IS ALMOST HERE!

MARK MAGNUSON, CWFC PRESIDENT-ELECT

Planning our conference this year has truly been a joint effort between CWFC and SSTABS. Everything from the meals to the presenters to the funding has been worked on by both organizations. We will have the SDC, state program staff and experts from around the State presenting at the conference. You can find a full agenda on our website at [www.cwfc.us](http://www.cwfc.us).

We will have registration open Tuesday evening, May 5th, from 5:00-7:00pm. For those of you that will be staying overnight at Embassy Suites, plan on meeting in the reception area of the hotel Tuesday evening for drinks, snacks and some networking. There is a Starbucks located in the hotel lobby and Embassy Suites puts on a very nice breakfast for those using their lodging facilities. If you can find the time to indulge yourself, we will get spa discounts during our event.

Wednesday morning kicks off our conference. Registration will open at 7:30am and the

general session starts at 8:30. We will have two keynote speakers during our opening session Wednesday morning: Weld County District Attorney Michael Rourke and Jedd Hafer. This will be followed by two breakout sessions in the afternoon. The breakout session time slots will each have 5 different choices for you to attend. We have snacks planned in between sessions and lunch and dinner will be provided to you both Wednesday and Thursday. We will have our ever entertaining Pam Gillis Memorial Triathlon at the hotel before going over to the Summit on Wednesday evening. Make sure you sign up to compete in the triathlon (fun games) at the registration table. The Summit is about ½ mile to the East of the conference center and we will have a shuttle bus available for you from 5:30pm-10:30pm. We have a large private area for our group including 8 bowling lanes, two billiard tables and plenty of food and drink. Non alcoholic drinks will be paid for

by the organization, but alcoholic beverages will be served at your expense. Please make sure that you meet new people from around the state as this is a perfect networking opportunity. For those of you that decide to partake in the bowling, we will have teams of bowlers competing for some nice prizes, so make sure you sign your team up during registration.

Starting at 6:30pm on Thursday, we will have dinner and each organization will present their awards. During dinner we will have Peter Donello providing some magic at our tables and post-awards, Peter will have a stage show.

On Friday morning, each organization's business meeting will be held from 9:00am-10:00am. Greg Paulos from FNS will be joining our general session starting at 10:15, so please be sure to stay and hear his message.

Thanks and I look forward to seeing all of you at the conference.

### WE NEED YOU!

*If you are interested in being a board member for either CWFC or SSTABS, please let us know! We're always looking for new talent and energy to invest in the future of our organizations.*

## LAKEWOOD GROCER GETS 4-YEAR PRISON TERM IN MASSIVE FOOD STAMP SCAM

KIRK MITCHELL, DENVER POST

A Lakewood grocer was sentenced to four years and two months in prison for running a scheme in which customers could buy virtually anything with food stamps or get cash.

Anes Saleh, owner of Lakewood Abarrotes Carniceria, also must serve three years on supervised release after serving his prison term.

U.S. District Judge Christine M. Arguello ordered Saleh to pay \$876,686 restitution.

"Prosecutions such as this are critical to protect taxpayers' money and preserve the integrity of the food stamp program," said Jeff Dorschner, spokesman for U.S. Attorney John Walsh.

Saleh allowed customers to

buy ineligible, non-edible products through the federal food stamp program, according to prosecutor Patricia Davues.

In Colorado, the program is funded through J.P. Morgan Chase Bank.

Food stamp recipients use Electronic Benefit Transfer cards to make purchases at grocery stores. Grocers then are credited through the bank, which is reimbursed by the state of Colorado and ultimately through the U.S. Department of Agriculture's Food and Nutritional Service.

Between October 2010 and September 2013, Saleh allowed people to use EBT cards to buy non-food products and get cash at his

store, according to court records.

The business ordinarily sold \$120,000 of eligible products in a year. But because Saleh allowed customers to buy ineligible items, he traded that amount in food stamps in a single month, according to court records.

Saleh and his employees would sell the ineligible items at a higher rate than the cash value, according to records.

Several local and federal agencies were involved in the investigation, including the USDA-Office of Inspector General, the FBI, the Lakewood Police Department and the Jefferson County Department of Health and Human Services, Dorschner said.



Jay Pickthorn, AP Photo/The Argus Leader

## INTERNET INCOME; IT'S NOT A JOB, SO WHY DO I HAVE TO REPORT IT?

Weld County received a fraud referral from an anonymous caller stating that a client's husband has been selling items on e-bay for the last 10 years, making between \$30,000 and \$40,000 each year.

A review of CBMS revealed that the client's husband has always been reported in the home, but no income for him had ever been reported. The client, husband and children all received Food Assistance, LEAP and Medicaid while only reporting the client's income. The client's husband reportedly had a bad back and could not work. After a lengthy investigation, we determined that the husband had quite the business selling items on e-bay. While working with e-bay Investigators, we identified 24 names in which this household had used in the course of their business in the last few years. We received PayPal records showing that more

than \$91,000 was deposited on their PayPal debit card from his sales on e-bay. We briefly lost the trail on e-bay until our interview with the client. e-bay records revealed many months that the client and her husband received more than \$3,000 on their PayPal debit card.

During an interview with investigators, the client was told that we needed to discuss unreported income. She admitted that her husband had been selling items on iOffer, a site similar to e-bay "to help make ends meet". iOffer funds were then deposited into the client's bank account. The client admitted she used the money in her back account and from their PayPal debit card for everyday purchases, but did not think she needed to report the income since it was not a job or business.

Contact with iOffer Investigators revealed another 5

names the client's husband used to do business with them over a multi-year period. There were months that more than \$2,000 was received from iOffer and deposited into the client's checking account.

The client's income and her husband's income were used to determine true eligibility for the programs. There were some months that the husband's income was many times more than the client's income from a local employer. More than \$72,000 in claims were completed over a several year period.

The Client pled guilty to Theft, a class 4 felony and was ordered to pay full restitution on the claims established.

Mark Magnuson, Investigations Supervisor Weld County

## NEW ADH FORMS

Beginning April 1, 2015, the state Food Assistance office will be mandating the use of the newly created Administrative Disqualification Hearing (ADH) forms. The only change permitted without prior state approval is putting the forms on your agency's letterhead.

Final ADH decisions issued by county departments who conduct local-level disqualification hearings must contain applicable federal regulations.

The case record must contain all ADH correspondence sent to the household.

Any questions on the forms or the process should be directed to the [Food Assistance Policy inbox](#).



## BRINGING BIG DATA TO THE FIGHT AGAINST BENEFITS FRAUD

By Natasha Singer, The NY Times  
2/20/2015

A few years ago, the New York City Human Resources Administration decided to try a new way to root out fraud among people receiving government benefits. Data detectives began running benefit recipients through a computerized pattern-recognition system.

They discovered that the behavior of a small percentage of people stood out. The anomalies in themselves didn't constitute fraud, but they pointed the agency's data scientists in potentially fruitful directions.

One of those outliers, for instance, was Parvawattie Raghunandan, a Bronx resident, whose family had received more than \$50,000 in health benefits over a decade. Her case was unusual because most families of similar size and income typically received multiple benefits — like health coverage, food stamps and cash assistance — but Ms. Raghunandan had applied only for Medicaid for herself and her three children, agency officials said.

So the data scientists followed up by searching state records on business ownership and car registration for more information about her family's situation. They also tapped into a national database on property ownership from LexisNexis Risk Solutions, an information and analytics division of Reed Elsevier. Investigators subsequently concluded that the family had underreported its assets, among them: an electrical contracting business, owned by Ms. Raghunandan's husband, where she had claimed to work for a low wage; three residential properties in New York and one out of state; and joint bank accounts with more than \$100,000, according to agency officials.

The case culminated this month in criminal charges — grand larceny and making false statements to a public office — being brought against Ms. Raghunandan by the Bronx district attorney. She has pleaded not guilty.

Agency officials say that this kind of multisource data analysis has helped them uncover more benefit abuse with less effort. Last year, agency staff members completed nearly 30,000 investigations and identified about \$46.5 million in fraud compared with nearly 48,000 investigations and about \$29 million in fraud in 2009, before the agency began systematic data analysis of recipients.

"The data-mining process is extremely important," Steven Banks, the agency's commissioner, told me recently. "It allows us to zero in on likely fraud so we don't divert resources to finding what otherwise might be a needle in a haystack."

But Todd A. Spodek, a lawyer representing Ms. Raghunandan, who is originally from Guyana, said, "I think there is a fundamental flaw with relying on data analytics to determine criminal culpability. New immigrants are often seduced by enrollment agents to sign up for benefits without understanding fully the process."

Business intelligence companies like IBM, SAS and LexisNexis have long provided predictive computer modeling techniques to financial services companies seeking to inhibit fraud. But now some state and local government agencies are turning to these services. Some agencies use the software to integrate and analyze their own files on benefit applicants; others are augmenting their records with commercial data — such as

lists of luxury car purchases. They are all arming themselves with data-mining software in an effort to keep up with the increasingly complicated nature of benefits fraud.

Last month, for instance, state officials in North Carolina announced the discovery of a new kind of unemployment scheme there. With the help of SAS data integration and analytics software, the state's Division of Employment Security identified more than 100 fictitious employers that had reported wages and paid taxes to the state for imaginary employees — and then filed 672 fraudulent unemployment claims.

"Fraud has been around for many years, but the nature of the threats that governments are facing is changing," says Shaun Barry, the principal solutions architect of SAS's security intelligence practice. "Fraudsters are getting more organized and sophisticated, using advanced analytical techniques and taking advantage of the lack of communication between government agencies."

Mr. Barry says the company's government business had been experiencing "explosive growth" — with 22 agencies in 14 states now using SAS software to mitigate fraud, waste and abuse.

Some agencies are turning to commercial data-mining services because they are frustrated by the lack of integration between state and local government records across the country.

States, for instance, typically maintain their own records on births, marriages and deaths among their residents. But it can be difficult for a local fraud investigator to determine whether a person has falsely applied for benefits under the name of a dead person in another state. So some agencies

use services like LexisNexis, which integrates public data nationwide, to examine applications.

"Because of our identity information, we know more than the government entities," says Monty Faidley, director of the government division of LexisNexis Risk Solutions. "We know where virtually every individual over 18 is."

Other state agencies use software from IBM to help their investigators identify patterns that could indicate benefit abuse. Agencies that pay for child care services, for instance, may use analytics engines to identify implausibilities — like a mother who claims to have enrolled her children in different day care centers, even though the centers are too far apart from one another and her workplace for her to drive there round trip on a daily basis. The company also offers a program that can check for close relationships between government employees and the people to whom their agencies award contracts.

"Anytime you can correlate a person, location and time, you can identify schemes," says Deepak Mohapatra, a senior consultant in government at IBM.

As agencies embrace commercial data-mining practices, however, they may also end up using disparate details about people in ways that citizens might not expect or trust. Civil liberties advocates say there is a real risk that erroneous information or discriminatory algorithms could unfairly keep people from getting needed benefits.

"Nobody supports benefit fraud. But lots of questions are raised when governments wade into the Wild West world of commercial data," says Jay Stanley, senior policy analyst for the American Civil Liberties Union's project on speech, privacy and technology. "Are the steps being taken to fight that fraud fair, accurate, and are they going to have side effects?"

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## STATES WORKING TO PUT AN END TO FOOD STAMP TRAFFICKING

*Stateline*

*Jake Grovum, 11/10/2014*

Backed by a \$300,000 federal grant, South Carolina officials are trying a new approach to what they call a particularly insidious problem: food stamp trafficking.

The pilot program gained approval from the U.S. Department of Agriculture this fall, and if successful, could prove a model for other states looking to limit trafficking of food stamps, formerly known as the Supplemental Nutritional Assistance Program (SNAP).

Officials use the word “trafficking” to describe the sale of food stamp benefits for cash, or the use of the benefits to turn a profit instead of to purchase food. They say stories about trafficking undermine public confidence in a program that, despite huge growth during the Great Recession, has seen other measures of error rates fall to historic lows.

“It’s what you hear about when people talk about SNAP fraud,” said Karama Bailey, South Carolina’s acting deputy for economic services in the state’s Department of Social Services. “It’s hard to identify. We know it’s going on, but we can’t quantify it.”

The core of the South Carolina plan is hiring an additional fraud investigator and assigning an assistant attorney general to focus solely on bringing felony trafficking charges against those suspected of the crime. It will be the first time the state has focused on charging food stamp recipients with fraud and appears to be the first effort of its kind in the country.

But critics worry South Caroli-

na’s dragnet might lead to investigations or intimidation of those who’ve done nothing wrong. They question the seriousness of the problem, not to mention the wisdom of giving federal food stamp enforcement money to South Carolina’s social services agency, which has come under fire this year for mismanagement, seeking to limit what food stamp recipients can purchase and imposing new eligibility requirements.

The USDA, meanwhile, says the South Carolina effort is in line with its attempts to combat both sides of food stamp fraud.

“Because illegal trafficking takes two parties, USDA investigates retailer fraud, and works through our state partners to investigate recipient fraud,” USDA undersecretary Kevin Concannon said in a statement. “Recipients who purposely commit fraud are subject to disqualification.”

### A Mixed Picture of Fraud

During the recession, enrollment and spending in food stamps skyrocketed nationwide. In 2008, the monthly average number of Americans enrolled was 28.2 million, and the cost of the program that year totaled \$37 billion. By 2013, monthly average enrollment topped 47.6 million, and a total spending for the year neared \$80 billion. In the depths of the recession, a quarter of all resents in some states were enrolled in the program.

In the early 1990’s, when the first trafficking estimate was calculated, around 4% of benefits were trafficked—about \$811 million annually. Today the trafficking rate is down to 1.3% of the roughly \$80 billion in current spending, or \$858 million annually,

according to the latest figures from the federal government (USDA FNS report, of trafficking, August 2013). Until now, federal and state anti-trafficking efforts mostly have focused on cracking down on retailers committing fraud, rather than on prosecuting specific recipients.

Trafficking is separate from other kinds of error and fraud in the food stamp program, such as giving recipients too little or too much each month, or awarding benefits to people who are not qualified to receive them. In general, families of four with a gross monthly income of \$2,584 are eligible.

Like trafficking rates, error rates have fallen. A decade ago, the rate nationally was 6%; today, it’s 3.4%. Many states have gotten performance bonuses and other grants for cutting down on error rates.

Likewise, federal officials have seen improvement in states’ handling of applications from those looking to receive benefits, as well as in how well states identify those who are eligible for the program and help them enroll.

Taken together, the numbers suggest that the safety-net program—one that reduced poverty by about 10% last year—is distributing more in benefits than ever before to more Americans than ever before, with fewer errors than before.

### Client vs. Retailer Fraud

But officials in South Carolina and elsewhere still view trafficking as a serious problem, especially in smaller, mom-and-pop convenience stores. Larger stores tend to have more sophisticated record-keeping technology and safeguards, officials have found.

The latest federal report found more than 10% of stores authorized to accept food stamps engaged in benefits trafficking, with the smaller stores accounting for just 15% of transactions, but as much as 85% of the fraud.

Officials also say the internet and social media have made efforts to block fraud even more difficult and urgent. They report traffickers posting on networks like Twitter, Facebook and even Instagram in efforts to profit off the safety-net program. Officials say potential traffickers sometimes post advertisements for their food stamps, looking for someone willing to buy them for cash.

Historically, officials have targeted retailers: In 2013, USA permanently disqualified nearly 1,400 stores from the program because of fraud violations. Through the third quarter of this year, nearly 1,100 additional stores have been permanently disqualified. Stores have been accused of giving cash in return for food stamp benefit cards, sometimes at half the value being exchanged.

South Carolina will focus to the other side of the trafficking equation by seeking out individual food stamp recipients it suspects of trafficking. Just a year ago, there was only one fraud investigator for the whole state. Now there are three, and the grant will make four.

But perhaps the true power of the grant will come from another position: the special state prosecutor dedicated to levying trafficking charges. In the past, such cases were brought rarely, and only as part of broader cases against the retailers, said Eva Gourdine, special agent in charge of the state’s DSS Investigations and Criminal Records Unit of the Division of Investigation. Most were handled administratively, outside of criminal courts.

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## TRAFFICKING, CONT.

*Continued from page 4*

“We get a lot of calls in, and it’s been kind of tough,” Gourdine said of reports of trafficking received by the department. “It’s hard to catch them in the act of doing that, so now we’re trying to find a way to put some emphasis on client trafficking.”

“This is another way to protect the integrity of the program,” she added.

Beyond investigating localized reports of fraud, and monitoring social networks for signs of trafficking, the investigators and prosecutor will also comb through transaction data to try to identify potential fraud in purchasing patterns, Gourdine said.

Already, officials have two trafficking cases on their plate that exceed their self-imposed \$2,500 floor on bringing prosecutions. Any fraud over \$2,000 is eligible to be prosecuted as a felony in the state. Trafficking identified through the new effort under that amount will continue to be handled administratively and in lower courts.

Right now, state officials won’t speculate on how many cases they might eventually see. As Gourdine said, officials don’t know enough to

make predication, which is one of the problems they hope to fix.

“We’ve always gotten complaints about it,” she said. “But I can’t say how much was going on because we really don’t know.”

To the justice center’s Berkowitz, the state’s determination to harshly prosecute crimes it doesn’t know much about is troubling. She has been meeting with public defenders and legal aid groups to prepare to help food stamp clients who might be prosecuted.

“I’m not sure why USDA felt this was a good use of their money,” Berkowitz said. “There are a lot of other things that our state should be focusing on as far as figuring out why they have not been successful.”



## FNS—DID YOU KNOW?

- \* USDA helped the SNAP program reach a record level of payment accuracy: 96.8% for fiscal year 2013. Payment error in fiscal year 2013 were almost 64% lower than the fiscal year 2000 payment error rate of 8.91% (latest available data)
- \* Over the past six fiscal years, FNS compliance analysts and investigators reviewed over 110,000 stores for compliance monitoring purposes. As a result, investigations were conducted on more than 39,000 stores nationwide.
- \* In fiscal year 2014, USDA reviewed more than 17,000 stores and conducted more than 7,000 investigations. Over 1,400 stores were permanently disqualified for trafficking in SNAP benefits or falsifying an application and over 700 stores were sanctioned for other violations such as the sale of ineligible items.
- \* USDA issued a new rule regarding excessive replacement cards (4 or more in 12 months), and that required States to at least send warning letters to recipient, but also permitted them to take further actions. These efforts have led to a 26% reduction in excessive card replacements nationwide in 2013 compared to 2012.
- \* USDA initiated a pilot to test the feasibility of establishing a National Accuracy Clearinghouse database, through OMB’s Partnership Fund for Integrity, to prevent duplicate participation in SNAP across State lines in real time. The final evaluation report is due to Congress in 2016.
- \* USDA awarded \$5 million in grants to States for innovative strategies to prevent and hold SNAP recipients who engage in trafficking accountable.
- \* USDA initiated a business process re-engineering project with selected SNAP State agencies to streamline their procedures and incorporate the use of advanced data analytics to better monitor SNAP recipient activity for indicators of potential trafficking.
- \* Additionally, as a result of this project and in collaboration with the State of South Carolina, USDA implemented a new predictive analytics model that tracks electronic transaction patterns and activity and identifies potential recipient trafficking for investigation and prosecution by the state.

*Source www.usda.gov, “Maintaining Excellence and Safeguarding the Taxpayer Investment in Nutrition Programs”*

## BIG DATA, CONTINUED

*Continued from page 3*

At New York’s Human Resources Administration, data scientists say they take measures to ensure that computer correlations do not inadvertently lead to false accusations.

“LexisNexis will tell us if a client has registered a Mercedes or an Escalade, or if they have a condo in Dade County or Miami

Beach,” says Morgan Neuwirth, an agency data scientist. But because data obtained from private vendors may be wrong or out-of-date, investigators check those details against primary sources like property deeds or state car registries. “We are careful,” Mr. Neuwirth says, “about verifying and validating.”

**Remember to vote! Elections for the officers for the 2015-2016 Board close this month. The official ballot must be received by Shawn Southard-Nielsen by April 27, 2015. No photocopies will be accepted, so be sure to return the original.**

## CWFC Memberships for 2015 are now being accepted

The Colorado Welfare Fraud Council has been in existence since 1984 and is still going strong! Thanks to the hard work and dedication of the officers, board and general membership over the years, the Council has been able to maintain a strong presence in human services agencies throughout the state. There are currently over 140 members of CWFC and we want to add to that number for 2014! I encourage you to share information about our organization with others and help the Membership Committee increase our numbers. The annual dues remain an affordable \$20.00 per year.

CWFC memberships cover the year from January 1<sup>st</sup> through December 31<sup>st</sup>. The membership affords you access to the CWFC newsletter, *The Informer*, and the website [www.cwfc.us](http://www.cwfc.us). In addition, you'll have access to the Council's resources to support you in maintaining program integrity and the fight against welfare fraud.

Please be sure to spread the word about CWFC and all of the good work our members do every day to detect, investigate and prosecute those guilty of welfare fraud!

Sincerely,

Shawn Southard-Nielsen

Vice-President and Membership Committee Chair, CWFC, 2014-2015

\*Please print legibly and complete membership form in its entirety\*

### 2015 CWFC Membership Form

Name: \_\_\_\_\_ Date: \_\_\_\_\_

Agency: \_\_\_\_\_

Title: \_\_\_\_\_

Mailing Address: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_

Telephone: \_\_\_\_\_ Fax: \_\_\_\_\_ E-mail: \_\_\_\_\_

New Member  Returning Member  Renewal  Change of Contact Information Only

Please make checks payable to CWFC and mail with this completed **membership form to:**

**CWFC, 1963 South Vivian Street, Lakewood, CO 80228**

\*\*Please report any changes to your contact information as soon as possible\*\*