

## Public Assistance Fraud Prevention

### *Who is responsible for fraud prevention?*

The Department of Human Services (DHS), Office of Inspector General (OIG), oversees fraud prevention and recovery efforts, including health care, child care, and food support fraud detection and recovery efforts. The OIG is responsible for operating the Medicaid Integrity program as well.

The state and counties work together to prevent public assistance fraud. Minnesota funds a county-administered program called the integrity reinvestment project, which pays for preventing and investigating fraud in the state's cash assistance, child care, health care, and food programs. Participating county agencies must develop and submit annual proposals to the Commissioner of Human Services with a plan to coordinate county duties related to the prevention, investigation, and prosecution of public assistance fraud.

### *How does fraud prevention work?*

Fraud prevention programs prevent and reduce improper payments by resolving eligibility questions for caseworkers. When caseworkers have questions about eligibility or suspect fraud, they refer the matter to investigators.

County criminal investigators consider public assistance fraud a crime of theft. Some instances of fraud are considered to be felony theft and are referred to the criminal justice system.

Where fraud has been discovered, the state and counties use a variety of collection methods to recover benefits from recipients who have been determined to be ineligible for benefits.

### *What recent changes have been made to reduce fraud?*

The 2011 and 2012 Legislatures passed several provisions aimed at reducing public assistance fraud. In 2011, the legislature enacted laws related to electronic benefit transfer (EBT) cards to:

- require the name of the head of household to be printed on the card ([Minn. Stat. § 256.987](#), subd. 1);
- prohibit the purchase of tobacco products or alcoholic beverages with the card ([Minn. Stat. § 256.987](#), subd. 2);
- disqualify card users from public assistance programs if they are found to have purchased prohibited items with the card; and
- require liquor stores, tobacco stores, gambling establishments, and tattoo parlors to block EBT card transactions at their places of business and withdrawals of cash at ATMs located in their places of business ([Minn. Stat. § 256.9871](#)).

The 2012 Legislature modified the EBT card provisions related to disqualifications from public assistance by disqualifying the individual found to be guilty of making prohibited purchases with the card for one year after the first offense, two years after the second offense, and permanently after the third or subsequent offense ([Minn. Stat. § 256.987](#), subd. 4). The 2012 Legislature also:

- restricted use of the cash portion of the EBT card to vendors and ATMs located in Minnesota and the surrounding states of Iowa, North Dakota, South Dakota, and Wisconsin ([Minn. Stat. § 256.987](#), subd. 3);
- required peace officers to report to the head of the officer's department every arrest where the person arrested possesses more than one public assistance EBT card (the report must then be forwarded to the Commissioner of Human Services) ([Minn. Stat. § 626.5533](#)); and
- allowed for sharing of certain data between the state court administrator, Department of Public Safety, and DHS for purposes of preventing public assistance fraud ([Minn. Stat. § 256.01](#), subds. 18c, 18d, and 18e).

***What are the results of recent fraud investigations?***

According to the DHS fact sheet [Minnesota Welfare Fraud Prevention and Reduction Efforts](#), in fiscal year 2011, fraud investigators:

- completed 6,900 investigations (benefits were stopped or reduced in 47 percent of those cases);
- identified \$13.7 million in cost-avoidance (benefits not paid to ineligible applicants and recipients) and overpayments (cases where payments had been higher than warranted);
- responded to 7,050 fraud complaints and verification requests; and
- stopped disbursement of, or identified for collection, \$4.67 for every \$1 spent on program administrative costs.

***Are fraud investigations referred to the justice system?***

Some public assistance fraud cases are considered to be felony theft; these cases require the involvement of the criminal justice system. According to the DHS fact sheet, in fiscal year 2011, criminal investigators:

- completed more than 1,350 criminal investigations;
- identified \$3.5 million in overpayments;
- prevailed in 172 administrative disqualification processes;
- completed 28 cases in which recipients admitted guilt prior to trial and agreed to restitution with sentencing deferred; and
- participated in 90 convictions for public assistance fraud.

**For more information:** Contact legislative analyst Danyell Punelli at 651-296-5058. Also see Minnesota Department of Human Services, [Minnesota Welfare Fraud Prevention and Reduction Efforts](#), March 2012.

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