

Department of Social and Health Services
Olympia, Washington
EAZ Manual

Revision #1125
Category [Fraud](#)
Issued 11/02/2020
Revision Author: Ivette Dones-Figueroa
Division CSD
Mail Stop 45440
Phone 360-725-4651
Email donesim@dshs.wa.gov

Summary

Updates to the language in chapter and remove outdated information.
See below for edited text:



Fraud

Revised ~~June 12~~November 2, 2017~~20~~

Purpose:

This chapter is about fraud or unlawful practices in obtaining cash, food, or medical assistance. Additionally the chapter addresses Intentional Program Violations, Administrative Disqualification Hearings, and disqualification periods for persons who have broken a food assistance rule on purpose.

WAC 388-446-0001 When does the department refer a cash or food assistance case for prosecution for fraud?

- [Clarifying Information and Worker Responsibilities](#)

[WAC 388-446-0005](#) Disqualification period for cash assistance

[WAC 388-446-0010](#) TANF disqualification period for fraud convictions of misrepresenting interstate residence

[WAC 388-446-0015](#) What is an Intentional program violation (IPV) and administrative disqualification hearings (ADH) for food assistance.

- [Clarifying Information](#)

[WAC 388-446-0020](#) What penalties will I receive if I break a food assistance rule on purpose?

- [Clarifying Information and Worker Responsibilities](#)

Clarifying Information - [WAC 388-446-0001](#)

*** As a result of implementation of the Affordable Care Act (ACA), this clarifying page may no longer be effective for medical coverage applications received on or after 10/01/2013. Clients under 65 years of age who need to apply for medical coverage on or after 10/01/2013 should be referred to [Washington Healthplanfinder](#). Applications for medical coverage for households where all members are 65 years of age and older should be referred to [Washington Connection](#).

The **FRAUD** chapter is related to the [BENEFIT ERRORS](#) and the [FAIR HEARINGS](#) chapters. An overpayment of benefits often comes before a referral to the court system or to an Administrative Disqualification Hearing for a determination of fraud.

Staff may make a referral for fraud investigation when they become aware of facts that indicate an overpayment has occurred as a result of a client's intent to conceal or misrepresent facts to the department. Potential fraud may also be discovered outside of the process of determining what caused the household to receive incorrect benefits.

1. **Discovering Potential Fraud / Unlawful Activity:**

Discovery of possible fraudulent or unlawful practices may result from complaints or information received by the local office in a variety of ways. Examples include:

1. Direct calls to the local office or customer service center;
 2. Welfare Fraud Hot Line Complaint (1-800-562-6906);
 3. Client change of circumstance report;
 4. ESD Quarterly Earnings Alert or Comparison Report;
 5. Fraud Early Detection Program (FRED) investigations.
 6. FRED investigations may be requested for active cases to establish ongoing eligibility.
 7. A Quality Assurance Review (QA).
2. **Establishing an intentional overpayment:**

The ~~Public Benefit Financial Service~~ Specialist (**PBFSS**) can establish an Intentional overpayment if the client received incorrect cash benefits and there is evidence in the case record showing intent. Intent means that the client knows what facts or changes to report, when to report those changes, had the opportunity to report, and chose not to report. Intent also implies that the client didn't report a change or a fact because they knew that reporting it would probably have a negative effect on their benefits.

3. **The Office of Fraud and Accountability (OFA) Fraud Early Detection program (FRED):**

The Fraud Early Detection program (FRED) is under the direction of the Office of Fraud and Accountability and provides criminal investigators when activities are required that go beyond the scope of the Financial Service Specialist's authority. The purpose of FRED is to:

- Provide a cost-effective measure for reduction of errors;
- Save benefit funds for families requiring assistance;
- Reduce the need to investigate and prosecute recipients by resolving questionable circumstances prior to the authorization of benefits.

4. **How FRED improves program integrity:**

FRED investigators help support program integrity in the following ways:

- Obtain information requested by the **PBFSS**;
- Use interviews with clients and third parties (called collateral contacts) to resolve questions or inconsistencies;
- Report findings to the **PBFSS**;
- Make recommendations regarding criminal prosecution;
- Participate in Fair Hearings, as needed.

5. **Referrals to OFA based on overpayments:**

After establishing an intentional cash overpayment, the case is referred to the Office of Fraud and Accountability (OFA) for possible prosecution. The client has the right to a Fair Hearing

over the establishment of the overpayment and the intentional designation. See [BENEFIT ERRORS](#) and [FAIR HEARINGS](#).

6. **Establishing Intentional Program Violations for Food Assistance:**

When the overpayment involves food assistance, current policy states that only a court of law or an Administrative Disqualification Hearing can determine an Intentional Program Violation (IPV). The [PBFSS](#) establishes an unintentional overpayment, called Inadvertent Household Error, and refers, with any cash overpayment, to OFA for investigation and potential prosecution.

7. **Threshold for Administrative Disqualification Hearing:**

If the food assistance overpayment, or separate instances of suspected IPV total \$450.00, we refer the case for an Administrative Disqualification Hearing, according to local office procedures. See [FAIR HEARINGS](#).

Worker Responsibilities - [WAC 388-446-0001](#)

Assistance from Fraud Early Detection Program (FRED)

Disqualification period for cash assistance.

TANF disqualification period for fraud convictions of misrepresenting interstate residence.

1. **When to initiate a Fred referral:**

Initiate a FRED referral through the Client's Electronic Case Record (ECR) when:

1. A collateral contact [or client](#) does not respond with requested information;
2. The information received from the client or contact raises inconsistencies, or is unclear, unconvincing, or questionable;
3. Verification documents cannot be obtained through normal methods available to an [PBFSS](#);
4. According to established procedures on initial applications;
5. The application interview raises questions or concerns about the reported facts and verification can't be obtained or doesn't resolve the concern.

2. **Appropriate Fred referrals:**

Some examples of situations where a FRED referral is in order:

- ~~1. The client's household expenses are within \$25.00 of the income available, and shelter and utilities are paid up to date;~~

- ~~2.1.~~ The physical record indicates previous ownership of real property, but the client states no ownership on a new application. The client does not provide adequate or convincing verification on the status of the property.
- ~~3.2.~~ Numerous complaints have been received of a client having multiple vehicles on the property and it appears that the client is restoring and selling the vehicles. The client denies any such thing and states that the cars are there temporarily and belong to a relative.
- ~~4.3.~~ Client reports living alone and the landlord statement reflects the same information; but a complaint received shows others are in the home and supporting the client.
- ~~5.4.~~ Client has a history of working for cash and not reporting. There is currently no source of income being reported for the household and the client does not have a reasonable explanation of how expenses are being met.
- ~~6.5.~~ Client states that the non-custodial parent (NCP) has left the home but cannot say where the NCP is located. The landlord states that to his knowledge, both parents reside in the home. The client states that the NCP only comes to visit the children.

3. **Taking action on FRED findings:**

Take action on a FRED response as follows:

1. If the referral contains facts which adversely affect current or future eligibility or payment, follow procedures found in [CHANGE OF CIRCUMSTANCES](#);
2. If an overpayment is identified, follow procedures in [BENEFIT ERRORS](#);
3. Complete the return response to FRED, indicating a summary of actions taken.

Referral to the Office of Fraud and Accountability (OFA)

1. Complete a referral to OFA and list the documents in the case file that demonstrate intent. See the Procedures Handbook for referral instructions. Documents to examine for the time period include:
 - Rights and Responsibilities signed by client;
 - Application showing facts omitted or false information declared;
 - Eligibility Review reflecting false circumstances;
 - Mid Certification Review (MCR) completed and signed but not reporting the change;
 - Change of Circumstance reporting one change but not another; and
 - Any other document presented by the client or a collateral contact which demonstrates the intent of the client to give misleading or incorrect information to receive benefits.
2. Initiate an Intentional Overpayment Investigation Referral (OFA referral) through the client's ECR when:
 - An intentional cash assistance overpayment is identified and processed;
 - A food assistance overpayment is completed and determined intentional as defined in #2 of Clarifying Information WAC 388-446-0001 above; or

- Documents in the case record provide clear evidence of the client's willful concealment of information or intentional failure to reveal information, causing the overpayment.
- 3. Set a tickler for a 60-day response from OFA. If no response is received, request a response date. OFA will respond with their decision on forwarding the case for prosecution and instructions to the worker on whether to proceed with the Administrative Disqualification Hearing (ADH) for food assistance.
- ~~4. Follow the CSO policy regarding the preparation of cases for prosecution. In some CSOs, the FSS is responsible for copying documents for the prosecution's case.~~

Clarifying Information- [WAC 388-446-0015](#)

1. We can combine separate instances of suspected Intentional Program Violation (IPV) for food assistance into one complaint that totals \$450.00 or more and can then to present for an Administrative Disqualification Hearing (ADH). (See [FAIR HEARINGS](#) for ADH Worker Responsibilities)
2. Trafficking is when someone attempts to sell, exchange food benefits for anything of value such as cash, drugs, weapons, or anything other than food from an authorized retailer.
3. The department must prove an IPV with clear and convincing evidence. This means that the evidence must establish that it is highly probable the actions that resulted in the overpayment were intentional.
4. An IPV can be determined either by a court decision in a criminal prosecution or by decision in an ADH.
5. We must choose whether to refer an IPV instance for prosecution or for an ADH; we do not pursue both procedures at the same time. Upon completion of an ADH, we may choose to refer the case for prosecution.

Clarifying Information - [WAC 388-446-0020](#)

The Disqualified Recipient System (DRS) is a nationwide exchange of information between the Federal government and the States regarding IPV decisions. The DRS interface is a real time web service that interfaces directly with ACES 3G via the electronic Disqualified Recipient System (eDRS). eDRS creates a real time match during application and eligibility review processing in ACES 3G and will show any IPV records for an individual on the Sanction Screen. For more information about online processing and eDRS, see the [ACES User Manual](#).

Worker Responsibilities - [WAC 388-446-0020](#)

Verifying Matches

DRS matches are not verified upon receipt. Staff must verify the match with the state that originated the disqualification or with the applicant/recipient. Accept either the written or verbal verification that the originating state has records of:

- Court decisions;
- Administrative hearing determinations;
- Signed disqualification agreements;
- Administrative disqualification hearing waivers; or
- Other supporting documentation for IPV disqualifications of the applicant/recipient.

Verify the DRS record matches the individual in the case record. Request the following information about the DRS disqualified individual from the other state:

- Name;
- SSN; and
- Date of birth.

Also verify the information in the DRS match is correct regarding:

- Offense description;
- Number of offense (first, second, or third); and
- Penalty length.

We must provide 10-day advance notice to any client who is being disqualified from food assistance.

NOTE: Do not delay the processing of an application if you are unable to verify the DRS information. Make sure the applicant is aware of the DRS information and that approval while awaiting verification from another state may result in an overpayment.

Timely Disqualifications

1. For an ADH decision, disqualify the person who has committed the IPV effective the first of the month following the date the person and the department are notified in writing of the ADH decision.
2. For a court decision, a timely disqualification is within 45 days of the date of the written order unless the court specifically sets a different time frame.
3. If a disqualification is not processed timely, disqualify the person for the remaining time of the penalty period. Do not disqualify a person once the disqualification period that should have been applied has expired. Establish an Administrative Error overpayment for the time period from the first day of the intended month of disqualification until the effective date of action.

4. Once the disqualification period has been implemented, it continues uninterrupted regardless of the eligibility of the assistance unit.

EXAMPLE: A food assistance client is found to have committed an IPV and is disqualified under a court order dated January 20, 2011. The penalty time is from March 1, 2011 to February 28, 2012. The disqualification must be established by March 1, 2011 to be timely. The decision was delayed in the mail and not received by the department until February 28, 2011. Because of the ten day advance notice rule, we cannot implement the disqualification until April 1, 2011. The worker will need to set up an administrative overpayment for the month of March.

ACES Procedures

- See [Disqualified / Sanctioned Assistance Unit / Individual - Misrepresenting Interstate Residence - Ineligible](#)
- Also see [Disqualified / Sanctioned Assistance Unit / Individual - Unlawful Practice Causing Ineligibility](#)