

# **One-Parent Family Payment**

## **Fraud and Error Survey Report**



**Department of Social Protection  
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# 2011 One-Parent Family Payment Fraud and Error Survey

## 1. Introduction

### *Purpose of survey*

The Department undertakes fraud and error surveys to establish baseline fraud and error levels for social welfare schemes. The purpose of such surveys is to identify the level of risk associated with particular schemes and areas with a view to designing processes and control measures specifically targeted to minimise the level of future risk.

The purpose of this survey was to establish baseline levels of fraud and error in the One-Parent Family Payment (OFP) scheme administered in DSP Local Offices. The survey took place in Q2 2011. The last fraud and error survey on OFP was undertaken in 2007.

### *Agreed criteria*

The Department agreed the following criteria with the Comptroller & Auditor General for the successful implementation of baseline fraud and error surveys:

- ❖ All cases for inclusion in the survey must be selected randomly from the population of cases in payment at a specific time;
- ❖ The sample size must be sufficiently large to yield reasonably reliable estimates;
- ❖ The reviews should be carried out as promptly as possible;
- ❖ Cases should be tested fully for all possible breaches of regulations;
- ❖ The monetary values of any changes as a result of the review together with the monetary value of the sample should be captured so that the results can be extrapolated to draw conclusions about the estimated value of the loss; and
- ❖ The results of the survey should be capable of being audited.

### *Methodology*

The Department's statistician is involved in the fraud surveys at design and reporting stage. At design stage, the best sample structure is identified to fit the scheme's profile of recipients. This could involve selecting a larger or smaller than normal sample depending on the profile of clients

and claim duration. It could also involve over-sampling certain groups to ensure that they can be reported in the final results.

Results are re-weighted in line with the overall scheme profile and risk groups are identified where possible. The survey also looks at what types of cases were giving rise to the changes in payment levels as a result of fraud/ error.

In terms of the OFP survey sample, the following approach was adopted:

- A random sample of 1,000 OFP claims in payment in a week in March 2011 was selected. The results are based on this week.
- The sample of 1,000 was examined by the statistician and found to be representative as required by reference to age, location, gender etc.
- 1,000 claims were returned by social welfare inspectors following investigation and details were entered onto a database.
- For the first time, this sample of OFP cases were all examined and decided by deciding officers in Control Section in Carrick on Shannon, Co. Leitrim. This ensured consistency of decision making.

#### *Net rate of fraud and error*

The net rate of fraud and error is calculated based on the decision of the deciding officer (DO). Fraud or suspected fraud mainly arises where it appears to the DO that the customer knowingly gave false or misleading information or wilfully concealed relevant information. Error cases are primarily due to inadvertent customer, third party or departmental error.

The net rate refers to the position after account is taken of decreases in weekly rate, increases in weekly rate, terminations of payment, transfers to other payments and the position post appeals of any cases affected.

Figures are presented in terms of the level of expenditure and the number of cases affected.

## 2. Survey Results

**Net Cost of Fraud and Error: 2.7% of expenditure**

**Fraud figure: 2.3% of expenditure equivalent to 5.3 % of claims**

**Error figure: 0.4% of expenditure equivalent to 23.6 % of claims**

## 3. Risk Categories

The data was analysed in greater depth where sample size allowed to establish risk categories as follows:

- **Means:** The means of the customer was a significant factor that resulted in changes in payment rates in the survey.
- **Customer Location:** The results by region are largely comparable.
- **Age:** The 30-35 age group is higher risk.
- **Nationality:** Non-Irish nationals do not represent a significantly higher risk.
- **Payment Method:** EFT (Electronic Fund Transfer) payments are a slightly higher risk as a payment method.

## 4. Details of outcomes of survey cases

### *Fraud Cases*

A total of 105 cases were identified as “suspected fraud” which resulted in a decrease/ termination of payment. Of these:

- there were 36 cases closed with the reason given as co-habitation, suspected co-habitation or married; and
- 17 cases were closed /withdrawn as a result of the survey. When contacted for interview, these customers stated that they wished to close their claim. These could



possibly be co-habitation (fraud) cases.

### ***Error Cases***

There were 236 cases classed as customer error or departmental error:

- 220 were classified as customer error; and
- 16 were classified as departmental error.

There were 7 cases of error that did not impact on the weekly rate of payment e.g. change of address.

The cases where the rate in payment increased as a result of the survey were mainly cases where the customer's earnings had reduced. There were also a number of cases where the customer had not claimed for an extra child. While these cases could be regarded as suspicious, in the absence of any evidence of cohabitation, it was not possible to determine the cases in any other way.

### ***Terminations***

Of the above fraud and error cases, there were 71 claims terminated for a variety of reasons, most notably:

- 38 cases where the customer's claim was terminated because of a change in their relationship status; and
- 9 cases where the customer's claim was terminated because the customer withdrew from the scheme following an interview or a proposed interview with an inspector.

The cases terminated were then further examined to determine whether they had since claimed/been awarded another social welfare payment. Cases were examined in early December 2011 for their current position.

Of the terminations:

- 22 subsequently transferred to their partner's claim as a qualified adult dependant; and
- 31 of the termination cases claimed another social welfare payment in their own right. In 7 of these cases, the customer re-claimed OFP while in another 6, the customer is currently in receipt of BASI (Supplementary Welfare Allowance) pending OFP.

In the remaining 18 cases where customers claims were terminated, the customer has not claimed a payment in their own right or transferred to their partner's claim as a qualified adult dependant.

Fifty three (53) of the 71 terminations (75%) are now on another payment. These claims are at a lower rate than the OFP (were on €235.74 on OFP - now on €193.89). These results have been

incorporated into the analysis.

Five cases were appealed (four had been terminated & one increased means) and all of them have been finalised:

- 4 were disallowed (DO decision upheld by Appeals Officer); and
- 1 was withdrawn – customer's whereabouts not known.

## **5. Controls**

OFP control is initially very focused on an interview with the customer in order to establish identity, proof of residency and the weekly means of the applicant.

Interviews are undertaken by social welfare inspectors. The inspector interviews the customer either at his/her local office or at his/her home. The inspector may ask the customer to produce relevant documents such as accounts or bank statements. On return of the inspector's report, the DO makes a decision on entitlement based on the means test and other conditions applicable to the scheme.

If the OFP customer is under age 20 years and lives at home with parent(s), s/he is generally dealt with by a desk assessment in the local office without reference to an inspector. However, customers in this category are scheduled for review at approximately 6 months from the time the claim goes into payment.

### **Reviews**

#### OFP Review Policy:

A revised control review policy for the OFP scheme was implemented in May 2007. A summary of this policy is as follows:

#### **(a) Annual Review Letter (OFP 40)**

This is a questionnaire that is generated by ISTS on the input of an appropriate review date by the user. A review date is entered at the award of the claim and that date will generally not be more than 12 months from the date of award. However, the DO may enter an earlier date if the circumstances so warrant.

This letter asks the customer a number of questions to establish whether the conditions for the scheme continue to be fulfilled. Replies are compared with the claim to establish if there had been changes in the customer's circumstances since the award of the claim or since the last review, whichever is later. If the review letter is returned marked "not known at this address" or if a customer fails to return the letter, payment is suspended and the file is referred to the inspector for investigation.

#### (b) Three Year Review

A comprehensive review involving an interview with the customer is scheduled every three years. This interview covers:

1. Verifying identity and address
2. Maintenance arrangements
3. Checking employment details /earnings
4. Advising the customer about Family Income Supplement
5. Advising the customer about the Facilitator
6. Customer signs a declaration regarding continued entitlement

Reviews of claim may also arise in the following circumstances:

1. The Inspector initiates a review from local knowledge at his/her disposal;
2. The local office initiates a where the DO discovers an inconsistency or element of means warranting a future re-examination;
3. The customer requests a review or information is received from the customer that warrants a review;
4. Anonymous reports;
5. Reports received from CWOs regarding rent allowance or housing allocations generate reviews;
6. Specific group are targeted for review e.g. earnings review or other projects; and
7. Data matching: Information is received from organisations including the GRO, the Revenue Commissioners, the Irish Prison Service, Local Authorities and other Government Departments and this may trigger a review.

It should be noted that in light of budgetary changes this year and reductions in income disallowances, all OFP customers are being reviewed during the course of 2012.



## 6. Conclusions and Recommendations

### *Key survey finding*

The overall net cost of fraud and error for One-Parent Family Payment is 2.7% of expenditure.

The main conclusions of the survey are:

- Claim reviews, commencement of employment information, data matching, and anonymous reports provide a suite of control measures to safeguard the scheme. However, measures must be focused on targeting customers for detection on an on-going basis, as required in the review policy in place for the scheme.
- A larger proportion of cases necessitating a reduction or termination of payment arose because the customer failed to notify the Department of a change in employment status or a change in earnings or maintenance, despite signing declarations to do so.
- There were some instances where the inspector had a suspicion that the customer may be cohabiting. However, due to the time constraints with the survey this could not be proved. These cases were returned as no change with a request from the inspectors that the files be returned for further investigation.
- There was a number of cases where a small change of earnings was notified in the review letter but a means review assessment was not carried out by the local office. In some instances, this resulted in arrears owing to customers. However, in cases where the means increased (mostly by €2.50pw) the DO made the decision to reduce the payment from a current date as the customer had notified the Department of the change. This points to the need to follow up on such issues in a more timely manner.
- Undertaking the survey highlighted the value of a personal contact with OFP customers from the perspective of both the Department and the customers, in that additional information was obtained which resulted in claims being re-rated up and down, compared with the annual letter reviews.

### *Key recommendations*

In light of the survey conclusions, the following recommendations are made:

#### 1. Control Review Policy Issues:

- The annual review letters must be issued, followed up and recorded as control reviews in local offices.
- A customer in receipt of OFP for 3 years should be reviewed by interview with a social welfare inspector.

- There should be full implementation of the scheme's control review policy.
2. There must be focused efforts among local office staff to target fraudulent customers and to deter fraudulent claims. Local offices/inspectors should specify to new OFP customers their obligations re notifying changes of circumstances and make them aware of the consequences of not declaring any change.
  3. The forms issued to customers at the award stage and intermittently should be amended to stress the implications of providing false information or concealing information.
  4. The review date field on the computer system (ISTS) should be made a mandatory field.
  5. Child Benefit Section should automatically notify relevant scheme areas where CB has been stopped. This would require an SDM Publish and Subscribe mechanism. Currently this is a manual notification process.
  6. A circular to outline the report's findings and issues that need to be addressed should issue to all relevant local office staff as quickly as possible.

## Appendix 1 -Table of results

OFPP survey results	Initial Fraud and Error level	Reinstated claims/appeals	Net Fraud and Error level
<b>Fraud value</b>	<b>6.7%</b>	<b>4.4%</b>	<b>2.3%</b>
<b>Error value</b>	<b>0.4%</b>	<b>None</b>	<b>0.4%</b>
<b>Fraud and Error value</b>	<b>7.1%</b>	<b>4.4%</b>	<b>2.7%</b>
<i>2008 F and E survey results - value</i>	<i>7.0%</i>		
<b>Fraud cases</b>	<b>10.6%</b>	<b>5.3%</b>	<b>5.3%</b>
<b>Error cases</b>	<b>23.6%</b>	<b>None</b>	<b>23.6%</b>
<b>Change cases</b>	<b>34.1%</b>	<b>5.3%</b>	<b>28.8%</b>
<i>2008 F and E survey results - cases</i>	<i>27.3%</i>		