

State of New York
Office of the Welfare Inspector General



2013 Annual Report

Andrew M. Cuomo
Governor

Catherine Leahy Scott
Acting Welfare Inspector General

EXECUTIVE SUMMARY

In October 2012, New York State Inspector General Catherine Leahy Scott was designated the Acting Welfare Inspector General. Subsequent to her appointment, Inspector General Scott took action to enhance the operations, outreach, and impact of the Office of the Welfare Inspector General (“OWIG”).

First, Inspector General Scott implemented a new and robust investigative and oversight structure to enhance the efficiency, efficacy, and reach of OWIG operations. Bringing to bear the resources and existing case management of the Office of the New York State Inspector General (“NYSIG”), Acting Welfare Inspector General Scott cross-designated all NYSIG staff as OWIG staff. This not only greatly increased OWIG’s staffing capabilities but also ensured that OWIG had a statewide staffing presence to investigate, assess, and monitor welfare fraud across the state, while leveraging existing resources to maximize OWIG’s impact in a fiscally responsible manner.

Second, Inspector General Scott engaged in significant outreach to local social services districts to establish important partnerships and educate the local districts on the authority and role of the office. Specifically, Inspector General Scott and her executive management team met with local social services district commissioners throughout New York State, as well as with many of the state’s district attorneys, to discuss OWIG’s mission under New York State Executive Law §74, and its renewed oversight and enforcement presence. Inspector General Scott continued her efforts to educate New York State by giving the keynote address to the New York State Welfare Fraud Investigators Association and by meeting with the Executive Board of the New York Public Welfare Association.

In 2013, Inspector General Scott and her team concluded a series of educational and outreach efforts by providing training sessions regionally throughout New York State. Hundreds of local social services district investigators, program eligibility staff, and state agency workers were educated on issues relating to OWIG, ethics, and computer forensics.

As a result of these efforts, the number of welfare fraud complaints increased over 100 percent in 2013, when more than 400 complaints were processed by OWIG. Many of these matters resulted in either open OWIG investigations or OWIG oversight of investigations that were referred to the local social services districts, most of which have now been trained by OWIG in identifying and investigating welfare fraud.

Finally, beginning in 2013, OWIG embarked on a proactive initiative to identify systemic deficiencies that may expose welfare programs to fraud. A three-year plan has been initiated to conduct systemic programmatic reviews and analyses of the local social services districts' operations and programs to identify vulnerabilities and ensure that the districts are properly and efficiently administering New York State's welfare programs.

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 an Annual Report summarizing the activities of the office during the preceding calendar year. Consistent with this statutory mandate, this report will outline the mission of the Office of the Welfare Inspector General and the operational and administrative changes implemented by the office, and will provide an overview and summary. The Annual Report will also provide information about investigations and reviews commenced, fraud

uncovered, and outreach and training conducted by the Office of the Welfare Inspector General during 2013. The 2013 Annual Report will also describe significant prosecutions that resulted from referrals made by the Office of the Welfare Inspector General.

JURISDICTION AND HISTORY

The Office of the Welfare Inspector General protects New York State's long-standing commitment to the indigent by investigating, monitoring and promoting the integrity of public assistance services.

The Office of the Welfare Inspector General was established in 1992 by Executive Law §74, which grants OWIG the authority to conduct and supervise investigations of fraud, abuse, or illegal acts relating to department of social services programs. Included within OWIG's jurisdiction are government employees and agencies responsible for administering social services programs, recipients of public assistance services, and contractors receiving public funding for privately administered social services programs.

Governor Mario M. Cuomo appointed New York State's first Welfare Inspector General, Elmer Toro, in 1992. Mr. Toro was a former detective in the New York City Police Department's Joint Terrorism Task Force. In 1997, Paul Balukas, a former prosecutor in the Kings County District Attorney's Office, succeeded Mr. Toro as the Welfare Inspector General and served for 10 years. In December 2006, Brian Sanvidge, a former inspector general for the New York State Department of Labor, was named the Welfare Inspector General. Sean Courtney, previously employed with OWIG, the New York State Inspector General's Office, and

the New York State Attorney General's Office, was appointed the Welfare Inspector General in December 2007.

On October 1, 2012, Governor Andrew M. Cuomo appointed New York State Inspector General Catherine Leahy Scott the Acting Welfare Inspector General.

ENHANCED OPERATIONS OF THE OFFICE OF THE WELFARE INSPECTOR GENERAL

Since October 1, 2012 and throughout 2013, the Office of the Welfare Inspector General has both streamlined and enhanced its administration and operations. OWIG offices that were located in Brooklyn and Menands have been closed. OWIG now shares offices and resources with the Office of the New York State Inspector General ["NYSIG"]. OWIG currently maintains a significant statewide presence, with office locations in Buffalo, Albany, New York City and Hauppauge. OWIG has a state-of-the-art Information Technology department, a computer forensics laboratory, statewide videoconferencing capabilities and full administrative support throughout its New York State offices.

OWIG has hired additional staff within the constraints of its budget appropriations. OWIG has been restructured so that its cases are handled by a multi-disciplinary investigatory team. This team is led by an Investigative Counsel, and cases are investigated by a staff that includes investigators, investigative auditors, and computer forensic specialists.

In a continued effort to increase the efficiency of the operation of OWIG, the Welfare Inspector General cross-designated all NYSIG staff as OWIG employees in order to provide additional resources for the mission and work of OWIG at a significant savings to the State of

New York. As a result of these changes, OWIG has a statewide presence and is currently investigating welfare fraud throughout New York State.

To further increase the efficiencies of OWIG, the Inspector General has utilized NYSIG's complaint review and investigative process for OWIG complaints. This process brings to bear the already-existing resources and expertise of NYSIG and helps implement a strong and well-established quality assurance structure to ensure the OWIG mission is accomplished and that local social services districts are accountable for the integrity of their programs. Under this process, all complaints are received by the Case Management Unit ["CMU"], a centralized, comprehensive, and critical component of OWIG. Every telephone, email, web-based, mail and personally delivered complaint received by OWIG is handled by the CMU. Each of these complaints is reviewed by OWIG executive staff and senior management, and either opened for investigation or, where appropriate, referred to the local social services district for internal investigation, with monitoring, oversight, and assistance from OWIG.

Specifically, the CMU is responsible for the case management process, which includes: receiving and importing information into databases; making appropriate referrals for action; meeting with executive and senior management for staff assignments; and tracking and ensuring appropriate and complete local social service district responses to referrals and reports. This important quality assurance function is critical to ensuring that governmental improvements are made once recipient wrongdoing and agency and program vulnerabilities have been identified and communicated by OWIG. When referrals are made to local social services districts whereby OWIG requests action be taken, districts are given a date by which they must advise OWIG of the investigation results and/or corrective action taken. Responses to OWIG referrals are immediately evaluated for adequacy. If said response is inadequate, OWIG contacts the local

district and makes inquiry regarding the status of an investigation, remedial measures and/or corrective action. Through this process, OWIG reviews practices and trends of local social services districts to determine, among other matters, the efficiency of their administration and processing of social services benefit programs.

As a result of the consolidation of resources and staff, the CMU now effectively tracks local social services district responses to OWIG's findings and referrals, providing for the first time a quality assurance process in which local social service districts must respond to potential fraud identified by OWIG and provide specific accounting of steps taken and results achieved in addressing OWIG-identified vulnerabilities in their districts. Despite the authority and mandate to oversee local districts, no such process as described above previously existed. Directives and communications between the Welfare Inspector General and local social services districts were not tracked, and OWIG neither required nor sought a response regarding referrals made to local social services districts for follow-up review and action.

This lack of oversight was particularly apparent in New York State's upstate and western regions. In September 2012, OWIG's statewide presence consisted of a staff of four, located exclusively in Brooklyn. The majority of matters or complaints outside the New York City region were routinely referred to the local social services districts with little communication or follow-up on these cases from OWIG, and with little or no OWIG analysis of these matters for systemic issues or program vulnerabilities. In 2013, OWIG took significant steps to ensure that the investigatory, oversight, and enforcement presence of OWIG became known throughout the state. With OWIG's new quality assurance process implemented, OWIG established itself in 2013 as an active inspector general's office, proactively involved with identifying problems and

inefficiencies of the New York State social services benefit delivery system, recommending and assisting with the implementation of corrective action, and overseeing program accountability.

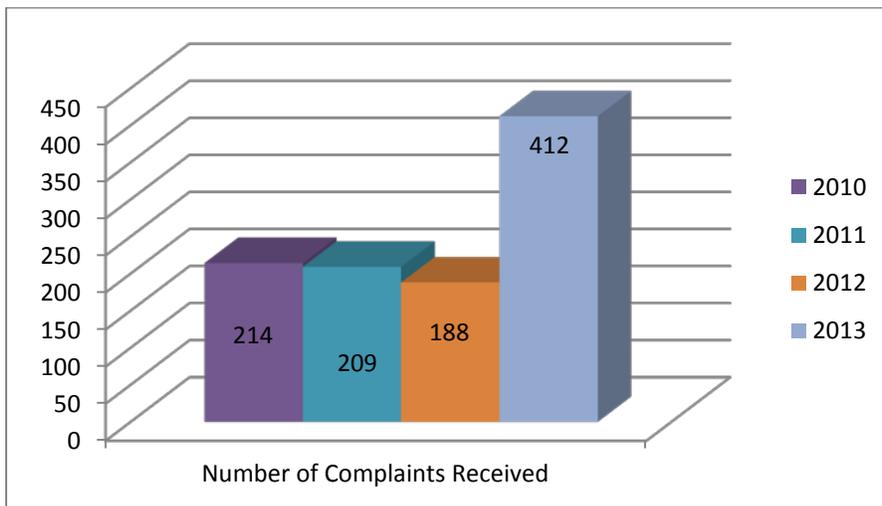
OVERVIEW AND SUMMARY

Investigations in Response to Complaints

As described in this Annual Report, OWIG receives hundreds of complaints alleging fraud and abuse in New York State's welfare system, from multiple sources. Each complaint is evaluated by the CMU and OWIG executive staff and senior management. Many of these cases are opened as investigations by OWIG. At that time, a multi-disciplinary team is assigned to conduct the investigation.

From January 1, 2013 through December 31, 2013, OWIG's CMU processed 412 matters in which welfare fraud was alleged. OWIG conducted a preliminary analysis of each of these matters at the time it was received. Following this analysis, 281 of the matters were closed because the allegations were unsubstantiated or the claims made did not fall under the jurisdiction of OWIG. The remaining 131 matters remained under the investigatory oversight of OWIG, either through open investigations conducted by OWIG or through the oversight and monitoring of referrals to the appropriate social services district commissioner or agency for further action. When cases are referred, OWIG remains a resource to the districts or agencies to which the matters are referred, providing assistance as needed in the form of staff and investigatory tools. OWIG's quality assurance apparatus is implemented with each referral, to ensure that the investigations are thorough and sound.

As a result of the significant increase in outreach, investigations, and training by OWIG statewide since October 2012, the number of complaints received by OWIG more than doubled, increasing from 188 complaints in 2012 to 412 complaints in 2013.



When evidence in an OWIG investigation indicates criminality, OWIG refers the matter to an appropriate prosecutorial agency. In 2013, OWIG partnered and/or continued its partnership with federal, state, and local prosecutors stemming from such investigations.

Between October 1, 2012 and December 31, 2013, 17 investigations were forwarded to district attorneys for prosecution.¹ All 17 of these cases fell within the jurisdiction of New York City. Seven of these referrals resulted in criminal convictions and are discussed below.

¹ Six of the cases referred for prosecution were declined by the district attorney. They remained subject to administrative proceedings. Four referrals remain pending.

Connecticut Resident Guilty in Receipt of Nearly \$100,000 in Welfare Benefits

An OWIG investigation revealed Angie Colon collected \$99,744 in welfare benefits from August 2009 to February 2012. Colon was collecting these benefits from New York State, even though she allegedly had been living in Connecticut for more than a decade. The investigation revealed that during this time Colon was also gainfully employed by three companies in the state of Connecticut. In her applications and re-certifications for benefits, Colon utilized a Manhattan address where she allegedly did not reside, and failed to report any of the income from her various places of employment. OWIG's investigation revealed benefits were stolen from New York State's Medicaid, Supplemental Nutrition Assistance Program ["SNAP"], and Temporary Assistance program. SNAP provides benefits to assist low-income New Yorkers feed their families, and the Temporary Assistance program provides cash assistance for eligible needy New Yorkers and their families. Colon was indicted on one count of Grand Larceny in the Second Degree, one count of Welfare Fraud in the Second Degree, and three counts of Offering a False Instrument for Filing in the First Degree, all felonies. Colon pled guilty to Attempted Grand Larceny in the Second Degree, and was sentenced to six months incarceration and five years of probation, and executed a confession of judgment for the full fraud amount of \$99,744.

Manhattan Resident Guilty of Welfare Fraud in Receipt of Over \$34,000 in Benefits

Sabree Abdullah of Manhattan was charged with defrauding New York State of more than \$34,000 in SNAP benefits by falsely claiming four of her children resided with her. OWIG's investigation revealed that Abdullah fraudulently included her children as members of her residence in order to maximize the receipt of public funds. Abdullah was charged with

Grand Larceny in the Third Degree and Offering a False Instrument for Filing in the First Degree, and pled guilty on December 18, 2013 to Welfare Fraud in the Third Degree, a felony. Abdullah was sentenced to five years of probation, and executed a confession of judgment for the full fraud amount of \$34,518. This matter was prosecuted by the New York County District Attorney.

New Jersey Business Owner Guilty of Stealing Over \$60,000 in Welfare Benefits

Inna Kulik, a New Jersey business owner, was charged with taking \$62,000 in public assistance benefits from New York State. Kulik, a resident of Staten Island, fraudulently applied for and received cash assistance, SNAP benefits, and Medicaid for herself and a child between 2006 and 2010. To qualify for the benefits, Kulik concealed income she received from her ownership interest in two New Jersey businesses, as well as the purchase and ownership of two homes on Staten Island. Kulik, who was charged with Grand Larceny in the Second Degree, Grand Larceny in the Third Degree, Welfare Fraud in the Second Degree, and Offering a False Instrument for Filing in the First Degree, pled guilty on January 21, 2014 to Grand Larceny in the Second Degree and Welfare Fraud in the Second Degree, both felonies. Kulik was sentenced to time served, five years of probation. Additionally, as part of her sentencing, Kulik is required to pay restitution in the amount of \$62,426. This matter was prosecuted by the Richmond County District Attorney.

Manhattan Resident Guilty of Welfare Fraud in Receiving Nearly \$90,000 in Benefits

Edith Rivera of Manhattan was charged with defrauding New York State of nearly \$90,000 public assistance benefits. OWIG's investigation revealed that from 2007 to 2011, Rivera submitted false applications in order to obtain welfare benefits. Specifically, Rivera failed to disclose, as required, that she lived with her common-law spouse, and therefore failed to claim his earned income as part of her household income. As a result of these filings, Rivera improperly received SNAP and Medicaid benefits from New York State. Rivera was charged with Grand Larceny in the Second Degree, Welfare Fraud in the Second Degree, and Offering a False Instrument for Filing in the First Degree. Rivera pled guilty to Welfare Fraud in the Fifth Degree and was sentenced to a conditional discharge. Rivera executed a confession of judgment for the full fraud amount of over \$87,000. This matter was prosecuted by the New York County District Attorney.

Queens Resident Guilty of Stealing Over \$20,000 in Public Assistance Benefits

Tomeshrie Lomchand of Queens was charged with stealing over \$20,000 in public assistance benefits from New York State. In her public benefit applications, Lomchand failed to disclose that she and her live-in partner earned household income, resulting in her fraudulently obtaining Medicaid and SNAP benefits. Lomchand was charged with Grand Larceny in the Fourth Degree and Offering a False Instrument for Filing in the First Degree. Lomchand pled guilty to Petit Larceny, and as part of her sentencing, she is required to pay restitution in the amount of \$21,698. This matter was prosecuted by the Queens County District Attorney.

Putnam County Resident Guilty of False Filing; To Repay Over \$30,000 in Medicaid Benefits

Elizabeth Makaj of Mahopac fraudulently received nearly \$30,000 in Medicaid benefits from 2005 to 2009 by falsely indicating that she lived in the Bronx when in fact she lived in Putnam County, and by failing to disclose her employment and assets. OWIG's investigation revealed that Makaj was gainfully employed and had assets worth millions of dollars. OWIG obtained evidence that Makaj failed to disclose – as required – a 2006 purchase of a \$2,050,000 rental property and a bank account containing over \$250,000. Makaj was charged with Offering a False Instrument for Filing in the First Degree and Offering a False Instrument for Filing in the Second Degree, and pled guilty on January 9, 2014 to one count of Offering a False Instrument for Filing in the First Degree, a felony. Makaj was sentenced to repay restitution in the amount of \$30,775, and a Conditional Discharge. This matter was prosecuted by the Bronx County District Attorney.

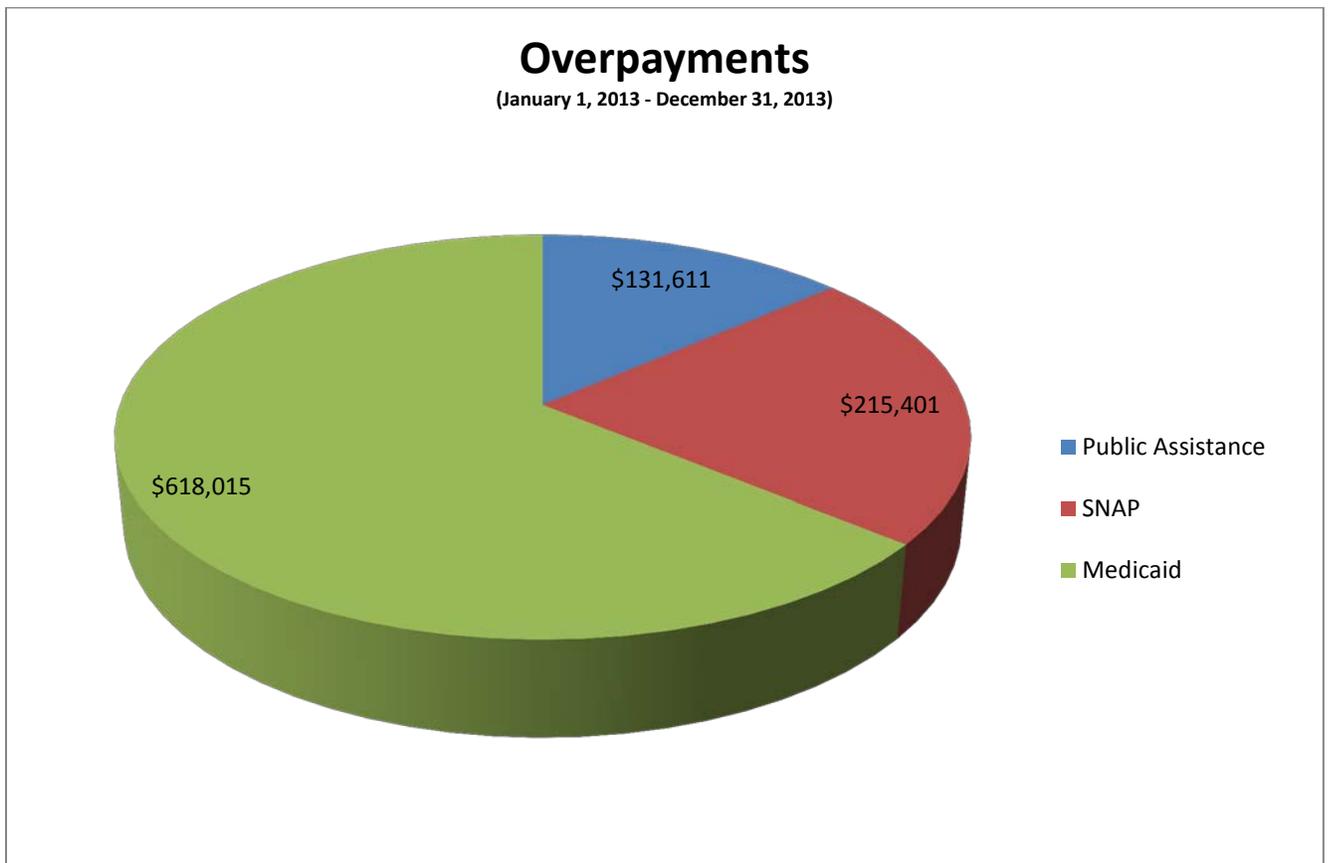
Brooklyn Resident Guilty of Stealing Nearly \$16,000 in Welfare Benefits

Stephanie Gray of Brooklyn was charged with defrauding New York State of nearly \$16,000 in Medicaid benefits by under-reporting her earned income by creating false employment earnings verification letters on her employer's stationary and computer. Gray pled guilty to Welfare Fraud in the Third Degree, a felony, and Welfare Fraud in the Fifth Degree, a misdemeanor. As part of her plea, Gray is required to pay restitution in the amount of \$15,998. This matter was prosecuted by the Kings County District Attorney.

Overpayments

Once an OWIG investigation has established evidence of fraud and improper social service benefit payments, an analysis is conducted to determine the overpayment paid by the social service benefit program. For the OWIG cases opened from January 1, 2013 through December 31, 2013, overpayments identified and confirmed by OWIG investigation and district budgeting totaled \$965,027.

The following chart shows the breakdown of the programs from which these overpayments were made.



Proactive Initiatives

OWIG Compliance Review Program

In 2013 OWIG developed and implemented a program wherein all local social services districts will be reviewed over the next three years, to ensure state funds are properly expended, and that New York's local social service districts are operating efficiently and effectively. This initiative, known as OWIG's Compliance Review Program, comports with the mandates of Executive Law §74, which states that the welfare fraud inspector general is responsible to "[...] conduct and supervise investigations related to the programs of the department of social services," and to investigate "[...] fraud, abuse or illegal acts perpetrated within the department of social services or local social services districts." The review of each district's processes includes program eligibility, administration, compliance, and oversight. These areas are examined in order to identify local social services districts' vulnerabilities, and to recommend systemic changes to improve operations and efficiencies.

Upon completion of each compliance review, OWIG will share with the local social services districts its findings and recommendations. OWIG will work with the local social services districts and other governmental entities involved with the administration of the program/s affected in implementing the recommended changes.

In late 2013, OWIG completed its first compliance review in a local social services district. OWIG staff spent significant time at the local social services district, gathering information and data, reviewing relevant files, and conducting interviews of district staff. The information obtained is currently being analyzed by attorneys, investigators, and investigative auditors.

Training of Local Districts to Identify and Combat Fraud

In 2013, OWIG implemented an aggressive training program for local social services districts and officials for which the Inspector General exercises oversight responsibility. The Inspector General and her staff provided multiple sessions of integrity-based training to local social services district employees throughout New York State, as well as training to local district investigators on techniques and strategies such as the use of computer forensics in the welfare fraud setting. OWIG executed this program by contacting local districts directly, and through its partnership with the New York State Welfare Fraud Investigators Association and the New York Public Welfare Association, as well as other New York State agencies with social service components, including the NYS Office of Temporary and Disability Assistance, Office of Children and Family Services, Department of Health, and Office of the Medicaid Inspector General. In conjunction with the New York State Welfare Fraud Investigators Association, OWIG provided training in 2013 to hundreds of local social services district eligibility staff members and welfare fraud investigators throughout New York State.

Outreach and Education

During 2013 the Inspector General and her Executive Staff met with local social services district commissioners and staff throughout New York State, as well as with prosecutors and other law enforcement officials, to discuss operational changes in OWIG, OWIG's statewide presence, and its statutory mandate. As a result of these efforts, new partnerships were created, working towards improving the welfare benefit delivery program through improved oversight and enforcement. Importantly, OWIG has shared some of its technical resources and

investigatory equipment and techniques with local social services districts' investigation units to assist in the monitoring and investigation of fraud in their districts.

In addition, as part of its campaign in 2013 to raise awareness of social services benefit fraud, OWIG developed posters and other materials for distribution regarding fraud, waste and abuse in social services benefit programs. These materials identify OWIG and its oversight and investigatory role, as well as provide OWIG's contact and hotline information. These items have been placed in welfare centers throughout the state. Copies of these items are appended to this Annual Report.

Analyzing Trends to Identify Systemic Vulnerabilities

In conjunction with the compliance review program discussed above, a significant OWIG initiative in 2013 involves the systemic, proactive assessment of vulnerabilities within the administration and oversight of public benefit programs by the local social services districts. It is anticipated that as a result of the renewed emphasis on program eligibility and oversight functions of local social services districts, OWIG will make meaningful recommendations for positive, permanent, and systemic reforms of district procedures. This process will assist local social services districts in the reduction of opportunities for malfeasance, improve the overall efficiency of their operations, and ultimately result in savings to New York State by decreasing fraudulent social service payments.

To support this initiative, OWIG utilizes its strengthened investigative and quality assurance capacity to analyze trends in the complaints received, the counties involved in those complaints, and the responses received from the local social services districts, identifying potential systemic vulnerabilities in the administration of New York State's public benefit

program. By addressing issues at the time they are identified, OWIG is fulfilling its statutory mandate to serve as an inspector general overseeing the operations of local social services districts.

CONCLUSION

In 2013, the Office of the New York State Welfare Inspector General's operations, outreach, and impact were greatly enhanced. OWIG staff and resources were dedicated throughout New York State, resulting in statewide investigations of fraud, abuse and illegal acts in New York's welfare programs. The results of these efforts include the identification of welfare benefit overpayments and recoupment of these funds to New York State.

OWIG commenced initiatives in 2013 that will greatly improve the integrity of New York's welfare programs, and analyzed trends and assessed vulnerabilities within the administration and oversight of public benefit programs; trained local districts to identify and combat fraud; initiated a program where OWIG reviews local social services districts' welfare programs to determine they are being operated efficiently and effectively; and, met and worked with local social services districts and law enforcement agencies to improve the welfare benefit delivery program through improved oversight and enforcement. OWIG investigated welfare recipient fraud, and, where appropriate referred, findings for criminal prosecution.



Report
FRAUD
to
The New York State
Office of the Welfare Inspector General

Programs and services include:

- Medicaid
- Supplemental Nutrition and Assistance Program ("SNAP")
- Temporary Assistance ("TA")
- Home Energy Assistance Program ("HEAP")
- Child Care Program (Day Care)
- Child Support

Office of the Welfare Inspector
General contact information:

- **Online complaint form:**
<http://www.owig.state.ny.gov>
- **Phone:** 1-800-367-4448
- **Mailing address:**
Office of the Welfare Inspector General
Empire State Plaza
Agency Building 2, 16th Floor
Albany, New York 12223

All referrals are kept confidential

1-800-367-4448

Office of the Welfare Inspector General



OFFICE OF THE WELFARE INSPECTOR GENERAL

Andrew M. Cuomo, Governor

Catherine Leahy Scott, Acting Welfare Inspector General



Report

FRAUD

to

**The New York State
Office of the Welfare Inspector General**

All referrals are kept confidential

1-800-367-4448

New York State Welfare Inspector General



The Office of the Welfare Inspector General investigates fraud, abuse or illegal acts committed against New York State's public assistance programs.

Programs and services include:

- Medicaid
- Supplemental Nutrition and Assistance Program ("SNAP")
- Temporary Assistance ("TA")
- Home Energy Assistance Program ("HEAP")
- Child Care Program (Day Care)
- Child Support

NYS Welfare Inspector General contact information:

- **Online complaint form:**
<http://www.owig.state.ny.gov>
- **Phone:** 1-800-367-4448
- **Mailing address:**
Office of the Welfare Inspector General
Empire State Plaza
Agency Building 2, 16th Floor
Albany, New York 12223

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