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Fraud Challenges for DSS:

Improving your Ability to Detect and Investigate Fraud and Financial Exploitation in Your Communities

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Mark LaVigne, PhD
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NYSAC

The Growing Crisis

Fraud and financial exploitation are surging in social service programs, diverting critical resources from those in need. Government benefits fraud cases jumped 242% since 2020, while elder financial abuse cost Americans 60+ over $3.4 billion in 2023 alone.

Counties face mounting responsibility to safeguard public assistance funds and protect vulnerable clients through modern tools and strategic approaches.

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What We'll Cover Today

01

Trends in Fraud & Exploitation

Current patterns nationally and in NYS

02

Responsibilities & Laws

County DSS roles and enforcement

03

Tools & Technology

AI-driven solutions and analytics

04

Prevention Strategies

Front-end detection and best practices

05

Case Examples

Recent schemes and lessons learned

06

Building a Prevention Culture

Making detection cost-effective

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Why This Matters Now

Rising Fraud Losses

Federal benefits fraud cases up 242% since 2020. Medicaid alone loses ~$37 billion annually to fraud and errors.

Cost to Those in Need

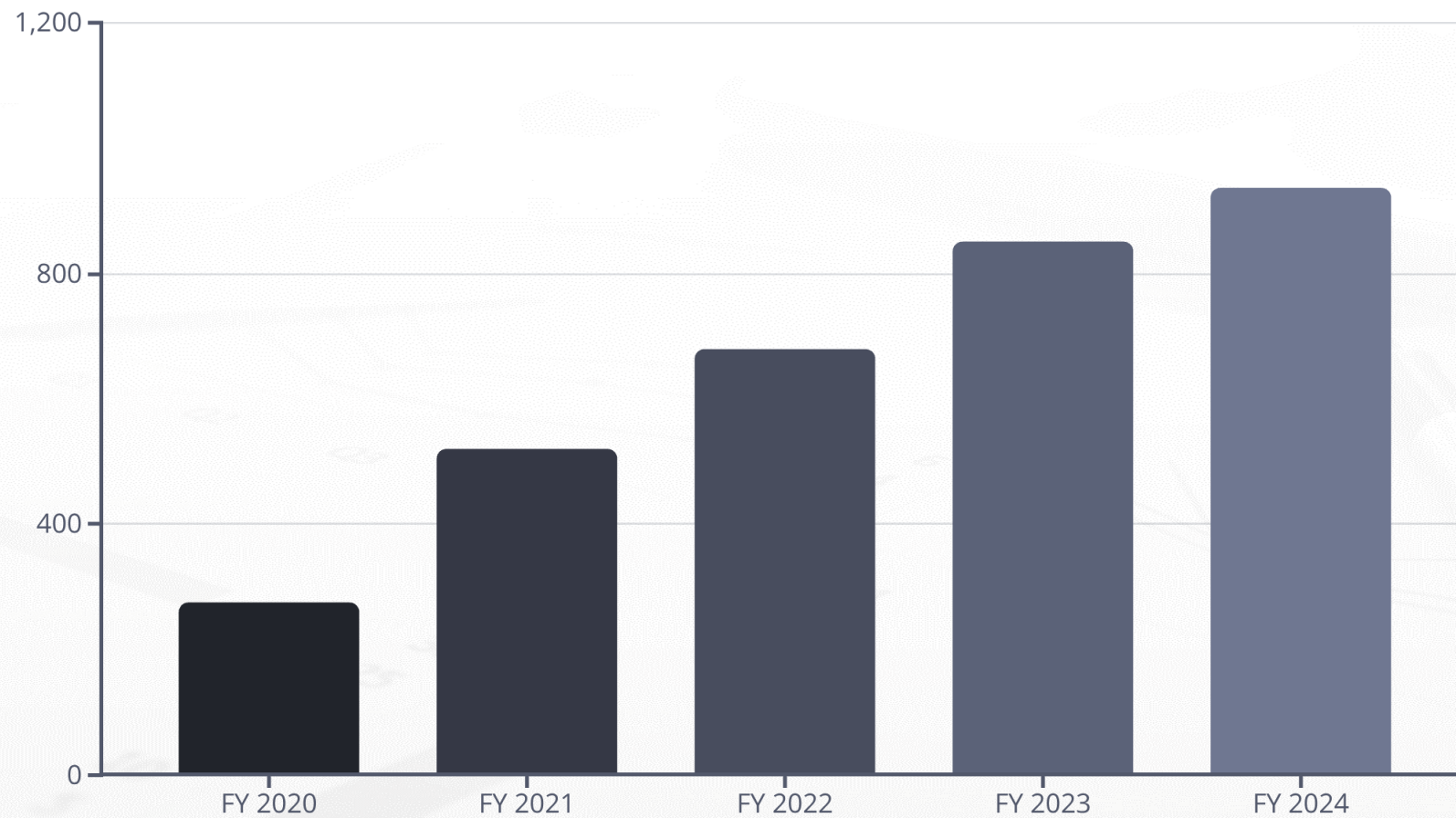*Every dollar stolen is unavailable to legitimately needy families, undermining program effectiveness.*

Elder Abuse Surge

$3.4B lost by Americans 60+ in 2023 (+11% vs 2022). Only 1 in 44 cases reported.

Public Trust at Stake

High-profile fraud erodes confidence in social programs and taxpayer support.

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Federal Benefits Fraud Explosion

Key Findings

- *Median loss per case: $137,000*

- *23% of cases involve >$550,000 stolen*

- *20% had disaster-related fraud enhancements*

- *Southern District of NY in top 5 prosecutions*

New York State Snapshot

574K	990	$600K
Public Assistance Recipients	OWIG Fraud Complaints	Court-Ordered Restitution
March 2023 – highest level since 2015, up 14.5% from prior year	*Handled in 2024, uncovering identity theft and false income claims*	*From OWIG investigations and prosecutions in 2024*

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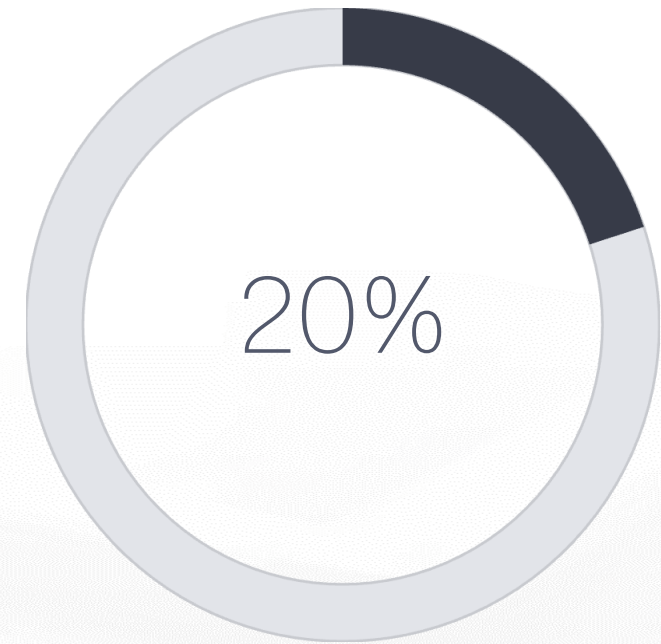
Financial Exploitation Crisis

1/44

Reporting Rate

Only 1 in 44 cases gets reported

11%

↑ Annual Increase

Elder fraud losses 2022-2023

20%

NY's Share

Of national EBT skimming theft

Who Perpetrates?

- *Strangers via tech support, romance, IRS scams*
- *Trusted individuals: relatives, caregivers, agents*
- *Financial institutions filed 155,000 SARs involving $27B*

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County DSS Responsibilities

1

State Law Mandate

SSL §134-b requires procedures to identify, investigate, and resolve fraud in applications

2

Detection Programs

FEDS, AFIS, EVR systems to catch ineligible cases early

3

Investigation & Referral

SIU reviews allegations, works with DAs and law enforcement

4

APS Protection

Investigate exploitation reports, coordinate with banks and police

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Welfare Fraud Penalties

New York Penal Law Article 158

Degree	Amount	Class
5th Degree	Any amount	A Misdemeanor
4th Degree	>$1,000	E Felony
3rd Degree	>$3,000	D Felony
2nd Degree	>$50,000	C Felony
1st Degree	>$1 million	B Felony

Consequences

- *Full restitution required*
- *Imprisonment (up to 1 year misdemeanor, up to 25 years B felony)*
- *Federal average: 16 months prison*
- *Program disqualification (1 year to permanent)*
- *Civil recovery actions*

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Overpayment Recovery Strategies

Voluntary Repayment Plans

Negotiate affordable payment schedules

Benefit Reduction

Recoup from ongoing benefits (within regulatory limits)

Treasury Offset Program

Intercept federal tax refunds

Civil Judgments

Court-ordered repayment with liens if necessary

Lottery/Gaming Winnings

State intercepts of large winnings

Wage Garnishment

Court-ordered payroll deductions

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SNAP Fraud - Detailed Breakdown

Types of SNAP Fraud

- *Trafficking (selling benefits for cash)*

- *Application fraud (false income/household info)*

- *Retailer fraud (fake stores, inflated prices)*

- *Card theft and skimming*

Detection Methods

- *Transaction pattern analysis*

- *Retailer monitoring systems*

- *Data matches with employment records*

- *EBT usage anomalies*

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Medicaid Fraud - Key Areas

Provider Fraud

Phantom billing, upcoding services, kickback schemes

Recipient Fraud

Eligibility misrepresentation, undisclosed assets/income

Prescription Drug Fraud

Doctor shopping, forged prescriptions, diversion

Identity Theft

Using stolen identities to obtain coverage

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*New York Medicaid loses an estimated **$4.5 billion annually** to improper payments*

Medicaid Fraud Prevention Methods

Detection Strategies

- Provider enrollment screening and background checks

- Claims data analysis and pattern recognition

- Utilization review for unusual billing patterns

- Site visits and audits of high-risk providers

- Beneficiary verification and eligibility checks

- Cross-referencing with death records and incarceration data

Prevention Measures

- Pre-payment review of suspicious claims

- Post-payment audits and recovery actions

- Provider education on billing requirements

- Fraud hotlines and whistleblower programs

- Coordination with Medicaid Fraud Control Units

- Data sharing with other states and federal agencies

New York's Medicaid program uses advanced analytics to identify ~$4.5 billion in improper payments annually

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TANF & Cash Assistance Fraud

Common Schemes

- *Unreported employment or income*

- *Failure to report household composition changes*

- *Concealing assets or resources*

- *Dual state participation*

- *False residency claims*

Prevention Measures

- *Front End Detection System (FEDS)*

- *Regular recertification with verification*

- *PARIS interstate data matches*

- *New hire directory checks*

- *Home visits for high-risk cases*

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Adult Protective Services - Financial Exploitation Indicators

Common Exploitation Indicators

- *Sudden changes in banking patterns or account activity*
- *Unexplained withdrawals or transfers of large sums*
- *Addition of names to bank accounts or property titles*
- *Unpaid bills despite adequate resources*
- *Unusual concern by caregiver about costs*
- *Isolation of elder from family/friends*
- *Signatures on documents that don't match*
- *Missing personal belongings or property*

APS Response & Prevention

- *Financial record review and analysis*
- *Coordination with law enforcement and banks*
- *Emergency protective orders when needed*
- *Guardianship proceedings if necessary*
- *Multi-disciplinary team investigations*
- *Community education and outreach*
- *Bank reporting under SSL §473-b*

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Only 1 in 44 cases of elder financial exploitation is reported - the hidden epidemic

Modern Tools: AI & Data Analytics

Risk Scoring & Pattern Detection

Machine learning analyzes vast datasets to assign risk scores and identify complex schemes, providing ranked case lists.

Actionable Insights

AI presents results through intuitive graphs, link charts, and heat maps showing hidden relationships and anomalies.

Cross-Program Integration

Merges SNAP transactions, DMV records, incarceration data to catch inconsistencies across programs.

Proven Impact

One state identified $50M in Medicaid overpayments, recovering $18.7M. Duplicate payment models found $130M.

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Thomson Reuters Fraud Detect

Key Capabilities

- *Expert machine learning for fraud prediction*

- *Stack-ranked case lists by risk score*

- *Link charts connecting entities and patterns*

- *Integration with CLEAR public records*

- *Live data updates and prioritization*

- *User-friendly dashboards for non-analysts*

"Used by 4 of top 10 Medicaid-heavy states. Color-coded alerts with plain-language explanations make complex analysis accessible."

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Additional Technology Solutions

1 Identity Verification

Online ID verification services, biometrics, photo comparisons to prevent impersonation and duplicate enrollments.

2 Data Matching

PARIS matches across states, National Directory of New Hires flags unreported employment, death records prevent fraud.

3 Case Management

Integrated systems track tips, progress, evidence, and outcomes. Ensures cases don't fall through cracks.

4 EBT Monitoring

Transaction analytics spot unusual patterns—rapid swipes, manual entries indicating trafficking schemes.

5 Predictive Analytics

AI pilots score applications for deep dive. States saved hundreds of millions with data-driven detection.

6 Cybersecurity

Multi-factor authentication, phishing training, data encryption protect system integrity and prevent breaches.

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Identity Verification Technologies

Biometric Verification

Fingerprints, facial recognition, voice authentication

Document Authentication
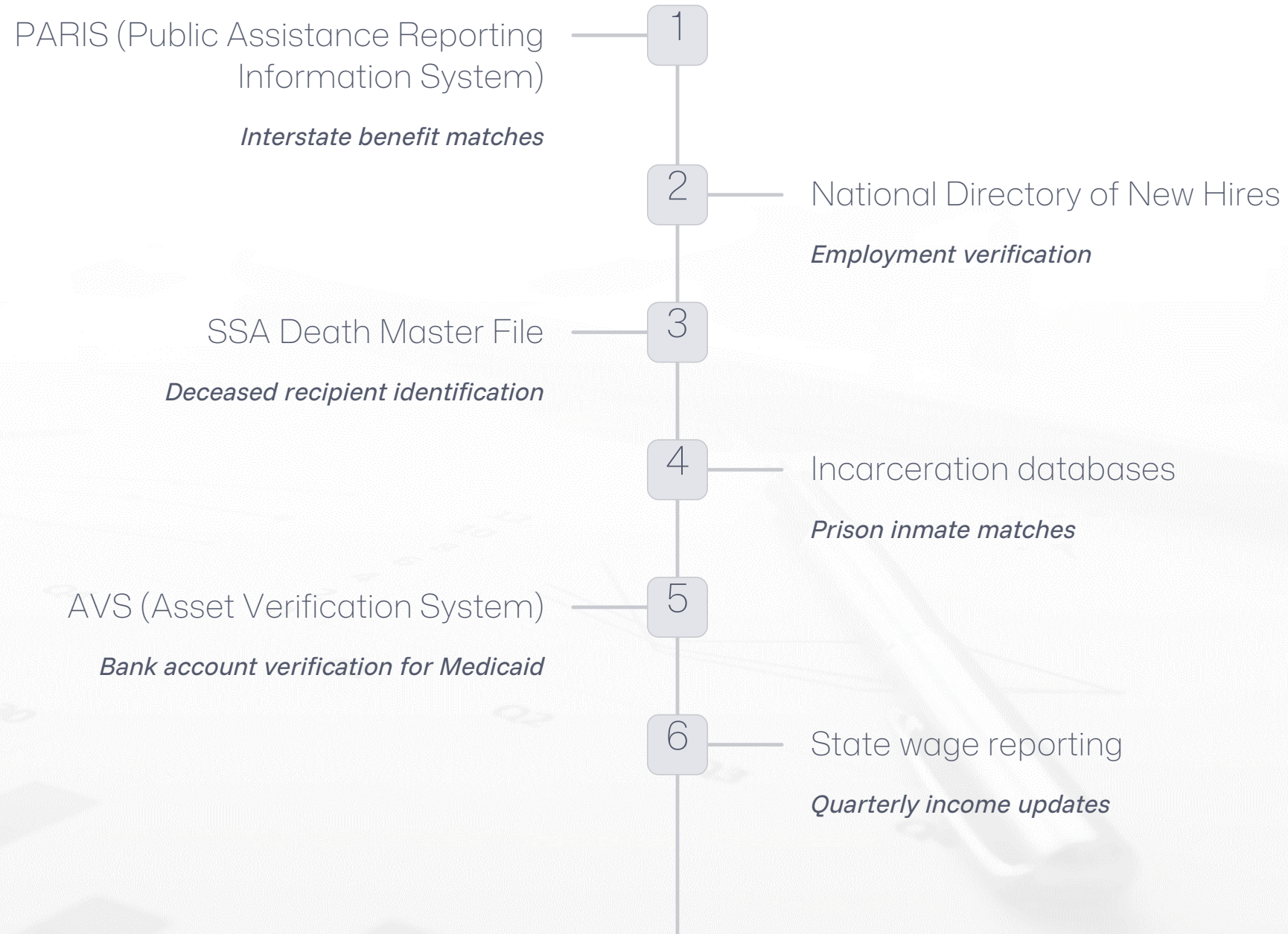
ID scanning, hologram verification, digital forensics

Knowledge-Based Authentication

Personal history questions, credit bureau data

Multi-Factor Authentication

Combining multiple verification methods for high-risk cases

Data Matching Programs

1 PARIS (Public Assistance Reporting Information System)

Interstate benefit matches

2 National Directory of New Hires

Employment verification

3 SSA Death Master File

Deceased recipient identification

4 Incarceration databases

Prison inmate matches

5 AVS (Asset Verification System)

Bank account verification for Medicaid

6 State wage reporting

Quarterly income updates

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Automated data matches catch dual participation and undisclosed information that manual reviews miss

Front-End Detection Strategies

1

Trust but Verify

Robust FEDS implementation. Train workers on red flags. Investigator participation in interviews yields phenomenal cost avoidance.

2

Rigorous Proofs

Valid photo ID, SSN validation, proof of residence. Use electronic verification sources. Consider video interviews.

3

Applicant Education

Communicate penalties clearly. Have applicants sign declarations acknowledging fraud consequences and criminal charges.

4

Early Data Matching

Leverage pre-enrollment checks: credit bureaus, new hire records, property registrations to spot discrepancies.

5

Intake Collaboration

Break down walls between eligibility staff and investigators. Encourage teamwork and routine fraud referrals.

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Investigation Best Practices

Initial Assessment

Review complaint/referral, gather basic facts, determine jurisdiction

Evidence Collection

Subpoena records, interview witnesses, document timeline

Financial Analysis

Review bank statements, trace funds, identify discrepancies

Case Documentation

Maintain chain of custody, detailed notes, organize evidence

Collaboration

Coordinate with law enforcement, DA, other agencies

Resolution

Prosecution referral, administrative action, or case closure with findings

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Ongoing Program Integrity

01

Periodic Reviews

Regular check-ins, interim reports, annual renewals with verification. Targeted quarterly case samples.

02

Continuous Monitoring

Rolling data matches post-approval. Monthly wage matches, death records, incarceration checks.

03

Fraud Hotlines

Anonymous tip systems, online forms. Ensure timely investigation of community reports.

04

Training & Culture

Regular staff training on fraud prevention, ethics, documentation. Cultivate office-wide responsibility.

05

Prosecute & Publicize

Work with DAs on clear-cut cases. Issue press releases demonstrating enforcement and deterring future fraud.

06

Recovery Efforts

Strong overpayment recoupment process. Civil judgments, tax offsets, consistent collection tracking.

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Recent Fraud Schemes

1   EBT Card Skimming

85,000 NY cases in 2023-24, nearly $40M stolen. Criminals use illegal card readers at checkout to clone cards and drain accounts.

2   Insider Fraud

$66M SNAP scheme: USDA employee sold confidential retailer credentials to criminals for fake transactions over 7 years.

3   Pandemic Abuse

$47B+ in fraudulent UI claims identified. Fraudsters exploited emergency programs, then shifted to regular welfare.

4   Multi-Benefit Fraud

Nassau County case: $75K stolen across SNAP, Medicaid, housing by concealing income. Cross-program investigations crucial.

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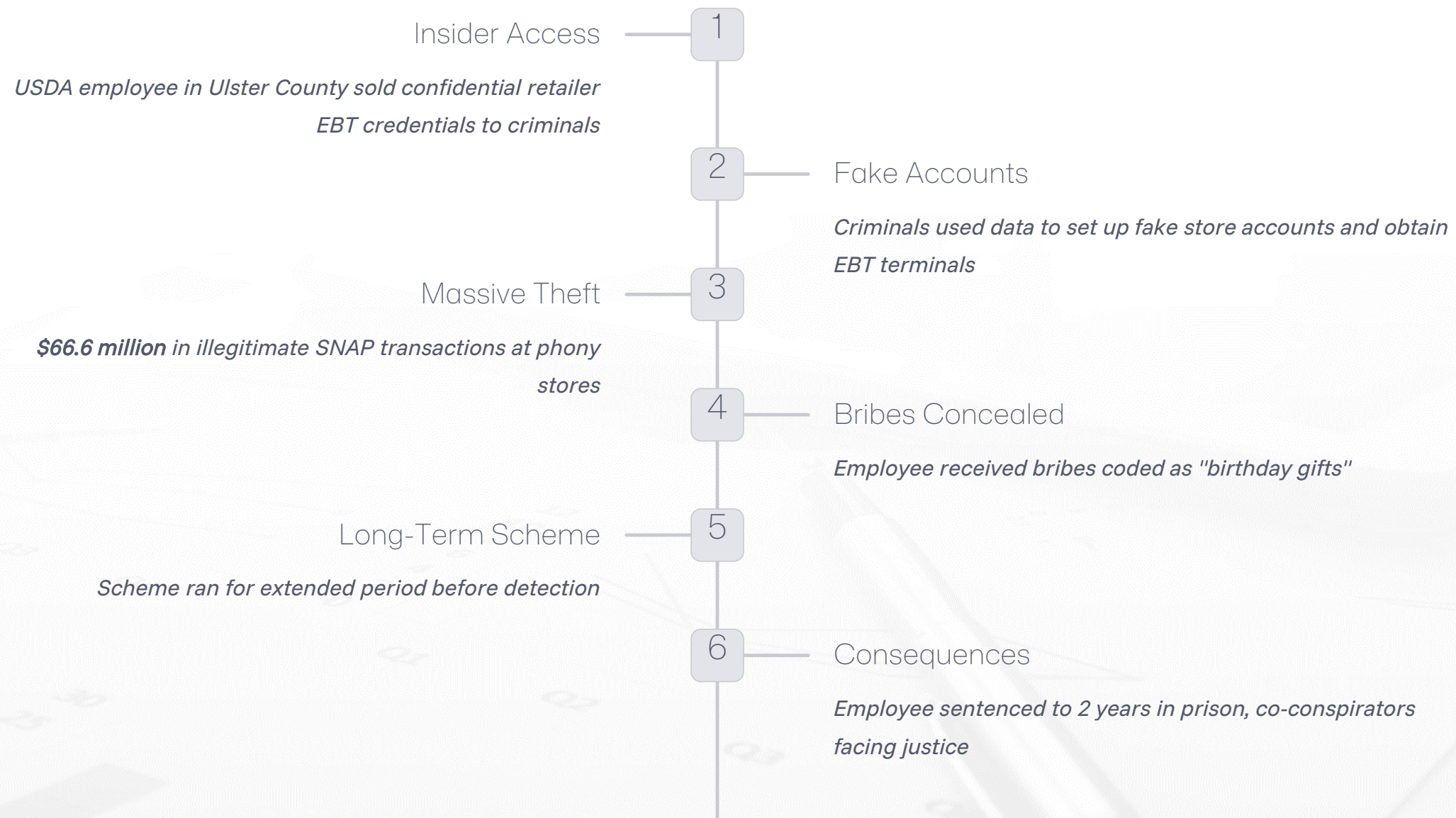
Pandemic-Era Fraud Lessons

What Happened:

- *$47 billion in fraudulent unemployment insurance claims identified in NY*

- *Relaxed verification rules created openings*

- *Identity theft rings exploited emergency programs*

- *Fraudsters shifted to regular welfare programs when emergency aid ended*

Emergency response speed must be balanced with fraud prevention controls

Lessons Learned:

- *Surges in funding require heightened vigilance*

- *Temporary rule relaxations need post-crisis audits*

- *Review unusual spikes in enrollment*

- *Tighten verification after emergency periods end*

- *Crisis-time fraud task forces are essential*

The $66 Million SNAP Insider Fraud Case

1 Insider Access

USDA employee in Ulster County sold confidential retailer EBT credentials to criminals

2 Fake Accounts

Criminals used data to set up fake store accounts and obtain EBT terminals

3 Massive Theft

$66.6 million in illegitimate SNAP transactions at phony stores

4 Bribes Concealed

Employee received bribes coded as "birthday gifts"

5 Long-Term Scheme

Scheme ran for extended period before detection

6 Consequences

Employee sentenced to 2 years in prison, co-conspirators facing justice

Key Lesson: *Even those entrusted to stop fraud can be corrupted. Robust oversight, separation of duties, and system audits are critical.*

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Brooklyn Medicaid Fraud - $68 Million Scheme

Seven individuals convicted of stealing $68 million from New York's Medicaid program by setting up fake adult day care centers and billing for phantom services. The scam ran for seven years before being caught.

$68M Stolen

from Medicaid

7 Years

undetected

Multiple Fake

facilities

Phantom Billing

for services never provided

Lessons:

| *Large-scale fraud can persist without proactive detection* | *Provider fraud requires ongoing monitoring* |

| *Data analytics can identify billing anomalies* | *Cross-reference claims with actual service delivery* |

Building a Prevention Culture

Interdepartmental Cooperation

Build ties with County Attorney, Comptroller, Sheriff, DA through task forces

Leadership Tone

Executives emphasize integrity importance, recognize fraud detection achievements

Community Partnerships

Educate banks, senior centers, nonprofits. Well-informed community reports concerns

Client Outreach

Balance fraud prevention with client education on rights and reporting responsibilities

Transparency & Metrics

Track and publish investigations, recoveries. Show accountability to public and staff

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Training & Staff Development

Essential Training Topics

- *Fraud indicators and red flags*

- *Interview techniques and documentation*

- *Legal requirements and due process*

- *Technology tools and systems*

- *Cultural competency and ethics*

Regular training keeps staff current on evolving fraud tactics and detection methods

Training Methods

- *Annual in-service workshops*

- *Online learning modules*

- *Peer mentoring programs*

- *Case study reviews*

- *Cross-training with law enforcement*

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Collaboration with Financial Institutions

Banks can report suspected elder exploitation under SSL §473-b with immunity

Financial institutions filed **155,000** suspicious activity reports for elder exploitation in one year

$27 billion in suspicious transactions flagged

Joint training between APS and bank staff

Rapid response protocols when exploitation detected

Account freezes and protective measures

New York law encourages banks to directly report to APS - a critical early warning system

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Performance Metrics & Reporting

These example metrics represent key performance indicators that counties should track for their fraud prevention programs, illustrating a typical county fraud prevention unit's annual monitoring.

Number of fraud investigations initiated

Total new cases launched for investigation

Percentage of cases substantiated

Cases confirmed as fraud after investigation

Dollar amount of fraud identified

Total value of fraudulent claims detected

Recovery/restitution collected

Funds successfully returned to programs

Cost avoidance from FEDS and prevention

Savings from stopping fraud before payment

Average investigation completion time
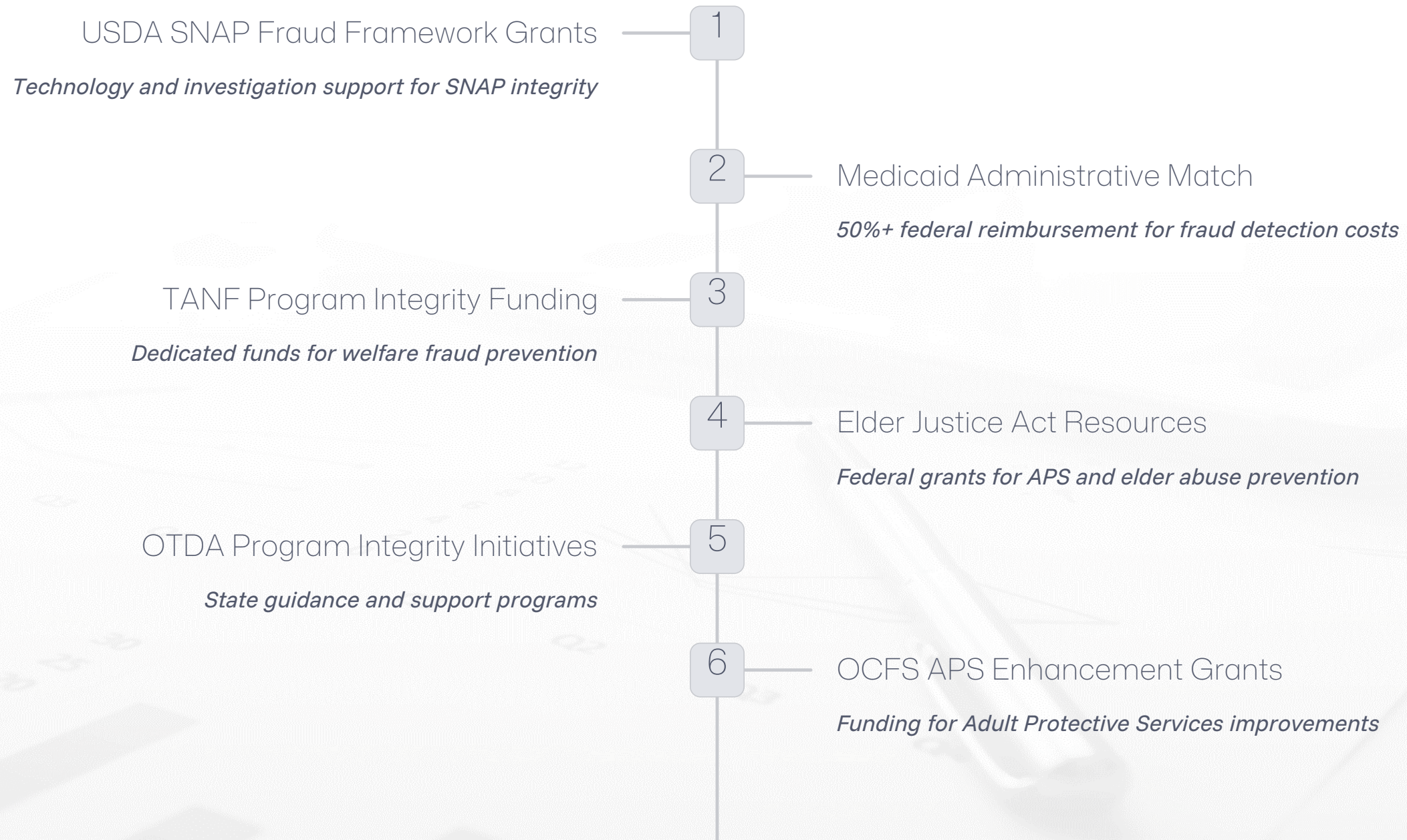
Time from case opening to resolution

Prosecution referrals and outcomes

Cases referred for criminal charges

Staff productivity

Cases completed per investigator

Regular reporting demonstrates accountability and builds support for program integrity investments

Federal & State Funding Opportunities

1 USDA SNAP Fraud Framework Grants

Technology and investigation support for SNAP integrity

2 Medicaid Administrative Match

50%+ federal reimbursement for fraud detection costs

3 TANF Program Integrity Funding

Dedicated funds for welfare fraud prevention

4 Elder Justice Act Resources

Federal grants for APS and elder abuse prevention

5 OTDA Program Integrity Initiatives

State guidance and support programs

6 OCFS APS Enhancement Grants

Funding for Adult Protective Services improvements

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Leverage federal and state funding to offset local costs of fraud prevention technology and staff

Cost-Effectiveness of Fraud Prevention

Key statistics highlight the significant return on investment in fraud prevention:

- *Illinois **saved over $100 million** in its first year with enhanced data matching.*

- *Typical county fraud units **recover $5-10 for every $1 spent** on prevention.*

- *Technology investments in fraud prevention typically **pay for themselves** within 6-12 months.*

Investment Strategies

- *Multi-county consortium purchases*

- *State/federal grant funding*

- *Incremental pilot programs*

- *Tiered vendor plans*

Hidden Benefits

- *Labor savings and productivity gains*

- *Risk mitigation (avoiding scandals)*

- *Improved public trust*

- *Staff time optimization*

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California: SNAP EBT Upgrades

The Problem

Surge in EBT skimming attacks. $20.9M stolen in January 2024 alone, depriving vulnerable families of food and cash assistance.

The Solution

- *First-in-nation EMV chip cards*

- *AI predictive model scanning transactions*

- *Forced PIN resets for compromised accounts*

The Results

83%

Theft Reduction

Reported EBT theft fell 83% from Jan 2024 to late 2025

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Missouri: Fraud Detection Platform

The Challenge

Traditional manual fraud referrals weren't catching organized identity theft rings and duplicative applications in SNAP program.

The Innovation

In-house platform titled Fraud Finder supported by USDA grant. Five analytic modules process tens of thousands of data points, auto-creating investigations when criteria are met.

1,000+
Investigations Launched

In first full year

$4.8M
Fraud Identified

Cumulative by 2025 for recovery

59
Prosecutions

Egregious fraudsters referred to prosecutors

$2M
Prevented Payouts

Saved in first year alone

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Ohio: Child Care Subsidy Safeguards

Attendance Verification

Secure PIN/QR code check-in ensures payment only for actual attendance.

Surprise Inspections

10,000+ unannounced visits in 2025.

Data Analytics

Monthly cross-department checks flag anomalies for risk-based monitoring.

Public Tip Line

124 fraud referrals in 2025; over half confirmed as misconduct, with 12 centers closing directly as result of tip line.

Policy Reforms

Strict PIN rules, tightened billing, ended 900+ improper authorizations.

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Impact: 61 providers repaid overpayments, 38 centers closed, freeing hundreds of slots for families.
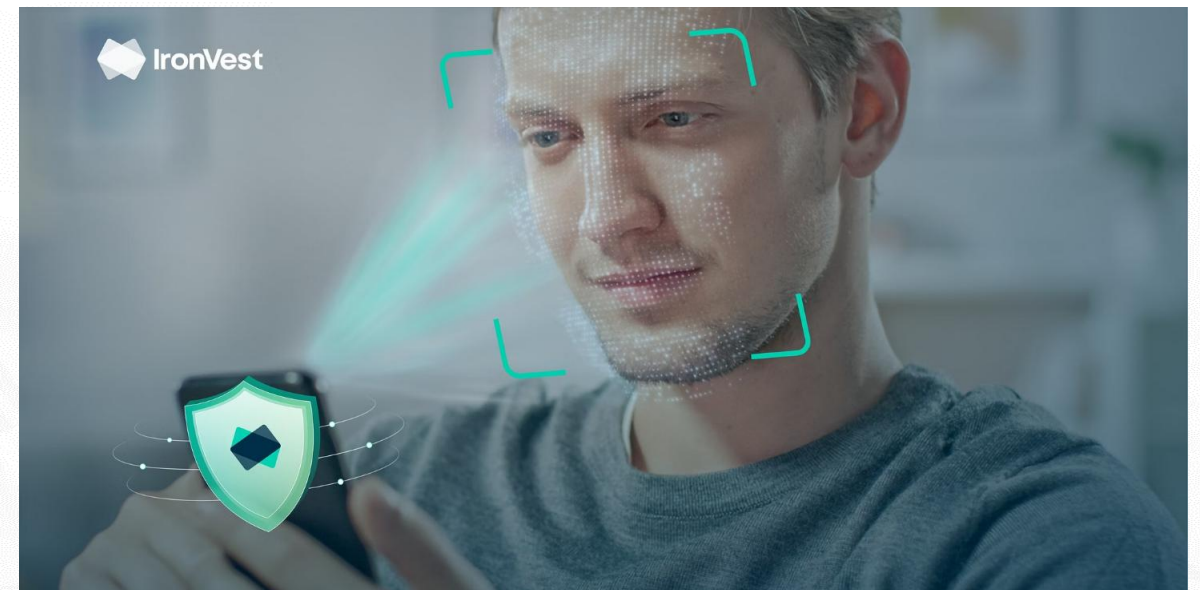
Arkansas: EBT Security Upgrade

The Problem

Sharp increase in SNAP fraud reports. Criminals exploiting EBT vulnerabilities through skimming devices and phishing calls.

The Response

- *Modified EBT vendor contract for "Adaptive Fraud" detection*

- *Real-time alerts and transaction blocking*

- *Blocked easy-to-guess PINs like "1111"*

- *Fraud awareness outreach and consumer education*

IronVest

Results: *Savings from averted SNAP thefts exceeded costs of new anti-fraud system. Surge in EBT fraud cases quelled, protecting funds for families who truly need assistance.*

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Illinois & Pennsylvania: Data-Driven Success

Hundreds of Millions Saved Annually

Illinois:

- *Implemented rigorous cross-check system (Illinois Medicaid Redetermination Project)*
- *Removed ineligible cases through enhanced data matching*

Pennsylvania:

- *Deployed fraud analytics and data matching technology*
- *Bipartisan support for anti-fraud reforms*

Common Elements:

- *Investment in predictive analytics*
- *Automated data matching across agencies*
- *Proactive fraud detection vs. reactive investigation*
- *Strong ROI demonstrating value of technology investment*

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In total, $100M+ saved annually. States that embrace data-driven fraud detection see massive ROI

New York: Medicaid Analytics

The Challenge

NY Medicaid losing billions to improper payments—duplicate enrollments, billing errors, ineligible recipients. $4.5B in overpayments uncovered in one audit year.

The Solution

Centralized fraud detection system mandated by 2015 law. State Comptroller deployed advanced data analytics to flag anomalies across Medicaid and other programs.

The Impact

Identified and prevented ~$4.5B in Medicaid irregularities in 12-month period ending May 2023. Strengthened program integrity by stopping payments for ineligible or duplicate cases.

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Common Success Factors

Leadership Commitment

Executive support and clear prioritization of program integrity initiatives from the top down.

Technology Investment

Strategic adoption of AI, analytics, and automation tools matched to specific fraud challenges.

Cross-Agency Collaboration

Breaking down silos between DSS, law enforcement, banks, and community partners.

Continuous Improvement

Regular evaluation of metrics, adaptation to new fraud tactics, and scaling successful pilots.

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Implementation Roadmap

Assess & Prioritize

Evaluate existing capacity, identify gaps, and prioritize high-impact opportunities based on data.

Pilot & Refine

Conduct small-scale technology pilots, measure results, and refine strategies before expansion.

Partner & Deploy

Engage state resources and vendors, then comprehensively train staff on new tools and processes.

Monitor & Scale

Continuously track performance metrics, adapt approaches, and expand successful initiatives.

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Comprehensive Support & Funding

Government Funding & Guidance

- *NYS Welfare Inspector General (OWIG) training and support*

- *OTDA program integrity initiatives and guidance*

- *State-negotiated vendor contracts and group rates*

- *SNAP Fraud Framework grants from USDA*

- *Medicaid administrative match (50%+ reimbursement)*

Partnerships & Technology Solutions

- *NYSAC forums and working groups*

- *NY Welfare Fraud Investigators Association*

- *Regional fraud task forces*

- *Thomson Reuters Fraud Detect*

- *FraudFindr by The Bonadio Group*

- *EBT security solutions*

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Key Takeaways

Trends Demand Action

Fraud and exploitation are significant, evolving threats.
Doing nothing risks resources and public trust.

Technology Multiplies Impact

Modern analytics and AI make detection accessible,
efficient, and consistent—even for small teams.

People & Process Matter

Tools supplement but don't replace human judgment.
Cultivate vigilant culture and refine processes.

Protect the Vulnerable

Anti-fraud efforts ensure programs fulfill their mission and
protect both clients and taxpayers.

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Take These Steps This Week

01

Schedule Team Meeting

Gather key staff to discuss presentation takeaways and identify immediate opportunities

02

Request Vendor Demos

Contact 2-3 technology vendors for product demonstrations and pricing information

03

Review Current Metrics

Compile baseline data on fraud investigations, recoveries, and staff resources

04

Identify Funding Sources

Research available state grants, federal matches, and consortium opportunities

05

Connect with Peers

Reach out to counties with successful programs to learn from their experiences

06

Draft Enhancement Plan

Begin outlining 12-month roadmap with specific goals, timelines, and resource needs

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Thank You

Thank you for joining us today!

For questions or additional information, please contact Josh at:

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