

# Jobseeker's Allowance

## Fraud and Error Survey Report



Department of Social Protection

May 2014

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## 1. Introduction

The Department of Social Protection (DSP) 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.

This survey was undertaken on the Jobseeker's allowance (JA) scheme administered in DSP Intreo and Local Offices. The survey refers to a week in September 2012.

### Survey criteria:

The Department agreed the following criteria with the Comptroller & Auditor General (C & AG) 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.

During the course of 2013 the C&AG audited previous surveys and the fraud and error survey process in the DSP. The findings of the audit were published by the C&AG in September 2013. The recommendations of the C&AG are being progressed by the DSP and will be incorporated into future surveys, as appropriate.

While the JA survey was almost completed at the time of the publication of the C&AG's report, the Department has tried, in as far as possible, to ensure that this survey reflects the findings of that report.

## **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 JA survey the following approach was adopted:

- A random sample of 1,000 JA claims in payment at 7<sup>th</sup> September 2012 was selected.
- The sample of 1,000 was examined by the statistician and found to be representative as required by reference to age, location, gender etc.
- 13 cases are not included in the results as they were not returned to the Control Section to be included.
- There were 987 cases reviewed for the survey.

The sample of JA cases were examined and decided by deciding officers in Control Section in Carrick on Shannon, Co. Leitrim. This ensured consistency of decision making. In summary:

- (i) 621 cases had no weekly rate changes;
- (ii) 194 cases had changes that are attributed to the normal movement of jobseekers on the JA scheme;
- (iii) 149 cases had changes arising from fraud and error, as identified in the survey; and
- (iv) 23 cases had temporary changes but were reinstated at the same rate of payment.

Details in relation to the cases in (ii) to (iv) are outlined overleaf.

## **Normal Movement Cases:**

JA is a means-tested payment made to people who are unemployed and who do not qualify for Jobseeker's Benefit or whose entitlement to Jobseeker's Benefit has expired. In general to qualify for JA, a person must be unemployed, be capable of, available for and genuinely seeking work.

The following figures demonstrate the level of movement in the JA claim load. In 2013, 215,000 JA claims moved on/off JA from an average recipient level of c. 290,000. The main reasons for closure were 'No longer entitled' (70,000) and 'Found work' (58,000).

During the course of the survey 194 movement cases were identified with details below:

Number	Reason
15	Transferred to other SW scheme
38	Reported by office to have found work prior to review
32	Moved to training or employment programme
70	Progressed to education programme – 9 BTEA, 20 Second level Option, 31 Third level Option, 5 VTOS, 5 closed - reason student.
39	Other – Abroad, no longer signing.
<b>194</b>	<b>Total</b>

These cases were representative of the overall sample based on the risk categories identified for the survey. The Department does not consider that the fraud and error results for the survey need to be adjusted upwards based on the lower effective sample, net of movement cases. However, for future surveys, inspectors will be requested to check the previous eligibility of such claimants where they migrate to other DSP payments.

## Net rate of fraud & 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: 3.1% of expenditure equivalent to 13.1% of claims**

**Fraud figure: 1.4% of expenditure equivalent to 2.0% of claims**

**Error figure: 1.7% of expenditure equivalent to 11.1% of claims**

## 3. Risk Categories

In order to ascertain which claim attributes, if any, were more likely to occur in claims that were found to be in error (either by fraud or error), the results from the sample were analysed for two categories of claims; those claims that had a resulting change in their payment and those that had no change in payment (after the subsequent investigation). This analysis was based on the gross level of fraud and error in the survey i.e. by comparing the profile of the 149 change cases with the 838 'no change' cases.

Statistical analysis<sup>1</sup> revealed that the variables with the strongest influence on the likelihood of a case being non-compliant were family type, means, casual employment and payment method. These variables are closely related to each other so in practice family type and casual employment should form the basis of control activity. While non-Irish claimants had significantly higher levels of fraud

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<sup>1</sup> Chi-square analysis was used to identify initial risk groups and regression and probit models were used to determine strength of association for the initial variables

and error than Irish claimants, this was due to the much higher prevalence of family allowances paid to non-Irish claimants (e.g., 45% of non-Irish had adult dependants vs 23% of the sample. The levels of fraud and error for both Irish and non-Irish in this category were similar at 29% and 26%).

#### **4. Monetary value of fraud and error in the survey and confidence intervals**

Weekly monetary values of gross fraud and error for the JA scheme, along with the estimate of weekly fraud and error for the scheme, are shown below including their confidence intervals from the analysis:

- The sample average gross fraud and error amount is €9.37 per claim per week implying a weekly amount of fraud or error in the population of €2.681m with a 95% confidence interval of €1.935m to €3.427m.
- The results of the fraud and error survey also need to be robust at the level of the risk categories identified within the scheme. For casual claimants in the sample, the average fraud and error amount is €14.60 per claim per week implying a weekly amount of fraud in the casual population of €708,200 with a 95% confidence interval of €332,700 to €1,083,700 (i.e., the interval range is much higher than for the sample overall).

## 5. Details of outcomes of survey cases

### Suspected Fraud Cases

A total of 21 cases were identified as “suspected fraud”:

- 15 cases identified as suspected fraud resulted in a termination; and
- 6 cases resulted in a reduction in the weekly rate of payment.

Nine (9) of these 21 cases had overpayments assessed.

Details of reason for fraud	Fraud
Failed to furnish documents requested	7
Means increase	5
Means in excess	4
Abroad	1
Spouse self-employment/means partner	2
ADA stopped	1
Not available for work	1
<b>Total</b>	<b>21</b>

One other case had a suspected fraud overpayment for 3 days for a period worked in June 2012 but there was no reduction in the weekly rate of payment.

### Error Cases

There were 128 cases identified as error:

- 119 were classified as customer error; and
- 9 were classified as departmental error.

There were 94 cases of error that resulted in a reduction/termination in the weekly rate of payment e.g. means increased. There were 34 cases of error that resulted in an increase in the weekly rate of payment e.g. means reduced. Forty two (42) of the customer error cases were categorised as casual and 10 were categorised as self-employed. Of these 52 cases, 41 were paid by cheque, 2 were paid by EFT and 9 were paid by EIT. Twenty (20) of these 128 cases were claiming an increase for children with no ADA. Overpayments were assessed, where appropriate.



## **Terminations**

Of the above 149 fraud and error cases, there were 37 cases identified which resulted in a termination of payment.

These 37 terminations were re-examined in Oct 2013 (one year later) and the results of the survey are based on the situation at this time:

- 17 of the terminations were still closed;
- 16 claimed BASI or JA again and are being paid at a lower rate than before;
- 2 claimed DA;
- 1 is on OPFP; and
- 1 is a Qualified Adult on their partner's claim.

Ten (10) of the terminations were categorised as casual and 1 was categorised as self-employed. Ten (10) of the terminations were paid by cheque, 3 were paid by EFT and 24 were paid by EIT.

## **Temporary Changes**

During the course of the survey, there were 23 other cases that were terminated on a temporary basis. In general, these occurred in instances where customers were requested to furnish documents or attend interviews and failed to do so. The claim was temporarily payment suspended and then reinstated when the customer complied with the request for documents or attended interview. When examined all of these cases were reinstated with no loss of payment on JA and were considered fully compliant for survey purposes.

## **Appeals**

Two (2) cases were appealed following this survey. Both of these appeals were unsuccessful.

## **New Benefits**

The net rate of fraud & error for the survey was reduced by taking into account the amount of any new benefits. There were 20 such cases. The net rate of fraud and error is, therefore, based on the details of 129 cases out of 987 surveyed, having regard to any reduction in rates for the 20 new claims that came back on to benefits.

## 6. Conclusions and Recommendations

The survey indicates that the key risk groups for control actions are;

- Casual claimants; and
- Claimants with family allowances.

In addition to the controls on JA that are in place at the time of the survey listed in appendix 1, particular focus should be on the following:

- Accelerated roll-out of the casual scanning project and active follow up of claimants where employer details are not furnished for scanning; and
- More regular reviews of JA customers with family allowances.

At the time of publication of this report, scanning is in place for casuals in all but one Intreo/Local Office, covering 65% of the total casual claim load. Its roll-out to the full casual claim load is being actively progressed. Overall, this process significantly improves control by re-introducing employer verification of work patterns prior to certification.

The findings of this survey will be enhanced by the data analytics work, planned for later in 2014.

## 7. Appendix 1: List of controls in place for JA

The Department has a range of targeted initiatives to tackle JA fraud such as:

- Significant checks and verification of information at the beginning of a claim for benefit to prevent fraud entering the system in the first place;
- The removal of the option to receive payments by Electronic Fund Transfer (bank account) for new or repeat jobseeker customers;
- Automated/system-generated genuinely seeking work (GSW) reviews;
- A risk-based and intelligence-led approach to countering fraud, using targeted data-matches with agencies such as Revenue, Commission for Taxi Regulation, Private Residential Tenancies Board, Irish Prison Service, the Private Security Authority;
- Utilizing the resources and experience of the Special Investigation Unit (SIU) to respond and target high risk sectors where fraud and abuse is prevalent, e.g. non- residency, concurrent working and claiming.
- The SIU also work jointly with Revenue staff in the Joint Investigation Units. In addition, other inter-agency work is undertaken with NERA, Customs and the Gardaí;
- Continued roll-out of the Public Services Card with key security features, including a photograph and signature, which is being used to authenticate individuals; and
- Through the INTREO Service currently being rolled out to jobseekers, the integrated decision-making and active case management approach is not only delivering client service benefits but is also resulting in improved control across schemes.