

Rent Supplement

Fraud and Error Survey Report



Department of Social Protection

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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 Rent Supplement scheme. The survey commenced in March 2013.

The purpose of the rent supplement scheme is to provide short-term income support to assist with reasonable accommodation costs of eligible people living in private rented accommodation who are unable to provide for their accommodation costs from their own resources. The overall aim is to provide short term assistance, and not to act as an alternative to the other social housing schemes operated by the Exchequer.

There are currently¹ approximately 76,000 recipients of rent supplement, of which approximately 50,000 - or 66% - of the total have now been in payment for more than 18 months (37% of these are in Dublin).

Rent Supplement is subject to a limit on the amount of rent that an applicant may incur. Limits are set at levels that enable eligible households to secure and retain basic suitable rented accommodation, having regard to the different rental market conditions that prevail in various parts of the State. Rent limits are generally reviewed every 18 months. As rent claims come up for review, the amount of rent payable will be reviewed in line with the current maximum rent limits having regard to the individual's tenancy agreement in place at that time.

There is a high level of movement within the rent supplement scheme. There were 87,684 recipients at end 2012 and 79,788 recipients at end 2013. However, records of claims in payment during the year show many recipients move accommodation and approximately 25% of recipients have more than one claim during during 2013

The Department's strategic policy direction is to return rent supplement to its original purpose of a short term income support. In July 2013 the Government approved the introduction of the Housing Assistance Payment (HAP). Under HAP, the responsibility for the provision of rent support to those with a long-term housing need will transfer from the Department of Social Protection (DSP) to local authorities. This will include both existing customers on the rent supplement scheme and also to

¹ End May 2014

new customers who have been assessed by the local authority as having a housing need.

In effect, new customers assessed as having a housing need will, over time, apply for housing support under HAP rather than rent supplement.

Agreed 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.

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 Rent Supplement survey the following approach was adopted:

- A random sample of 1,000 rent supplement claims in payment at 9 March 2013 was selected. Claims with commencement dates after 1 January 2013 were excluded from the sample as these were considered to have been very recently assessed. This was done taking into account the level of documentation that had been recently supplied. In order to be awarded rent supplement there is a rigorous assessment of entitlement including third party verification of the tenancy by the landlord. However following a subsequent review of sampling procedures within the Department, recently awarded cases will not be excluded for future surveys
- The sample of 1,000 was examined by the statistician and found to be representative as required by reference to age, location, gender etc.
- The 1,000 cases were sent to relevant Divisional Officers for review.
- The original deciding officer (designated person) for each claim did not review their cases for the purposes of the Survey.

Of the 1,000 cases that were included in the review:

- (i) 638 cases had no changes;
- (ii) 202 cases had changes that are attributed to the normal movement on the rent supplement scheme; and
- (iii) 160 cases had changes arising from fraud and/or error.

Normal Movement Cases:

The purpose of rent supplement is to provide short-term income support to assist eligible people with their accommodation costs. It is a means tested scheme.

The following figures demonstrate the level of movement in the RS scheme claimload. In 2013 the average claimload over the year was above 80,000 claims. There were over 45,000 new claims registered for rent supplement and just under 56,000 claims closed during the year.

Overall, during the course of the survey, 202 normal movement cases were identified, This includes 74 cases of persons who had left the scheme after selection prior to the commencement of the survey.

Rent supplement is subject to maximum rent limits which are established following periodic reviews. During the survey, 54 cases had changes in the rent charged, in line with the rent limits and having regard to the customer's lease agreement. All new rent supplement claims are subject to the rent limits in place and existing claims on review. It is recognised that it is not administratively feasible to review all existing rent supplement claims immediately following the introduction of revised rent limits. Existing Rent Supplement recipients who move to new accommodation are subject to the rent limits and other claims are reviewed in line with Divisional timeframes.

Changes can occur in rent supplement entitlement due to changes in the lease agreement or class of household for rent limit purposes. Eighteen (18) cases such were identified in the survey. This includes cases where landlords revised rents during the review process, which may have been triggered by the survey correspondence. In some cases new lease agreements were entered into during the review period. In one further case a person advised the Department at the time of the review that he was getting married in the next week. One further case involved a dispute between the tenant and the landlord which resulted in a change of address and landlord.

A total of 54 cases were identified as variable means from employment or social welfare payment at the time of the survey. These type of cases mainly includes persons who are in part-time (less than 30 hours) employment or self-employment whose income varies from week to week. It would be an expected outcome of a review that the amount of RS payable would vary. The variable nature of these cases means that regular monitoring occurs by the community welfare service to ensure that the persons' earnings are taken into account when calculating their ongoing rent supplement entitlement. In the case of the Rent Supplement Scheme these changes are considered an acceptable feature within the administration of the scheme and are managed by regular review and monitoring.

Payment of rent supplement can be nominated to a third party, usually the landlord or their agent and this occurs in approximately 20% of cases. Frequent variation in the payment amount would lead to difficulties within the scheme for both rent supplement recipients and landlords. The amount paid in rent supplement is determined by the Department in the means test and is reduced by the tenant's contribution to their accommodation costs. If the amount paid directly to the landlord varies on a regular basis this will lead to difficulties for the landlord in reconciling payments for the tenants and collecting the contribution due from the

tenant. It could be seen as a deterrent for landlords to accept rent supplement recipients and also impact on customers security of tenure.

Under the new Housing Assistant Payment, the full rent amount will be paid to the landlord and the tenant will pay their contribution to accommodation costs in the form of differential rent to the Local Authority.

Cases Identified as 'Normal Movement'

Reason	Number
Case closed prior to survey	74
Change due to rent limits only	54
Change in rental agreement or in family/household structure	20
Variation in means	54
Total 'normal movement cases	202

These cases were representative of the initial overall sample as required by reference to age, gender etc.

Net rate of fraud & error

The net rate of fraud and error is calculated based on the decision on the claim following review.

Fraud or suspected fraud mainly arises where it appears 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 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:	5.0% of expenditure equivalent to 14.9% of claims
Fraud figure:	2.9% of expenditure equivalent to 3.5% of claims
Error figure:	2.1% of expenditure equivalent to 11.4% 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 their 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 160 change cases with the 840 'no change' cases.

Statistical analysis² revealed that the variables with the strongest influence on the likelihood of a case being non-compliant were location (as measured by the DSP division where the designated person was based) and the payment instruction method (whether the claim was paid directly to the client or paid to a nominated payee, usually the landlord). Divisions with high rates of error were Dublin Central and Midlands North (32% and 25%, respectively) whilst rent supplements paid directly to the client had a 18% rate of error, compared with 10% for those paid directly to a nominated person.

² 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

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

Weekly monetary values of gross fraud and error for the Rent Supplement scheme, along with an estimate of the proportion 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 was €4.99 per claim per week implying a total weekly amount of fraud and error in the population of €389,883 with a 95% confidence interval of €288,655 to €491,111.
- The results of the fraud and error survey also need to be robust at the level of the risk categories identified within the scheme. The sample average gross fraud and error amount in the Dublin Central division was €10.48 per claim implying a total amount of fraud and error in the division of €159,721 with a 95% confidence interval of €77,288 to €242,155. (i.e., the interval range is much higher than for the sample overall)

5. Details of outcomes of survey cases

Suspected Fraud

A total of 38 cases have been identified as "fraud" or "potential fraud":

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

Fourteen (14) of these 38 cases have had overpayments assessed.

Details of reason for suspected fraud	No.
Non response, claim closed, no new claim	17
Moved and failed to inform Dept.	9
Means not disclosed	5
Claim closed - client advised moving house	2
Claim closed - landlord refused to complete review forms	1
False documentation supplied to continue entitlement	1
Rent in payment by tenant above stated rent	2
Recommended employment after Mat Benefit and did not inform Department	1
Total	38

Error Cases

There were 122 cases identified as error:

- 55 were classified as customer error; and
- 67 were classified as departmental error.

There were 88 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 decreased.

Of the 55 customer error cases, 48 were paid to the claimant and 7 were paid to a nominated person.

Overpayments were assessed, where appropriate.

There were 67 cases classified as Departmental error. In the means test for rent supplement, the €2 difference between JA (€188) and Basic SWA (€186) is assessable as means. In 25 of the these cases, the error related solely to calculation errors in respect of this €2 rate difference.

During the period of the survey, it was recognised that there were errors in calculation of entitlement. In that context SWA Circular 04/2014 issued to Divisions which includes clarification of the steps involved in calculating entitlement to rent supplement. Refresher training for designated persons in the calculation of rent supplement has been provided on an ongoing basis.

Terminations

Of the above fraud and error cases, there were 54 cases identified which resulted in a termination of payment.

- 32 cases were classified as suspected fraud;
- 21 cases were classified as customer error; and
- 1 case was classified as departmental error.

Fifteen (15) of the terminations were paid by cheque, 12 were paid by EFT and 27 were paid by EIT. Forty seven (47) of the terminated cases were paid to the claimant and, in 7 cases, payment was made to a nominated person.

As of 28 March 2014, 43 of the terminations were still closed.

Temporary Changes

During the course of the survey, claims were reviewed within the relevant Divisions. Some claims were temporarily suspended when clients failed to respond to the review. These cases were not recorded centrally as it was the view of SWA Section that this was not the final outcome of the review process. When the final decision was made for each case this was notified to SWA section and provided for the results of the survey.

Appeals

No cases were appealed following this survey.

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 11 such cases where new rent supplement claims were awarded. The net rate of fraud and error is, therefore, based on the details of 149 cases out of 1,000 surveyed, taking into account any reduction in rates for the 11 new claims that came back on to rent supplement.

6. Conclusions and Recommendations

The survey indicates that the key risk groups for control action are:

- payment instruction method; and
- location.

The results of the survey will be provided to all Divisional Managers for consideration and assessment of the necessary measures required to address particular issues in their locations.

The dramatic restructuring of the CWS following its integration into the Department in late 2011 through the consolidation of smaller clinics into larger clinics and the implementation of rent hubs has led to increased external and internal controls by the sharing of information and greater transparency in the handling of claims.

Refresher training for designated persons in the calculation of rent supplement has been provided on an ongoing basis. The Department will target this training in respect of the Divisional areas where the error rate was high. In addition, the Department has embarked on a key initiative this year to review and redesign the suite

of training programmes currently available to staff, including those in the community welfare service. A key objective of this redesign is to develop training to a standard capable of accreditation, in order to 'professionalise' the significant functional and technical skills of staff. This training is currently at pilot stage before national rollout.

In addition to the controls in place for RS at the time of the survey, listed in Appendix 1, particular focus should be on the following:

- Departmental error was recorded in 7% of cases reviewed. While the average change value of these cases was low (€4), addressing departmental error in the calculation of rent supplement needs to be a priority for the Department. In this regard, guidance for staff on specific issues will be rolled out before the end of 2014. SWA Circular 04/2014 issued to Divisions in February 2014 which includes clarification of the steps involved in calculating entitlement to rent supplement.
- Efforts should continue to ensure that customers are aware of the conditions of the scheme and their obligation to report any change in circumstances to avoid customer error and overpayments;
- The forms issued to customers at the award stage, and intermittently thereafter, should stress the implications of providing false information or concealing information;
- The SWA Best Practice Manual should be reviewed to reflect the survey and current review practices and the findings should also be incorporated into the One DSP Learning Initiative (see appendix 1).

Appendix 1: List of controls in place for RS

The Department's control policy for Supplementary Welfare Allowance requires a detailed checklist to be followed when processing applications and investigating entitlement under the scheme. A Transaction Information System (TIS) management audit is carried out on a random sample of 5% of transactions for the current month and 1% of transactions for the previous three months. The aim is to check whether entitlements have been properly established and whether standards and guidelines are being complied with.

A key objective of the transfer of the Community Welfare Service (CWS) from the Health Service Executive to the Department on 1st October 2011 was to ensure that the best use is made of all available resources and to provide a streamlined, consistent and enhanced customer facing service at a local level for clients of the Department.

As a result there have been a number of significant policy initiatives undertaken in recent years that has resulted in a dramatic re-structuring of the administration of this service, including the closure of over over 420 satellite CWS clinics. This has resulted in smaller clinics been consolidated into larger centres with increased numbers of staff.

The benefits also include increased internal and external control measures through increased sharing of information, working in teams rather than in small independent units and the churn of staff from different disciplines bringing new experiences and values.

RS Controls

RS is a secondary benefit and, therefore, controls on primary qualifying payments also assist in tackling rent supplement fraud and error 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;
- A risk-based and intelligence-led approach using targeted data-matches with agencies such as Revenue, Commission for Taxi Regulation, Private Residential Tenancies Board, Irish Prison Service, the Private Security Authority;
- Utilising the resources and experience of the Special Investigation Unit (SIU) to respond and target high risk claims where potential fraud is suspected;

- 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
- Continued roll out of the INTREO Service nationwide which includes a single integrated decision-making team that integrates and streamlines the processes formerly undertaken by the different agencies amalgamated into the Department, including the CWS.