



United States
General Accounting Office
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Health, Education and Human Services Division

B-275918

February 21, 1997

The Honorable Elton Gallegly
House of Representatives

Dear Mr. Gallegly:

In spring 1995, newspaper and television reports alleged that noncitizen nonresidents of the United States were fraudulently receiving government benefits through post office boxes in U.S. towns near the Mexican border. For example, one newspaper article alleging this type of fraud in San Luis, Arizona, noted that (1) 8,000 post office boxes were rented in San Luis, compared with an estimated resident population of 4,000, and (2) each month, many government benefit checks and tax refunds were received in the area's post office. As the article was reprinted and paraphrased by other newspapers, as well as news services, a flurry of publicity and concern arose.

Because of your concerns about the alleged fraud, you asked us to provide information about (1) efforts to prevent and detect the fraudulent receipt of government benefits by noncitizen nonresidents in Mexican border towns and (2) the extent to which government agencies have detected this type of fraud in the Aid to Families With Dependent Children (AFDC), Supplemental Security Income (SSI), and Food Stamp programs.¹

We obtained information by contacting federal offices for the AFDC program in the Department of Health and Human Services (HHS), Food Stamp program in the U.S. Department of Agriculture (USDA), and SSI program in the Social Security Administration (SSA); we also contacted fraud and benefit offices concerned with these programs, at state and local levels, in Arizona, California, New Mexico, and Texas. Finally, we contacted the U.S. Postal Service and U.S. Justice Department, including the Office of the U.S. Attorney and the

¹As of July 1, 1997, the AFDC program will be replaced by the Temporary Assistance for Needy Families (TANF) program.

Immigration and Naturalization Service (INS). We did not independently verify the information officials provided us. Otherwise, we conducted our review, from November 6, 1996, to January 30, 1997, in accordance with generally accepted government auditing standards.

PREVENTION AND DETECTION EFFORTS

Federal, state, and local HEHS, USDA, and SSA offices—responsible, respectively, for administering the AFDC, Food Stamp, and SSI programs—all have a variety of procedures in place to prevent the inappropriate receipt of benefits by noncitizen nonresidents. As even the best prevention procedures are not fail-safe, these agencies also undertake periodic investigations to detect ongoing fraud. Periodic investigations have detected some cases involving noncitizen nonresidents' inappropriate receipt of government benefits through post office boxes in Mexican border towns. However, statistics on inappropriate benefits receipt do not identify cases involving the use of post office boxes. These statistics only identify failure to meet eligibility criteria, such as income, age, and household composition, as well as residency.

To prevent fraud before it occurs, procedures require checks of immigration status and residence. Specifically, the SSI, AFDC, and Food Stamp programs are required to use the Systematic Alien Verification for Entitlements (SAVE) system, maintained by the INS, to compare applicants' claimed immigration status with that recorded by INS.² Furthermore, all applicants for and recipients of SSI, AFDC, and Food Stamp benefits are required to provide a residence address if they elect to receive benefits through a post office box. Documentary evidence of residence—such as rental receipts, immigration papers, or school registration—is usually accepted as verification. Physical verification of applicants' or recipients' residence, such as home visits or residence surveillance, is not routinely undertaken, unless there is reason to suspect fraud.

²Under the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, current and future legal immigrants residing in the United States will be barred from receiving SSI and Food Stamp benefits until they become citizens (with exceptions for certain individuals). For federal cash assistance benefits, states have the option to maintain benefits of current legal immigrants. Most newly arriving legal immigrants who are qualified aliens are barred from all means-tested federally funded public benefits for the first 5 years they are in the United States

Most investigations to detect fraud are undertaken when there is some reason to suspect it. Some investigations are done on a case-by-case basis, such as when a suspicious case is referred to fraud investigators by benefit eligibility workers. Periodic investigations are also done on groups of cases sharing certain characteristics, which may or may not raise suspicions of fraud, such as cases of benefit recipients in certain zip codes or multiple benefit recipients at the same address.

Investigations of groups of cases are usually conducted jointly by several program and law enforcement agencies, such as the SSA, INS, USDA, local program offices, and state fraud units. Each agency usually contributes some investigative or data base resources. Initial investigative work might include, for example, checking (1) INS records to determine immigration status and (2) postal service records to identify residence addresses given by people renting mail boxes. Further investigative work, usually by an interagency team of investigators, typically includes home visits, interviews, and, sometimes, residence surveillance.

Examples of Fraud Detection

Federal and state agencies identified seven investigations of groups of cases sharing certain characteristics; these investigations have detected or may detect instances of fraud involving noncitizen nonresidents' receipt of government benefits through post office boxes in Mexican border towns.

- A multi-agency investigation was conducted, in August 1995, of all 405 state and federal benefit recipients in San Luis, Arizona. The investigation was in response to allegations in an April 9, 1995, Arizona Republic newspaper article of widespread post office benefit fraud in San Luis, Arizona, as indicated by a seemingly large number of rented post office boxes relative to the town population. On the basis of door-to-door investigations, 9 cases of state benefit fraud and 6 cases of federal benefit fraud were detected. Since there is no residential mail delivery in San Luis, presumably some of these cases involved the use of post office boxes. However, the basis for the findings of fraud may not have all involved noncitizen nonresidents. Investigative efforts reported by the USDA revealed that (1) the most recent estimated population of San Luis, at the time of the news article, was nearly 8,500, not 4,000 as reported; (2) of the 8,000 post office boxes in San Luis, nearly 2,000 were for businesses; and (3) an estimated 13,000 Mexican nationals worked in the lettuce fields around San Luis, received U.S. wages, filed tax returns, and could be eligible for earned income tax credit (possibly explaining the high number of tax refunds reportedly mailed to San Luis).

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- An investigation of 150 cases of suspected fraud in the receipt of restaurant meal allowances in Imperial County, California, in 1996, detected 10 Mexican residents, that is, U.S. nonresidents, ineligible for California's SSI benefits. Some of the suspects in these cases may have used post office boxes.
- An investigation, still under way, of all SSI recipients in Sunland Park, New Mexico, a Mexican border town, has confirmed benefits eligibility for 292 of 441 recipients. Some of the remaining 149 recipients (for whom investigation has been suspended) may be noncitizen nonresidents using post office boxes.
- Investigations are under way or about to be completed of 2,107 cases of SSI recipients using post office boxes for benefit receipt in two zip code areas around El Paso, Texas, and suspicious cases of SSI recipients in Chula Vista, California. These investigations have detected fraud, but only some cases involve noncitizens and the use of post office boxes. Of the cases being investigated around Chula Vista, SSI benefits have been stopped for 57 recipients found to be nonresidents of the United States.
- Since November 1994, continuous investigations have been conducted, at the U.S.-Mexican border in California and in Imperial and San Diego Counties, California, to identify fraudulent receipt of federal and state cash and medical benefits by noncitizens of the United States and nonresidents of California. These investigations, called the Border Project, are not limited to people using post office boxes. Of 12,234 cases referred to the Border Project during December 1-31, 1996, 139 were fraudulent benefit cases. The estimated federal and state AFDC and Medicaid "cost avoidance" from termination of benefits to the recipients in these cases was reported to be \$533,226 for that month.
- In 1994, the Arizona state fraud office identified people who had reported Mexican residence addresses on business agreements with a private mail box company. As a result of investigation, 14 Food Stamp cases were closed for reasons of nonresidency.

Further details about these investigations and other state and federal efforts to prevent and detect fraud are contained in the enclosure.

Comprehensive Data Unavailable

Comprehensive data on the extent to which fraud or attempted fraud is investigated or detected do not specifically identify cases involving the use of post office boxes by noncitizen nonresidents. Cases involving the use of post

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office boxes can be counted in a general category, such as "residency issues," with cases not involving post office boxes or noncitizens. For example, the category of residency issues includes cases involving multiple benefit recipients at the same address and recipients—who may be citizens or noncitizens and may or may not have used post office boxes—residing in a state other than the one paying the benefits.

We discussed a draft of this letter with HHS, USDA, SSA, and U.S. Postal Service officials, and they generally concurred with its contents. We are sending copies of this letter to the Secretaries of HHS and USDA and to the Commissioner of SSA. We will also make copies available to others on request.

If you or your staff have any questions about this letter, please contact me at (202) 512-7215 or Catherine V. Pardee, Senior Evaluator, at (202) 512-7237.

Sincerely yours,



Mark V. Nadel
Associate Director, Income Security Issues

Enclosure

STATE AND FEDERAL INVESTIGATIONS THAT MAY
DETECT NONRESIDENT NONCITIZENS' FRAUDULENT
RECEIPT OF U.S. GOVERNMENT BENEFITS
THROUGH POST OFFICE BOXES

This enclosure provides additional information about state and federal efforts that may prevent and detect the fraudulent receipt of government benefits, by noncitizen nonresidents, through post office boxes in Mexican border towns.

ARIZONA

The Arizona fraud investigation unit does not conduct ongoing or periodic investigations of post office box fraud per se. There must be "probable cause" for its investigations—the fraud unit's charter is to investigate suspected fraud. The unit cannot do "sweeps," such as matching post office box renters with benefit recipient rolls, and investigate matches unless there is a basis for suspected fraud.

In February 1994, a private mail box company provided the Arizona state fraud office with a listing of people who reported a Mexico residence address on the business agreement. As a result, 30 Food Stamp cases were identified for investigation. Potential fraud was discovered in 17 of the cases and 14 of the 17 were closed for nonresidency, 2 for unreported assets, and 1 for "incorrect household composition."

In general, post office box fraud is not a major problem in Arizona compared with problems like farm labor contract fraud, an official in the fraud investigation unit said.

Joint Investigation of Federal and State Benefit Recipients

In response to allegations of benefit fraud in San Luis, Arizona, in a spring 1995 news article in the Arizona Republic, a door-to-door investigation was conducted. The investigators were from the Arizona Department of Economic Security, Social Security Administration (SSA), U.S. Postal Service, U.S. Department of Agriculture (USDA), Immigration and Naturalization Service (INS), U.S. Attorney's Office, and the Internal Revenue Service (IRS). They investigated all San Luis households receiving federal or state benefits. Between August 21 and 25, 1995, 405 door-to-door investigations were conducted, primarily to verify residence. Of 149 cases receiving state welfare benefits, 9 cases of fraud were detected. Of 324 cases receiving federal benefits, 6 cases of fraud

were detected.³ Reasons for fraud other than nonresidency were detected in some cases. Another 75 cases are still being investigated to determine eligibility.

CALIFORNIA

Some California county fraud investigation units, Special Investigative Units (SIUs), consider the use of post office boxes for receipt of Aid to Families With Dependent Children (AFDC) or Food Stamps to be an indicator of high risk for fraud. Many counties have systems for periodic verification of benefit recipients' residences or referral to SIUs when post office boxes are used for receipt of benefits; some counties refer cases of potential benefit recipients (applicants) for early fraud investigation when a person gives a post office box on the benefits application. A representative of California's state fraud bureau, which directs the SIUs, said the following: (1) There are 970 investigators in the SIUs, with one-third devoted to early fraud detection investigations. (2) It is unlikely that someone could use a post office box for receipt of benefits for long without being subjected to a residency verification. (3) In some areas of California, a high rate of theft from residential mail boxes causes a greater need among residents for use of post office boxes.

San Diego and Imperial Counties State-Federal Border Project

Since November 1994, to identify fraudulent receipt of federal and state cash and medical benefits by noncitizen nonresidents, continuous investigations have been conducted at the U.S.-Mexican border in California and in Imperial and San Diego counties, California. These Border Project investigations are not limited to fraud through the use of post office boxes. The objectives of the Border Project include (1) identifying former or current recipients who are nonresidents of California, but have obtained Medicaid, AFDC, Food Stamp, California's general relief, or Supplemental Security Income (SSI) benefits; (2) preventing future fraud; and (3) obtaining restitution for fraudulently received Medicaid benefits.

The agencies participating in the project include the California Departments of Social Service and Health Services, INS, U.S. Customs, San Diego County DSS, Imperial County DSS, San Diego County District Attorney, and the U.S. Department of State.

Suspicious cases referred to and investigated under the Border Project include people in possession of border-crossing cards, people crossing U.S. borders claiming orally or by

³In some cases, both state and federal benefits were received.

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presenting documents that they are U.S. citizens or legal immigrants, and suspected impostors and undocumented aliens.⁴

Investigation includes identifying benefit recipients through checks with state and county benefit information systems, requiring declaration of residency and completion of affidavits and questionnaires, and using consented-to purse searches.

Of 12,234 cases referred to the Border Project during December 1-31, 1996, 139 were people receiving AFDC, Food Stamp, SSI, or Medicaid benefits inappropriately. Estimated federal and state AFDC and Medicaid savings by terminating benefits to these people was reported to be \$533,226 for that month.

California Central Fraud Bureau Investigation of Workers in Imperial County

In the course of a California investigation in 1996, conducted by the California state central fraud bureau, of 150 cases of restaurant meal allowances in Imperial County, 10 Mexican residents, that is, U.S. nonresidents, were found ineligible for California's supplemental SSI benefits. The 150 cases investigated were not selected randomly, but because they were suspicious for some reason.

San Diego County Fraud Unit

Benefits are denied, for some reason, in about 70 percent of the roughly 400 cases referred each month to the San Diego County's Public Assistance Fraud Division, the director said; about 12 percent of all cases are referred each month for investigation of residency issues, with most of these cases in border towns, but not necessarily involving the use of post office boxes. Use of post office boxes is not the most frequent residency fraud encountered—the most frequent is people using relatives' or friends' addresses as their own, he added.

NEW MEXICO

The use of post office boxes by nonresidents for receipt of benefits is a chronic problem, according to a state fraud unit representative. About once every 6 months, the unit conducts joint investigations with INS and SSA, which result in about 20 to 30 cases being

⁴Border-crossing cards, issued by INS after an application process if the border crosser is able to show solvency and residence in Mexico or Canada, allow border crossers to visit in the United States for up to 72 hours and to travel up to 25 miles from the international boundary. Border crossers are not allowed to live, work, or receive public assistance benefits in the United States.

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removed from benefit rolls. Some of these same cases show up again on benefit rolls 6 months or so later. Home visits and interviews are used to determine if recipients have a legitimate New Mexican residence.

Joint Investigation of SSI Recipients

In spring 1996, for example, an investigation was undertaken of all SSI recipients in Sunland Park, New Mexico, which is right next to the U.S.-Mexican border; all mail for the town is received by post office box. A team of 18 investigators from the SSA-Inspector General (IG), Postal Service, U.S. Secret Service, Federal Bureau of Investigation (FBI), New Mexico state IG, the USDA IG, and the Sunland Park police department attempted to conduct a face-to-face interview and complete a questionnaire for each SSI recipient. For 292 of 441 recipients contacted, no problems were identified. For the remaining 149 recipients, the results were as follows:

- 15: no such address,
- 27: recipient unknown at given address,
- 23: unable to contact at residence after several attempts, and
- 84: questionable (due to conflicting information or suspicion of an investigator).

Of these 149 recipients not confirmed to be problem-free, 42 have been referred to the Las Cruces SSA office for further investigation. The Las Cruces office has been advised to request recipients come into the office for face-to-face interview; for each recipient, a photo should be taken and a signed statement obtained, outlining his or her whereabouts for the past 12 months. Further investigation by the SSA-IG of the other 107 cases, which were not confirmed to be problem-free, has been suspended due to lack of investigative resources and pending the outcome of another SSA-IG investigation of SSI recipients in El Paso, Texas.

TEXAS

For post office box holders in border counties, Texas participates with other agencies in periodic investigations, which check INS immigration status to determine if the post office boxes are rented by illegal aliens. These investigations also include field surveillance and investigation of residence. Many fraud cases found in the El Paso area are getting medical benefits, an official in the state fraud office said.

SOCIAL SECURITY ADMINISTRATION (SSA)

SSA's IG Office of Investigations started an investigation in November 1996 in El Paso, Texas, called "STOP," Southwest Tactical Operations Plan. STOP requested proof of residency from 2,107 SSI recipients with post office box addresses in two zip code areas

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around El Paso. Suspect information is being physically verified and other eligibility factors, such as citizenship, income, and age, are also being investigated.

In addition, the IG is preparing a report on the SSI residency verification process, including the results of a recent SSA pilot project involving investigation of suspicious SSI cases around Chula Vista, California. For this project, SSA contracted with a private firm to do home visits and verify residence for suspicious cases. These cases were referred to the contractor based on (1) third-party allegations, (2) multiple recipients of SSI at the same address, and (3) SSA staff suspicions, based on data in SSI files. Fifty-seven SSI recipients have been found to be resident outside the United States, and their benefits have been stopped. Other recipients, whose residences were not verified, were (1) not at the residence address on record and benefits were stopped, (2) unable to be contacted and follow-up visits are pending, and (3) subject to benefits termination for reasons other than residency. Pending the results of an audit exit conference with SSA management and receipt and consideration of written comments, the IG will issue a final report.

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (HHS)

Neither the HHS IG nor the federal Office of Family Assistance, which oversees AFDC, has any investigations under way or planned on this issue. State fraud investigative units are responsible for investigating fraud under the AFDC program.

U.S. DEPARTMENT OF AGRICULTURE

In the wake of publicity from the Arizona Republic article and in addition to participating in the multi-agency Arizona investigation mentioned above, USDA's IG and Food and Consumer Service—which administers the Food Stamp program at the federal level—formed a joint task force to (1) investigate the allegations of fraudulent receipt of benefits in San Luis, Arizona, by nonresidents and (2) review state efforts to prevent such fraud by Arizona, California, New Mexico, and Texas. The Food and Consumer Service prepared a report of its findings (summarized in our letter) concerning federal and state activities to prevent and detect Food Stamp fraud in Arizona, California, New Mexico, and Texas.

The USDA IG does not have any investigations planned or under way concerning the fraudulent receipt of benefits by nonresidents through post office boxes.

U.S. POSTAL SERVICE

The U.S. Postal Service routinely provides information to other government agencies for law enforcement purposes. With regard to post office boxes, information the Service shares includes the name and residence given by the person renting a box, as well as the

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identity of the person who usually pays the rental fees (when different from the person renting).

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