

## **EXECUTIVE SUMMARY**

### **Direct Investigation Report Prevention of Abuse of Special Grants under the CSSA Scheme**

#### **The CSSA Scheme**

Our community is always sympathetic towards those in genuine hardship. The Comprehensive Social Security Assistance (“CSSA”) Scheme, administered by the Social Welfare Department (“SWD”), provides a safety net for them.

2. CSSA recipients must be Hong Kong residents satisfying both a means test and a requirement of continuous residence in Hong Kong. The Scheme comprises various standard rates for different categories of recipients, special grants and supplements.

#### **Standard Rates**

3. The standard rates, applicable generally to all recipients, cover the basic needs of nourishment, clothing and transport. The amount payable depends on the family size as well as the age and physical condition of the recipient and his or her family members.

#### **Special Grants**

4. Grants at the standard rates apart, CSSA recipients may apply for special grants to meet their specific needs: standard special grants and discretionary special grants.

##### *Standard Special Grants*

5. Standard special grants cover the following five categories of expenses:

- (a) housing and related grants for rent, water/sewage charge, etc;
- (b) family grants for burial, travel to and from hospital/clinic, early education for children, etc;
- (c) medical and rehabilitation grants for special diet, dental treatment, eye-glasses, care and attention, rehabilitation equipment (e.g. wheelchair) and hygienic items (e.g. diapers), etc;
- (d) child-care grants for baby-sitting, maintenance payment for board and lodging of children, etc; and
- (e) school grants for school fees, school-related expenses, school travelling expenses, etc.

6. Standard special grants can be recurrent or one-off, and are paid subject to proof. Some are subject to prescribed limits, e.g. rent allowance (recurrent) and burial (one-off), while others have no ceiling, e.g. diapers (recurrent) and eye-glasses (one-off).

7. For some “common” items with no prescribed ceiling, SWD has worked out an average, e.g. the average grant for eye-glasses was \$530 in 2006. Over the past four years (2004/05 to 2007/08), grants for eye-glasses amounted to some \$18.8 million.

### ***Discretionary special grants***

8. Discretionary special grants are intended to enable recipients to avoid such exceptional hardship as homelessness, family breakdown and lives at risk. Examples of these grants are for replacement and repair of essential household effects and loss of cash.

### ***Supplements***

9. To recognise the special hardship of the elderly, sick or disabled, such recipients will receive a supplement. Single parents are also entitled to a supplement.

## **The Investigation**

10. Complaints handled by this Office indicate SWD’s haphazard processing of applications for special grants. As use of CSSA funds on ineligible individuals unfairly drains resources meant for those in genuine hardship, The Ombudsman decided to initiate a direct investigation into SWD’s system for preventing abuse of special grants.

## **Mechanism for Preventing Abuse**

11. CSSA applicants are required to attest to the accuracy of their information regarding income, assets and family status. They have to report any subsequent changes and confirm their understanding of the legal consequences of obtaining welfare by deception. SWD conducts home visits, verifies applicants’ information and regularly reviews recipients’ eligibility. Its Special Investigation Section is responsible for investigating cases of suspected fraud.

12. Special grants are subject to additional safeguard against abuse. Approval of standard special grants and discretionary special grants involves two-tier and three-tier processes respectively. A frontline Investigating Officer, at the level of Social Security Assistant or Senior Social Security Assistant<sup>1</sup>, verifies the need for special grants. The Authorising Officer, a Social Security Officer II<sup>2</sup>, approves applications for standard special grants up to certain cash limits, e.g. up to \$1,000 for grants to cover eye-glasses. For discretionary special grants, depending on the nature of the application, a Social Security Officer I<sup>3</sup> to Directorate D1 or D2 officer will approve.

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<sup>1</sup> At the rank of MPS 7-17 (\$13,120 to \$22,985) and MPS 18-23 (\$24,120 to \$30,615) respectively.

<sup>2</sup> At the rank of MPS 10-27 (\$15,785 to \$36,740).

<sup>3</sup> At the rank of MPS 28-33 (\$38,470 to \$48,400).

13. SWD has guidelines for processing standard special grants and broad principles for discretionary special grants, reminding officers to exercise care and keep the grants to a minimum. It considers absolute consistency in approving these grants impossible. Nevertheless, dossiers on approved cases are on its computer for staff reference to make for **some** consistency. Moreover, the computer system has built-in validation to guard against wrongful input.

### **Observations and Comments**

14. To evaluate SWD's measures to guard against abuse of special grants, we have examined statistical data and case files. Some sample cases are outlined below.

#### ***Cases 1 and 2: Cases of meeting genuine need***

15. In Case 1, a couple with nine dependent children have been receiving standard rates and standard special grants, totalling over \$1.116 million between 2004/05 and 2007/08, i.e. averaging \$279,000 per year.

16. The recipient in Case 2, bed-ridden and living alone, was issued a one-off grant of \$5,280 and a recurrent grant of \$3,780 a month for employing a foreign domestic helper.

17. **Observations.** Without the special grants, the children in Case 1 and the recipient in Case 2 would be in extreme hardship. These two cases show how CSSA, including special grants, can function well as a safety net for the less fortunate members of our community. They also illustrate that resources for taking care of the needy and the vulnerable are effectively used.

#### ***Cases 3, 4 and 5: Cases of ineffective reviews***

18. The recipient in Case 3 has been on CSSA since January 2003. His case has been reviewed every six months. From August 2003 to December 2005, he withheld information about his rent arrears and provided forged rental receipts, securing by deception grants totalling over \$35,000. A special survey in 2005 of selected cases revealed the fraud.

19. The recipient in Case 4 had obtained grants totalling some \$11,000, with forged rental agreement and receipts. Then after two years during an SWD review, he inadvertently submitted the real documents and the fraud came to light.

20. Case 5 involved two CSSA recipients, A and B, sharing a room at \$2,000 rent a month. Since 2001, they had each been applying for a standard special grant of \$1,450 a month with fake receipts for rent and deposit. Three reviews by SWD failed to discover the fraud. During a review of B's case, SWD made a telephone check but was fooled by A impersonating the landlord. Finally during a review in 2005, SWD staff telephoned the wife of the real landlord and discovered the fraud. A and B had each secured over \$20,000 by deception<sup>4</sup>.

21. **Observations.** Rent allowance constitutes 72% of the expenditure on standard special grants. Cases 3, 4 and 5 show that SWD's regular reviews of recipients' eligibility are of little use

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<sup>4</sup> The recipients had each received \$1,450 per month from 1 March 2001 to 31 May 2003 and \$1,265 per month (the prescribed ceiling) from 1 June 2003 to 31 October 2007.

where recipients set out to deceive. SWD should perhaps rely more on external checking. A home visit and direct discussion with the landlord would have exposed the deception more readily.

### ***Case 6: Case of ineffective reviews***

22. The recipient's disabled mother had to use adult diapers. Between 2001 and 2005, the recipient submitted to SWD 47 receipts, of which only the first two were authentic. During a review in 2005, on verifying with the dispensary concerned, SWD discovered the fraud which involved overpayment of some \$86,000.

23. **Observations.** Despite 17 reviews since the first grant in April 2001, the deception went unnoticed. In the event, it only took a single telephone call to the dispensary to discover the fraud. Most reviews were clearly paper exercises not worth the time and manpower spent.

### ***Case 7: Case of approving applications without due care or reason***

#### Eye-glasses

24. The recipient had been on CSSA since 2003. In May 2004, he wanted a Gucci designer frame for his short-sightedness (right eye 3.25 degrees and left eye 3.50 degrees). With a quotation of \$1,500, he applied for a standard special grant and was granted \$1,000, the maximum amount which SWD frontline officers could approve. In the next two years, he applied for the same grant four times, on grounds of progression by 0.25 degree and damage of glasses by accident or in a fight.

25. In January 2007, with a quotation of \$1,951, he applied for a grant the sixth time to replace his glasses also for progression by 0.25 degree. According to the quotation, the frame (again by Gucci) alone cost \$1,501 after discount and the lenses \$450. SWD telephoned the supplier to verify the quotation and then granted him \$1,000. The recipient complained to this Office against SWD for having verified the quotation.

26. We considered SWD's verification a responsible act. However, we questioned approval of the grant, which is meant to cater for basic albeit "special" needs, rather than luxury items or replacements on such flimsy grounds as a change of only 0.25 degree.

27. Subsequently, the recipient forfeited the \$100 deposit that he had paid to obtain the quotation and bought a pair of contact lenses for \$530 from another supplier instead (4.25 degrees for both eyes). He was required to repay SWD the balance of \$370.

28. In May 2007, the recipient wanted to replace his glasses again as he claimed that the contact lenses were uncomfortable and the shortsightedness of his right eye had reduced by 0.25 degree. SWD granted him yet another \$1,000.

#### Dental Treatment

29. Between May 2004 and June 2007, the same recipient also made five applications for standard special grant for dental treatment. He presented SWD with quotations after check-up: \$1,650, \$2,330, \$870, \$1,550 and \$1,050. On each occasion, he was granted cash in advance, except for the last time in June 2007 when SWD paid the clinic direct.

30. In fact, he did not receive any treatment until June 2007. While approving the five applications, SWD staff never queried why the recipient had not gone to the clinic for treatment. Subsequently, he agreed to repay the overpayment by deduction from his CSSA by instalments.

#### Rent Allowance

31. Meanwhile, the recipient was receiving a rent allowance of \$765 a month for public housing. However, he defaulted on rent payment of \$7,650 from June 2006 to March 2007 and was issued a Notice to Quit. After negotiation, the Housing Department allowed him to pay the rent arrears by instalments. He asked SWD to pay for him and deduct the amount by instalments from his future CSSA. SWD refused.

32. **Observations.** Case 7 was a blatant case of abuse. SWD had in effect been offering the recipient ready cash and interest-free loan, as well as the standard rate and special grants:

<b>Item</b>	<b>Ready cash/interest-free loan received</b>
Eye-glasses	\$7,000
Dental treatment	\$6,400
Rent allowance	\$7,650
<b>Total</b>	<b>\$21,050</b>

#### Eye-glasses

33. The recipient obtained his first pair of glasses in May 2004. Six months later, he sought a new pair because of progression by only 0.25 degree. Reasonable questions would have been:

- Does progression by 0.25 degree require replacement<sup>5</sup>?
- Why does it cost over \$1,000, given the average of \$530 for a pair of glasses?
- Why can the existing frame, only six months old, not be used again?
- Should CSSA recipients be provided with costly designer frames at public expense and at rather frequent intervals?

34. SWD initially explained to this Office that it had not questioned the unusually high prices because certain eye ailments called for special lenses. Later, SWD advised that the recipient was not suffering from any such condition. This suggests that SWD had not processed his applications with due care or reason.

#### Dental Treatment

35. With only quotations for dental treatment but no evidence of payment, the recipient had obtained cash advance from SWD time and again. In the absence of any receipt to certify treatment actually received, SWD should have raised queries.

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<sup>5</sup> According to the Hong Kong Society of Professional Optometrists, in general, a change of 0.25 degree does not necessitate replacement of eye-glasses.

## Rent Allowance

36. Direct payment would ensure timely rent payment and prevent the recipient accumulating arrears or further obtaining cash advance from SWD. Since 1 June 2007, SWD has applied direct payment to rent for public housing. However, unless direct payment becomes the norm, the risk of misuse remains with other special grant items.

### ***Case 8: Case of rejecting unreasonable claim***

37. The recipient in Case 8 wanted food, as his money had allegedly been stolen. As he still had \$1,800 in his bank account, SWD declined his request. He then withdrew the amount from the bank and disposed of it. He applied to SWD again for a discretionary special grant but still failed.

38. **Observations.** Claims relating to loss of cash require no receipt. Case 8 shows that some approving officers sensibly refused an unreasonable claim. The efforts are commendable.

### ***Cases 9 and 10: Cases of easy giving away***

39. In Case 9, the recipient (able-bodied, aged 29) and his wife (able-bodied, aged 26) had two small children. They had been on CSSA since May 1998. In 2004, SWD approved a discretionary special grant of \$5,355 to cover rent and the children's school fees and school bus fares after the recipient claimed to have been robbed of \$7,600.

40. The recipient in Case 10 claimed to have lost money three times: \$1,900, \$1,300 and \$2,000 respectively. On the first occasion, SWD granted him a travelling allowance to receive free meals from a voluntary agency for six days and another \$1,703 for meals for the rest of the month. On the second, SWD gave him dry rations for nine days and \$1,300 to cover the rest of the month. On the third occasion, he declined free meals or dry rations and SWD gave him \$2,000. He was referred to a medical social worker for appointing an agent to receive his CSSA on his behalf and he refused.

41. **Observations.** Although the recipient in Case 9 might suffer hardship if the alleged loss were not made good, SWD staff should have asked why he was carrying so much cash and also offered him help in kind instead. He should be advised that, like anyone else, he is responsible for the safe custody of his money.

42. For case 10, in addition to providing food, SWD granted cash to the recipient and readily gave in to his refusal to receive assistance in kind. Such easy indulgence could well encourage carelessness and similar applications.

## **Concluding Comments**

43. The community needs, indeed expects, assurance that the CSSA Scheme takes care of the needy and the vulnerable only and has adequate safeguard against abuse. In approving special grants and conducting checks, SWD staff must, therefore, always exercise due care, diligence and sound judgment as well as flexibility and sympathy.

44. We find SWD procedures for handling applications for special grants, its criteria for approving these applications and mechanism for preventing abuse generally in order. It is mainly the mindset of some SWD staff responsible for processing applications for special grants that suggests the need for review. Some of the cases outlined above reflect an abandonment of common sense and lack of practical judgment among some in SWD.

45. In this connection, we note that relatively junior staff are sometimes required to shoulder the responsibility for approving complicated or dubious cases. This is not appropriate or commensurate with their rank or experience.

46. In passing, we wish to point out that as in Case 9, there are able-bodied individuals on CSSA for over ten years. It is questionable whether they would ever leave the safety net. It is high time that our community actively explore the possibility of limiting the period of assistance to such recipients.

## **Recommendations**

47. The Ombudsman recommends that SWD take the following measures for more effective administration of the special grants under the CSSA Scheme:

### ***General***

- (1) to continue to impress upon CSSA applicants their obligation for full and truthful disclosure of their particulars as well as any changes thereto and the consequences of failure to do so;

### ***Standard Special Grants***

#### Rent Allowance and Other Recurrent Allowances

- (2) to consider more involvement of senior officers (Social Security Officer I or above) in vetting dubious or complicated cases;
- (3) to require staff to verify supporting documents carefully by home visits and, where possible, clarification with landlords, chief tenants or suppliers of goods as appropriate;

#### Eye-glasses

- (4) to set a ceiling on the quantity of new eye-glasses normally allowed within a given period of time, except for cases of special need as certified by eye doctors;
- (5) to set a ceiling on the price of eye-glasses;

#### Dental Treatment

- (6) to require staff to follow up promptly recipients' failure to receive dental treatment and demand their explanation. Unless satisfactorily

explained, no further approvals should be granted;

- (7) to settle costs by direct payment more readily in doubtful cases;

***Discretionary Special Grants***

- (8) to remind staff that these grants should be approved sparingly and only on justification;

**Loss of Cash**

- (9) to advise CSSA recipients that, like anyone else, they are responsible for the safe custody of their money; lost cash should not be replaced except in proven circumstances without contributory negligence on the part of the recipient;
- (10) as far as possible, to offer assistance in kind instead of cash;
- (11) repeated claims of loss of cash should be viewed sceptically. “Loans”, rather than grants, should be offered, and to be recovered by deduction from future CSSA payments.

48. SWD accepts these recommendations. We will monitor progress of implementation.

**Office of The Ombudsman  
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