



Office of Inspector General Written Testimony  
In Response to House Republican Policy Committee  
Public Hearing – June 2, 2010  
Issue: Welfare Fraud and Abuse Issues  
Mount Pleasant, PA

*1. Please provide a snapshot summary of how the Inspector's General's office through its Special Investigations and Public Benefits Fraud Prevention and Prosecution teams investigate and prosecute individuals accused of abusing Department of Public Welfare services and benefits. Specifically, how are violations and fraud found?*

The Pennsylvania Office of Inspector General (OIG) has two investigative bureaus: The Bureau of Special Investigations and the Bureau of Fraud Prevention and Prosecution. The Bureau of Special Investigations does not investigate or prosecute welfare fraud involving recipients. The Bureau of Special Investigations conducts investigations involving fraud, waste, misconduct and abuse in the programs, operations and contracting of executive agencies. This includes conducting investigations concerning Department of Public Welfare (Department) employees accused of misconduct or fraud relating to the administration of public welfare benefits. These investigations derive from various sources including tips, requests from the Department, or as a result of a recipient investigation.

The Bureau of Fraud Prevention and Prosecution operates two programs which focus on the prevention and prosecution of recipient-based public assistance fraud. These programs are the Field Investigation Program and the Fraud Investigation Program:

- The Field Investigation Program serves to prevent fraud by conducting application and recipient investigations. The OIG receives referrals for investigations from the Department's Office of Income Maintenance through caseworkers at County Assistance Offices. These referrals are made when there is inaccurate, inconsistent or incomplete information in an application or on-going case or when a caseworker suspects fraud. The OIG's Welfare Fraud Investigators (WFI) conduct these investigations and report their findings to the caseworker who will then determine eligibility based on the WFI's findings. This program helps prevent benefits from being paid out incorrectly which eliminates the need for the collection of overpaid benefits. The Field Investigation Program also provides a

deterrent to those individuals who would attempt to secure benefits from the Department through fraudulent means. Historically, the Department ultimately determines ineligibility or partial ineligibility in 45 to 50 percent of all cases referred to the OIG Field Investigation Program.

Act 54 of 2009 (Act) mandated changes to the method by which the Department refers cases to the OIG's Field Investigation Program. The Act mandated that Department caseworkers refer Field Investigations directly to the OIG and eliminated the supervisory approval stage. Further, the OIG and the Department have agreed to resume Field Investigations on Low Income Housing Energy Assistance Program (LIHEAP) referrals.

The Department's Office of Income Maintenance worked with the OIG and subsequently issued an operations memorandum explaining the new policy and revised the Field Investigation Referral form to reflect the requirements of Act. The Department issued an e-learning training seminar in collaboration with OIG that walks staff through the process to ensure that workers and supervisors understand the new law.

- The Fraud Investigation Program investigates overpayments of public assistance benefits and either prosecutes or holds individuals found to have committed an intentional program violation accountable through Administrative Disqualification Hearings. Other overpayments are routed directly to the collection process.

Overpayments are referred to the OIG's Avoidance and Recovery System (OARS) through the Department's Automated Restitution and Referral Computation (ARRC) system or by manually completing an overpayment referral form. After identifying and verifying information which caused a recipient to be ineligible for benefits, a caseworker compiles and enters the information into the ARRC system for computation and referral to the OIG or completes a manual overpayment computation and referral form. The OIG reviews electronic and manual overpayment referrals and identifies those which warrant further investigation for fraud.

The OIG's Claims Investigation Agent (Agent) conducts an investigation of the suspected fraudulent overpayment, which includes reviewing Department case

files, interviewing subjects and witnesses, obtaining court, financial, and/or employment records, and when evidence of fraud is found, drafts a private criminal complaint and affidavit of probable cause (where applicable) and forwards the investigation to their supervisor for approval. Once approved, the Agent forwards the criminal complaint and affidavit to local District Attorney's Offices for approval.

Upon approval of the District Attorney, the Agent files the complaint with the local Magisterial Judge's Office or Municipal Court Office and either acts as affiant to the complaint or as a witness in the preliminary and subsequent hearings. Another possible avenue when an intentional program violation is suspected is to schedule an Administrative Disqualification Hearing before the Department's Bureau of Hearings and Appeals. Those overpayments which are not selected for further investigation or are investigated and unsubstantiated for fraud are sent through an OIG collections process, which includes referral to the Treasury Offset Program,<sup>1</sup> recoupment (allotment reduction) for active recipients, individual repayment agreements with the OIG, or referral to private collection agencies.

2. *According to the Office of Inspector General's website, in 2008-09, more than \$57.3 million was saved through fraud prevention efforts. Where in the process (application through to benefits being provided) does this prevention occur?*

The OIG works with the Department to operate its Field Investigation Program, which focuses on investigating questionable applications for public assistance benefits and when questionable information arises subsequent to authorization for benefits. In fiscal year 2008-2009, 10,897 of the cases investigated by the OIG saved Pennsylvania more than \$57.3 million. Below is how the Field Investigation Program operates at the application and post-benefit authorization stages:

- At application or reapplication for benefits, the Department refers instances of inconsistent, inaccurate, or incomplete information or suspicions of fraud to the

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<sup>1</sup> The Treasury Offset Program (TOP) is operated by the United States Treasury Department and intercepts all forms of federal payments, such as Internal Revenue Income Tax Return refunds and Social Security benefits, to repay federal debts. The OIG refers all Supplemental Nutrition Assistance Program (SNAP) overpayments which are delinquent to TOP for repayment. In calendar year 2009, the OIG, through TOP, collected approximately \$3,100,000 in delinquent SNAP overpayment debts.

OIG for Field Investigation prior to authorizing the applicant for benefits. Cost savings are realized when benefits are prevented from being paid to applicants who the Department determined to be ineligible or partially ineligible for benefits based on the OIG's Field Investigation results.

- After application (post-benefit authorization), if the caseworker receives information on an on-going recipient of public assistance which causes them to suspect fraud, or may affect continuing eligibility, the Department, after taking necessary steps to verify the information, makes a referral to the OIG for Field Investigation. Information is received from various sources, including tips, computer cross matches via the Department's Income Eligibility Verification System (IEVS), and reported information from the recipient. IEVS is mandated by federal law and is a computerized system that matches applicant and recipient information to other databases, such as tax return information, in order to ensure factors affecting eligibility are known to the Department. Cost savings are realized when future benefits to a recipient are prevented from being paid or are reduced due to the Department's determination of ineligibility or partial ineligibility for benefits based on the OIG's Field Investigation results.
3. *According to the Office of Inspector General's website, in 2008-09, \$1.7 million in future benefits for 1,398 recipients were disqualified and the violators were prosecuted for welfare fraud or were disqualified administratively for committing intentional program violations. In addition, the OIG filed 1,411 criminal complaints, charging defendants with welfare fraud for unlawfully obtaining more than \$4.5 million in benefits. Please provide any statistics on the type of violations that occurred and how the system was allowed to be abused. What types of services and methods were the most commonly used amongst violators? Also, please indicate the communication process that transpires between the OIG and the Department of Public Welfare officials to prevent similar fraud by other individuals.*

The OIG does not maintain statistics on specific reasons or causes for overpayments which are prosecuted or have a finding of an intentional program violation. However, the most common reasons for fraudulent overpayments are unreported income and unreported household composition. When a recipient willfully fails to report changes in circumstances which affects their on-going eligibility for public assistance, such as when

they obtain new employment or when the number of household members changes, they will continue to receive undue benefits that results in an overpayment.

The Department has many ways to discover an unreported change, such as, but not limited to: IEVS computer cross matches, citizen tips, OIG Field Investigations, outside agency tips, and inconsistencies between applications. When the Department becomes aware of new information which may affect a recipient's on-going eligibility, it will take steps to verify the information and determine any impact on eligibility and complete an overpayment if necessary. The Department proactively monitors various systems to timely identify changes to limit the amount of overpaid benefits. If the OIG is made aware of a systemic issue, the Bureau of Special Investigations may conduct a program review and make recommendations to the Department for necessary changes.

*4. In addition to the fraud and violations that are found, are there other violations and fraud schemes that may be suspected by the OIG but may have been difficult to identify or prosecute?*

One of the main ways the Department identifies possible overpayments is through one of its computer cross match exchanges in IEVS. When income has not been reported to the caseworker, the Department may use this exchange to identify when a recipient has paid income tax in the Commonwealth and this exchange shows the employer and the gross wages by quarter. When an individual is employed but is paid "under the table" or without paying taxes on their income, it is particularly difficult for the Department to identify and for the OIG to investigate or prosecute for the possible overpayment.

*5. Have investigations included not only benefit recipients violating the program but also businesses acting in negligence of rules and standards?*

The OIG's jurisdiction is ordinarily limited to the prosecution of recipient fraud. However, the OIG, in concert with the United States Department of Agriculture's Food and Nutrition Service (FNS), operates a SNAP Trafficking unit whose goal is to investigate and prosecute individuals who traffic their SNAP benefits at retail grocery stores. The OIG assists FNS in conducting investigations on a grocery store (or any store with Point-of Service transaction capability). When FNS finds that the store is committing SNAP trafficking transactions along with recipients, it will make a referral to the OIG. The OIG conducts an investigation into the recipients associated with the store

for trafficked benefits and either refers suspected cases of fraud for prosecution or for Administrative Disqualification Hearings. FNS simultaneously pursues appropriate sanctions against the grocery store, to include criminal prosecution.

The Office of Attorney General, by statute, operates a Medicaid Fraud Control Unit, which is responsible for investigating and prosecuting Medical Assistance providers referred to it by the Department. The Department uses Fraud and Abuse Detection software that analyzes 27 million claims each year for data patterns that indicate potential fraud by providers and recipients in the Medical Assistance program. In fiscal year 2008-09, the Department recovered \$33.1 million dollars in the Medical Assistance program because of fraud and abuse. In fiscal year 2008-09, the Department opened 2,449 cases to investigate provider fraud, abuse or waste in the Medical Assistance Program. In addition to monetary recoveries, 166 providers were barred from participation in the Program.

6. *With the dramatic increase in welfare recipients over the past decade, what has been the caseload of the Office of Inspector General over the past 5, 10, 20 years pertaining to welfare fraud and abuse? Has the caseload increased or decreased during this current Rendell Administration? If it has decreased, what is the standard operating procedure for reporting fraud or abuse and what would you attribute to the decrease in caseload?*

In preparing its response, the OIG requested statistics from the Department regarding the number of current welfare recipients in Pennsylvania. The TANF cash assistance program has continued to decline over the last eight years and prior to the onset of the recession had been at its lowest level since 1961. As of April 2010, the TANF caseload is down 50% since 1997, but is up 8.2% over this time last year. 84,095 families receive TANF program benefits in the Commonwealth and the majority of individuals receiving benefits are children.

In addition, the Department stated that as of April 2010, 747,177 families receive SNAP benefits in Pennsylvania. The program is fully funded by the federal government through the United States Department of Agriculture. Eligibility for this program increased last year from 130% to 160% of the federal poverty income guidelines, consistent with direction from the federal government. Again, due to the recession, the Department indicated that caseloads are up 18% over this time last year.

In its response to this question, the OIG again focuses on its Field Investigation and Fraud Investigation Programs (as described in the response to question number one above):

- **Field Investigation Program –**

The Field Investigation Program was created in 1992. The program was piloted in a few counties in the Commonwealth and gradually grew to include all 67 counties. Today, the OIG has at least one assigned investigator in most counties and maintains a presence in all 67 counties. The OIG does not maintain statistics which date back to the program's inception. In fiscal year 2002-2003, the OIG received approximately 41,000 Field Investigation referrals from the Department. Fiscal year 2003-2004 showed a decrease in Field Investigation referrals to approximately 28,000 referrals.

This decrease in referrals coincided with the release of an Operations Memorandum from the Department which informed Department staff of changes in the Field Investigation Program referral process. These changes included the discontinuation of referrals for LIHEAP benefits and instituted the necessity for supervisory approval on all Field Investigation referrals from Department caseworkers. The Department's Operations Memorandum also emphasized the caseworker's responsibility to verify all necessary information prior to considering a referral to the OIG in an effort to ensure that only cases with inconsistent, inaccurate or contradictory information that cannot be verified are actually referred.

As stated in the response to question number one, recent legislation mandated that Department caseworkers refer Field Investigations directly to the OIG and eliminated the supervisory approval stage. The OIG worked with the Department to ensure that every caseworker is aware of the recent legislative change and the impact on the Field Investigation process. Further, the OIG and the Department have agreed to resume Field Investigations on LIHEAP referrals.

In fiscal year 2007-2008, the OIG received approximately 23,000 Field Investigation referrals. In the current fiscal year through April, the OIG received 21,562 referrals.

▪ **Fraud Investigation Program –**

In 1994 the Fraud Investigation Program, which had begun in the 1980's, was removed from the Department and merged with the existing Office of Inspector General. The OIG does not maintain statistics which date back to the program's inception. The OIG does maintain statistics dating from fiscal year 2000-2001.

In fiscal year 2000-2001, the Department referred approximately 116,000 overpayment referrals to the OIG, which included approximately 34,000 Cash Assistance (both General Assistance and TANF) overpayments and approximately 79,000 SNAP overpayments. In 2003-2004, the Department referred approximately 62,000 overpayment referrals to the OIG, which included approximately 21,000 Cash Assistance overpayments and approximately 38,000 SNAP overpayments. As of fiscal year 2007-2008, the Department referred approximately 23,000 overpayment referrals to the OIG, which included approximately 10,000 Cash Assistance overpayments and approximately 12,000 SNAP overpayments.