Washington State
Department of Social
& Health Services

Report to the Legislature

Development of the Office of Fraud and Accountability

Report required by RCW 74.04.012

January 3, 2012

Department of Social & Health Services
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Development of the Office of Fraud and Accountability

Appendices

1. Previous Organizational Chart of OFA

2. New Organizational Chart of OFA

3. Miscellaneous states statutes providing access to childcare records for fraud investigations.

Executive Summary

The report describes the initial efforts of the Office of Fraud and Accountability (OFA) in the Department of Social and Health Services (DSHS). OFA's responsibilities including this report are codified in RCW 74.04.012 and by December 31, 2011, the Office of Fraud and Accountability shall report to the legislature on the development of the office, identification of any barriers to meeting the stated goals of the office, and recommendations for improvements to the system and laws related to the prevention, detection, and prosecution of fraud and abuse in public assistance programs.

The initial emphasis of the program has been in enforcement actions in childcare and electronic benefit card trafficking. The next steps and recommendations reflect the initial emphasis.

The recommended next steps are to:

1. Improve access to childcare records for fraud investigators.

2. Improve ability to investigate fraud allegations of exempt (unlicensed) in-home childcare providers.

3. Update statutes to include electronic signatures as basis for perjury.

4. Continue to evaluate computer analytic tools.

This report will outline the development of the Office of Fraud and Accountability (OFA), barriers to fraud enforcement and recommendations to improve the prevention, detection and prosecution of fraud in public benefit programs administered by the Department of Social and Health Services and Department of Early Learning (DEL).

Development of the Office of Fraud and Accountability

The predecessor to (OFA) was the Division of Fraud Investigations (DFI) which focused most of its resources on verifying eligibility for public assistance benefits. At its peak DFI had nearly 100 staff and was located in almost every community service office in the state. Staffing was down to 38 persons in June 2011. OFA staffing levels will increase to nearly 50 staff as a result of the actions taken in the 2011-2013 biennial budget.

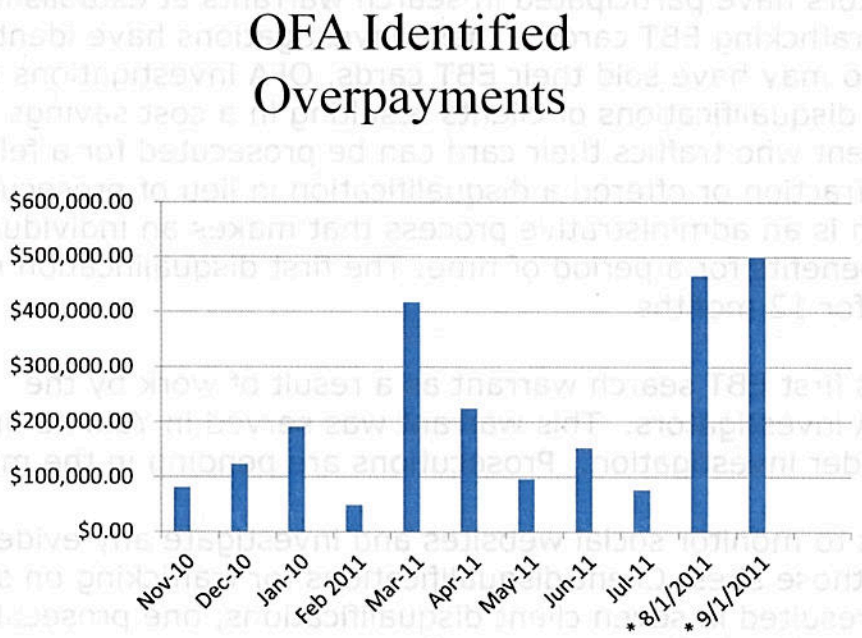
A complete structural reorganization of OFA has occurred in the last six months. The previous organizational structure (see appendix 1) had centralized management and a complex work flow.

The new structure of OFA places leadership in the field, has a clear work flow, and separates duties based upon the diverse work of OFA. Appendix 2 reflects the new structure.

The new structure includes working field supervisors who will help direct and lead the work. Five additional criminal investigators were hired in August 2011 enabling increased capacity for investigations which resulted in the doubling of the cases assigned for active investigations. An additional eight investigators and one manager will be added in January of 2012 to complete the reorganization. The new staff and structure will help support the ongoing efforts of program integrity across all the departments of DSHS.

Some of the highlights of the work accomplished by OFA during the past six months include:

Overpayments: Overpayments are monies identified by OFA that should not have been paid by the state. Most overpayments are due to intentional conduct and include cases discovered in investigations.



* The substantial increase in August and September 2011 was affected by initial work on childcare provider cases.

Childcare

OFA is in the process of investigating several childcare facilities for fraud. One of these investigations has included a search warrant for records at a childcare facility. The additional staffing of OFA has allowed these labor intensive investigations to be opened and worked.

OFA conducts childcare fraud investigations under an agreement with the Department of Early Learning (DEL). The investigations require close cooperation and coordination as DEL is responsible for the licensing for most childcare providers.

Electronic Benefit Transfer (EBT) Card
Electronic Benefit Transfer (EBT) investigations have been an emphasis of OFA. In partnership with United States Department of Agriculture (USDA), OFA investigators have participated in search warrants at establishments suspected of trafficking EBT cards. These investigations have identified individuals who may have sold their EBT cards. OFA investigations have resulted in 28 disqualifications of clients resulting in a cost savings of $52,000. A client who traffics their card can be prosecuted for a felony, cited for an infraction or offered a disqualification in lieu of prosecution. A disqualification is an administrative process that makes an individual ineligible for benefits for a period of time. The first disqualification results in ineligibility for 12 months

OFA served its first EBT search warrant as a result of work by the additional OFA investigators. This warrant was served in Yakima and the case is still under investigation. Prosecutions are pending in the matter.

OFA continues to monitor social websites and investigate any evidence of trafficking on those sites. Client disqualifications for trafficking on social websites has resulted in seven client disqualifications, one prosecution and a cost savings of $21,000.

Barriers to success of OFA

The initial barrier to the success to OFA was its organization and staffing. With additional resources in these difficult times the needed changes to OFA are in progress. The following are areas OFA has identified as additional barriers.

Childcare Barriers
The greatest barrier to fraud prosecutions in childcare is immediate access to evidence, such as childcare attendance records.

The State Auditor in his report dated September 21, 2011 (#1006484) on childcare outlined this issue. The report found that OFA should have immediate access to childcare attendance records. The report further found the current authority for OFA does not allow access to these records in a manner that will support fraud prosecutions.

The state auditor outlined in its report how several similar states have provided their fraud investigators immediate access to these crucial records. (See Appendix 3)

Unlicensed In-Home Childcare

The most difficult cases to investigate for fraud in childcare are the unlicensed in-home childcare providers. Fraud investigations of unlicensed in-home care providers are difficult. OFA investigators cannot verify the amount or identity of any children whose care is provided in these unlicensed family homes. Providers can and do refuse entrance to their residence to OFA investigators making quality fraud investigations impossible.

Information Systems Barriers

Another barrier to efficient fraud investigations is the lack of an efficient management case system for OFA and modern computer analytics capabilities to support the work of OFA.

Case Management System

The case management system of OFA is currently split into two systems that do not allow for both efficient case work and management oversight.

Resources and staff are currently working on identifying and customizing one of the several case management systems operated by other DSHS departments to replace the current two systems.

The systems upgrade will have as its goal increased investigator productivity and accountability.

Computer Analytics

The use of computer analytics to detect fraud has been used by the private sector (primarily banks and insurance companies) for a number of years. The USDA recently announced the award of a 24 million dollar contract for computer analytics to assist investigations of retailer fraud in food stamps. The use of computer analytics and associated tools have been successfully used by many other federal agencies.

DSHS recently requested vendors to demonstrate their products and capabilities for increased use of computer analytics to assist the fraud work of DSHS.

Over the past 8 weeks DSHS has reviewed a variety of fraud and abuse prevention and detection toolsets. These toolsets, from vendors like SAS, EMC, IBM/I2, InfoGlide, LexisNexis, and Accuity fall into four distinct, industry defined categories. There is not a clearly defined "Fraud and Abuse" industry category of tools. Instead, what vendors have done is created specific views and/or layouts within their business intelligence and data discovery products to address this business need.

A few of the primary categories of tools are:

- **Business Intelligence (BI) Tools** refers to computer-based tools used to retrieve, analyze, and report business data. BI tools provide historical, current and predictive views of business operations. Common functions are reporting, online analytical processing, analytics, data mining, process mining, complex event processing, business performance measurement, benchmarking, text mining and predictive analytics.
- **Data Discovery Tools** offer some of the same capabilities as traditional BI platforms but are typically much easier to deploy and manage, making it possible for end users to develop their own analyses. These products use data visualization and graphical interfaces which are often more intuitive than traditional BI tools. They are also often tailored for the individual or workgroup, and draw upon that workgroup's knowledge of their own sphere of the enterprise. They allow users to draw upon their business knowledge and stored metadata to develop, build, retain, and document their analytic solutions.
- **Data Warehouses** are databases that are used for reporting and analysis. The data in the warehouse is usually uploaded from operational administrative data systems. Data warehouses generally involve three layers: a staging layer (storing raw data), an integration layer (cleaning, combining and transforming data) and an access layer (the layer that is actually used for reporting and analysis.

OFA intends to work on indentifying the appropriate tools and their related cost and effectiveness. These tools may be outside the current fiscal situation, but will be evaluated to determine future usefulness.

Electronic Signatures Barriers

As the process of benefit applications has progressed from paper to electronic the issue of fraud prosecutions based upon an electronic signature has developed. The admissibility of a sworn statement signed electronically in a criminal prosecution has not yet been answered. An opinion from the Attorney General's office is pending. There is no clear statute establishing false swearing or perjury when the statement is signed electronically. The increase in electronic applications makes this issue an emerging barrier.

Recommendations to Address Identified Barriers

OFA has focused its initial months in existence on EBT and childcare fraud issues. The recommendations below are therefore limited to these specific areas and to system improvements.

Recommendation #1

Statutory changes to allow OFA immediate access to child care records in fraud investigations.

Recommendation #2

Improve unlicensed in-home childcare to address the extremely high risk of fraud in the program. Develop a verification process to eliminate the risk of providing unlicensed in-home childcare.

Recommendation #3

Update statutes to authorize the use of electronic signatures on benefit applications in fraud prosecutions, if they are not currently admissible.

Recommendation #4

Continue efforts to evaluate the cost and benefit of future acquisition of computer analytic tools.

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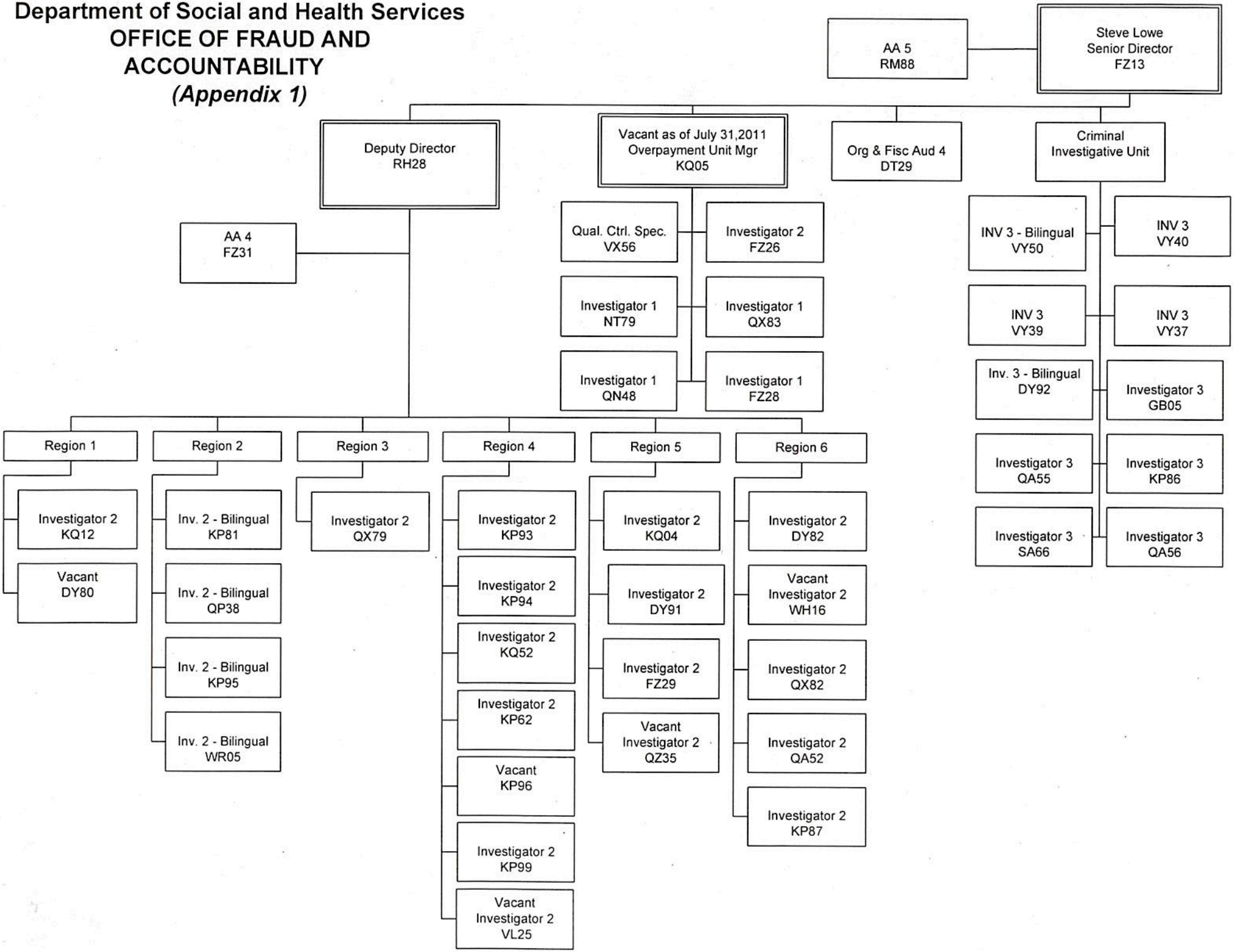
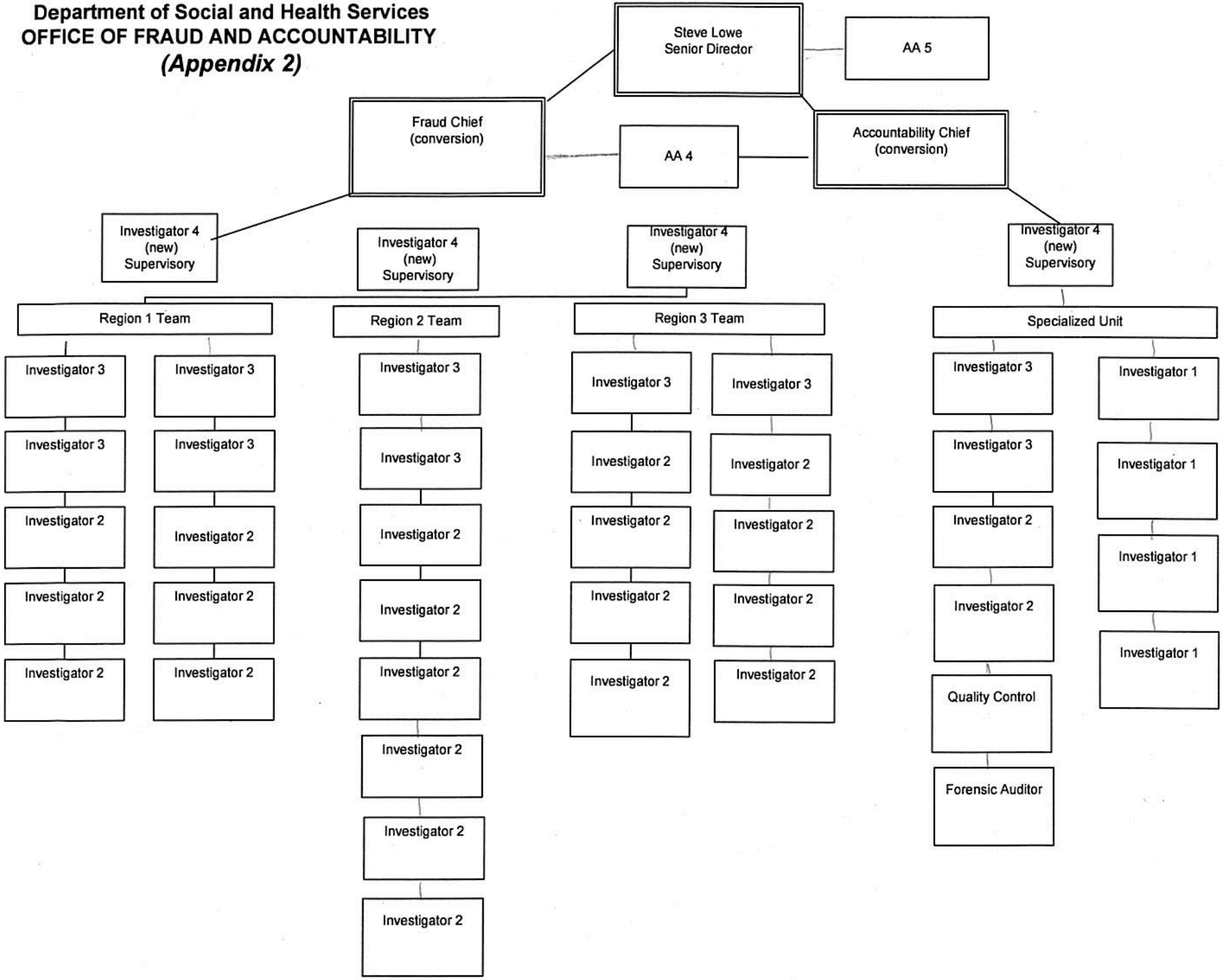
Department of Social and Health Services
OFFICE OF FRAUD AND ACCOUNTABILITY
(Appendix 1)



Department of Social and Health Services
OFFICE OF FRAUD AND ACCOUNTABILITY
(Appendix 4)

Department of Social and Health Services
OFFICE OF FRAUD AND ACCOUNTABILITY
(Appendix 2)



Appendix 3

Access to Child Care Attendance Records in Other States			
State	**Program**	**Number of providers**	**Access to records**
Washington	Working Connections	19,800	• Licensed centers and non-licensed relative/in-home providers have 14 days to respond to requests for child care attendance records. • Records and reports of licensed family home providers are subject to inspection during all hours in which licensed activities are conducted.
Oregon	Oregon Child Care Division	5,350	Records from all provider types are to be available at all times to the Child Care Division.
Idaho	Idaho Child Care Program	2,370	Providers must grant to the Department and its agents, immediate access to records for review and copying during normal business hours. The Department may also request copies be sent by the provider, who has 20 days to respond.
California	CalWORKS and Alternative Payment Program	49,000	The Department has the authority to inspect, audit, and copy child or child care center records upon demand during normal business hours. Records may be removed if necessary for copying.
North Carolina	North Carolina Division of Child Development	8,500	All records of any child care facility, except financial records, shall be available for review by the Secretary or duly authorized representative of the Department or cooperating agency.
Wisconsin	Wisconsin Shares Child Care Subsidy Program	7,810	• The Wisconsin Department of Children and Families (DCF), the Milwaukee Early Care Administration (MECA), counties and tribes have the right to visit the child care facilities to monitor compliance with program requirements, including keeping accurate records. • Monitoring may review records on-site, copy records on-site, or arrange to temporarily remove original records for review and copying (while leaving a proper receipt). • Providers must provide this access immediately upon request.

Appendix 3

[illegible]	[illegible]	[illegible]	[illegible]
Washington	Working Connections	18,800	• Licensed centers and non-licensed relative/in-home providers have 24 days to respond to requests for child care attendance records. • Records and reports of licensed family home providers are subject to inspection during all hours in which licensed activities are conducted.
Oregon	Oregon Child Care Division	5,350	Records from all providers types are to be available at all times to the Child Care Division.
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