



Commonwealth of Massachusetts
Office of the State Auditor
Suzanne M. Bump

Making government work better

Official Report – Issued July 20, 2017

Bureau of Special Investigations 3rd Quarter Report

Fiscal Year 2017

January 1, 2017 – March 31, 2017



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ABOUT THE BUREAU OF SPECIAL INVESTIGATIONS

As a part of the Office of the State Auditor, the Bureau of Special Investigations (BSI) is charged with investigating public assistance fraud throughout the Commonwealth. The diligent work of BSI examiners strengthens the Commonwealth's social safety net by ensuring taxpayer dollars used to fund public benefits programs are managed effectively so that programs are available to residents who truly need them.

Under state law, BSI's investigative authority extends to any assistance program administered by the Department of Transitional Assistance, the Department of Children and Families¹ (DCF), and the Division of Medical Assistance, which administers MassHealth (the state's Medicaid program). Although the Department of Early Education and Care (EEC) is not included in the BSI statute, BSI also works with EEC through a Memorandum of Understanding. As a result of BSI's investigations, public assistance fraud cases are referred to agencies for administrative action, fraudulent overpayments are recovered through civil agreements, individuals are disqualified from programs for specified periods of time, and cases are prosecuted in state district or superior courts and the United States District Court for the District of Massachusetts. BSI recommends cases for prosecution based on the severity of fraud, the intent of the perpetrator, and the possibility for the case to serve as a deterrent to future fraud.

Working under Section 17 of Chapter 11 of the Massachusetts General Laws, BSI examiners operate from five offices across the Commonwealth. BSI consists of four separate investigative units: the Central Processing Unit, the MassHealth Unit, the Department of Transitional Assistance Unit, and the Data Analytics Unit. Each unit is headed by an Assistant Director who reports to the Director of BSI. While each unit has its own specific concentration, there is extensive cross-unit collaboration, and investigations often involve overlap. BSI also participates in joint investigations and task forces with other state and federal agencies that focus on combating fraudulent activities throughout the Commonwealth.

This report, as statutorily required, summarizes BSI's work in the 3rd quarter of fiscal year 2017.

¹ DCF does not administer public assistance funding and therefore does not fall within the scope of BSI's investigative work.

EXECUTIVE SUMMARY

In the 3rd quarter of fiscal year 2017, the Bureau of Special Investigations (BSI) opened 2,520 new investigations, completed 1,926 total investigations, and identified fraud in 275 cases. BSI identified \$2,130,264.47 in public assistance fraud this quarter. The next section of this report includes a comprehensive breakdown of the fraud identified within each of the specific programs BSI is statutorily obligated to investigate.

BSI examiners filed four criminal complaints this quarter: two in Boston Municipal Court, one in Waltham District Court, and one in Pittsfield District Court. The cases involved a man receiving benefits under a false identity, a man misrepresenting his income to appear eligible for benefits, and two men who were living outside of Massachusetts while receiving MassHealth benefits. BSI also received a referral from the Social Security Administration (SSA) regarding a subject receiving benefits under multiple identities. BSI is currently investigating this case jointly with SSA. In the course of its work, BSI examiners interacted with numerous state and federal agencies, including the United States Department of Agriculture, the United States Department of Health and Human Services, the Massachusetts Office of the Inspector General, the Federal Bureau of Investigation, the United States Attorney, the Massachusetts Attorney General, district attorneys, and local law enforcement. BSI's partnerships with these agencies are crucial to its efforts to ensure that public benefits programs operate with integrity and are available to the citizens of the Commonwealth who truly need them.

3rd QUARTER SUMMARY

Figure 1. Third Quarter Caseload by Referral Source

| Caseload | EEC | DAU | MassHealth | DTA | Hotline | Other | Total |
|---------------------------------------|-----------|----------|------------|--------------|----------|------------|--------------|
| Beginning Balance | 39 | 2 | 445 | 1,342 | 3 | 279 | 2,110 |
| New Investigations | 5 | 3 | 198 | 2,314 | 0 | 0 | 2,520 |
| Total Completed Investigations | 18 | 0 | 303 | 1,538 | 0 | 67 | 1,926 |
| Completed w/ No Fraud | 4 | 0 | 259 | 923 | 0 | 5 | 1,191 |
| Completed w/ Identified Fraud | 14 | 0 | 44 | 155 | 0 | 62 | 275 |
| Completed as Potential IPV | 0 | 0 | 0 | 460 | 0 | 0 | 460 |
| Ending Balance | <u>26</u> | <u>5</u> | <u>340</u> | <u>2,118</u> | <u>3</u> | <u>212</u> | <u>2,704</u> |

Figure 1. A breakdown of BSI's case numbers categorized by referral source for the 3rd quarter of FY17.

Identified Fraud Cases by Disposition

- Total Cases with Identified Fraud: 275
- Closed or Intentional Program Violation (IPV): 244
- Referred for Prosecution: 19
- Civil Recovery: 12
- Referred for Further Action: 0
- Warrant Issued: 0

BSI uses different disposition codes to categorize completed investigations: closed, IPV, referred for further action, referred for prosecution, civil recovery, and warrant issued.

- Closed cases include all investigations that were completed and closed by BSI, with or without identified fraud. In some instances, cases are closed not because there was no fraud present, but because BSI cannot obtain the necessary documents to substantiate the fraud or the individual was not receiving public assistance benefits during the period of allegation.
- An Intentional Program Violation, or IPV, is a case that is returned to the Department of Transitional Assistance (DTA), MassHealth, or the Department of Early Education and Care (EEC) to be handled administratively.
- Cases referred for prosecution are cases in which BSI examiners file criminal complaints against the subjects or the case has been referred to the Attorney General's Office, a District Attorney's Office, or a U.S. Attorney's Office.
- Civil recovery cases are resolved through an agreement in which the subject agrees to pay back part or all of the fraudulently obtained benefits to the Commonwealth.
- Cases referred for further action are completed cases with identified fraud that require management discussions to determine appropriate resolutions. The case will be referred for prosecution or civil recovery or will be returned to the appropriate agency for their administrative process, at which time the BSI status changes to completed and closed.
- A warrant is issued when BSI takes out a criminal complaint against a subject and they fail to show up for a hearing.

Figure 2. Summary of Cases with Identified Fraud

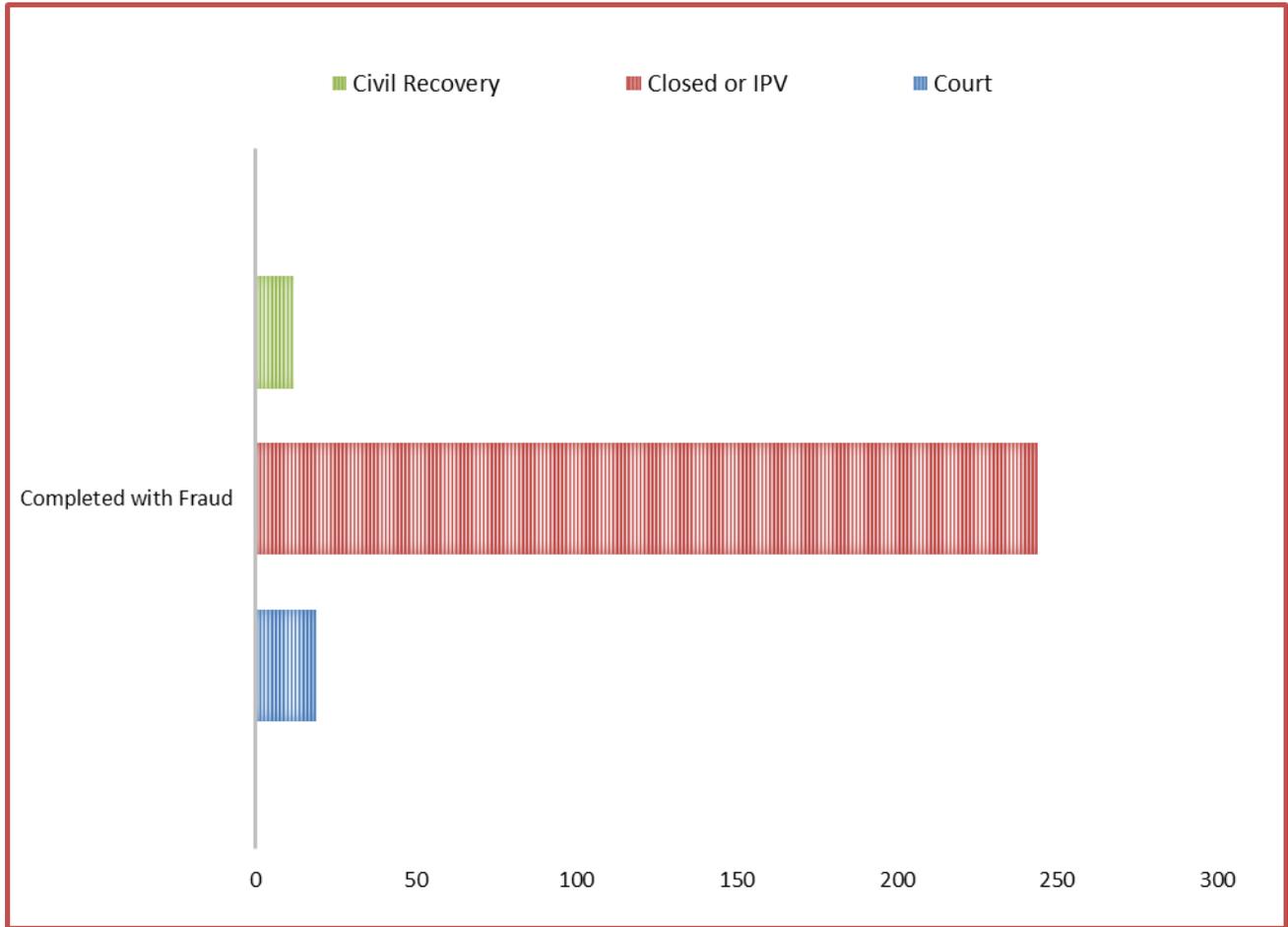


Figure 2. There were three different dispositions of cases with identified fraud in the 3rd quarter of FY17: 12 civil recoveries, 244 cases closed or sent back to the originating agencies as IPV's, and 19 cases designated for court.

Figure 3. Total Identified Fraud by Referral Source

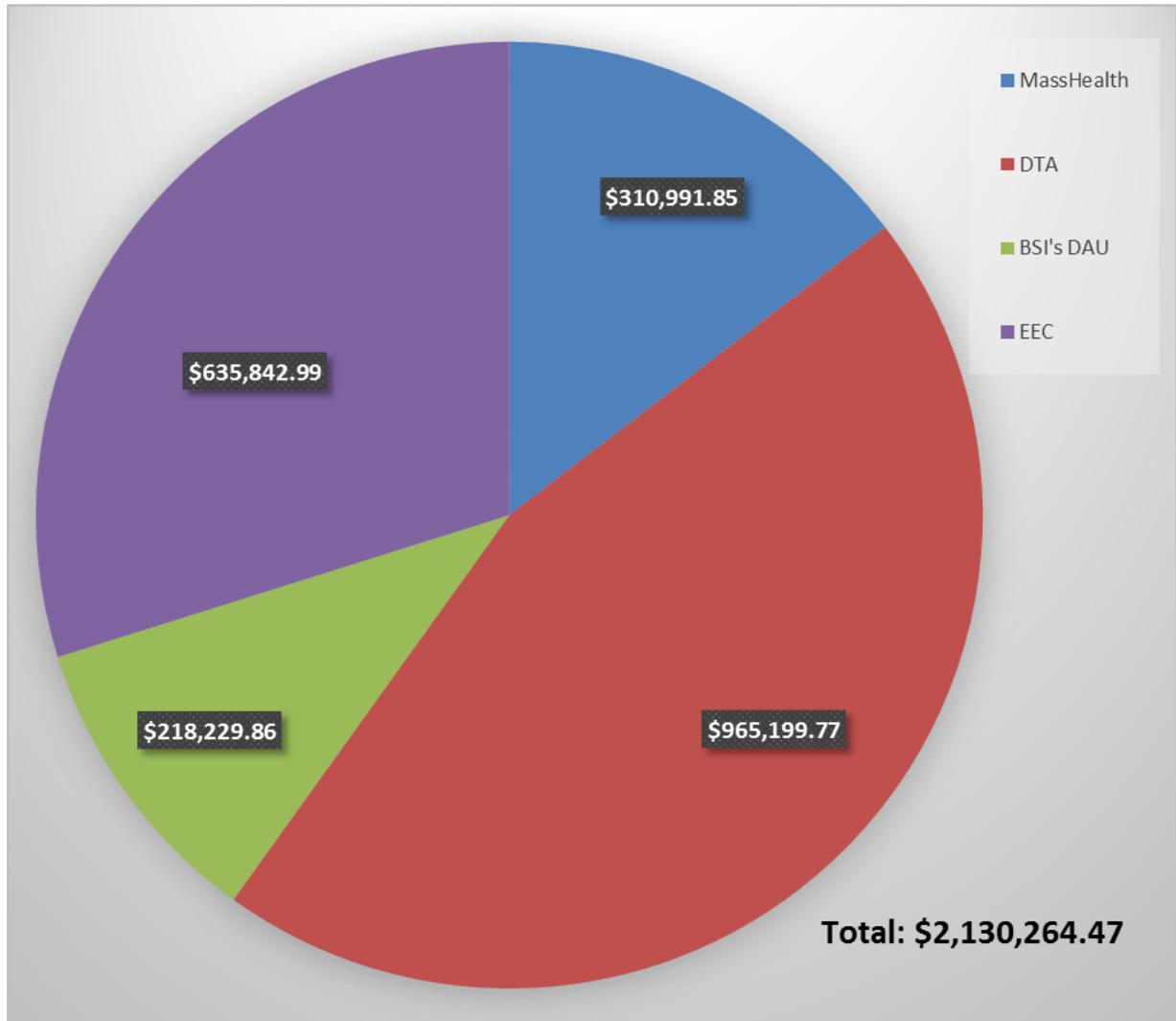


Figure 3. The total amount of fraud BSI identified in the 3rd quarter of FY17, organized by the referral source. For example, BSI identified \$965,199.77 in fraud as a result of referrals from the Department of Transitional Assistance. Referrals from BSI's Data Analytics Unit (DAU) and EEC are investigated by the MassHealth Unit, DTA Unit, or DAU.

3rd QUARTER SUMMARY BY UNIT

Central Processing Unit

In the 3rd quarter of FY17, the Central Processing Unit (CPU) analyzed and reviewed a total of 3,558 referrals from various sources, including the Department of Early Education and Care (EEC); the Department of Transitional Assistance (DTA); MassHealth; the Bureau of Special Investigation's (BSI's) fraud hotline; BSI's Data Analytics Unit (DAU); and the U.S. Attorney's Public Assistance Task Force, of which BSI is a member. The breakdown of referrals that became investigations is below (only referrals that meet basic requirements become new investigations):

- EEC: 5
- MassHealth: 312
- DTA: 2,323
- BSI's DAU: 3
- U.S. Attorney's Public Assistance Task Force: 1

After conducting preliminary analysis, CPU identified 490 DTA referrals as potential Intentional Program Violation (IPV) cases that were sent back to DTA to investigate administratively.

MassHealth Unit

During the 3rd quarter of FY17, the MassHealth Unit opened 115 new cases, including cases referred from MassHealth, EEC, and BSI's DAU. The unit completed 141 investigations and identified over \$500,000 in fraud. Of the 141 cases completed, 104 identified fraud. The remaining cases were closed with no fraud identified.

The unit filed two criminal complaints this quarter: one in Pittsfield District Court and one in Waltham District Court. Both cases were related to a subject living outside the Commonwealth while receiving MassHealth benefits, which is prohibited by MassHealth regulations. These two cases had financial overpayment amounts of \$36,164 and \$11,998.90, respectively.

The MassHealth Unit investigated and completed six cases referred from EEC this quarter, with over \$100,000 in identified fraud. The MassHealth Unit is currently investigating five additional EEC cases.

Department of Transitional Assistance Unit

For the 3rd quarter of FY17, the DTA Unit completed 240 cases from several different referral sources, including DTA, EEC, and the federal Public Assistance Task Force. The DTA Unit identified over \$1,500,000 in fraud this quarter. Many cases have overlapping instances of fraud. For example, an individual could have been fraudulently receiving both Supplemental Nutrition Assistance Program (SNAP) and Transitional Aid for Families with Dependent Children (TAFDC) benefits. The cases with identified fraud are described below:

- 157 SNAP (also known as food stamps) cases
- 35 TAFDC benefit cases
- 11 cases involving a MassHealth component
- 8 Emergency Aid for the Elderly, Disabled and Children (EAEDC) benefit cases
- 14 EEC cases

DTA Unit examiners also completed an investigation into an Everett man who was charged at Boston Municipal Court for fraudulently collecting \$24,592 in SNAP and EAEDC benefits under two different Social Security numbers. The subject was charged with larceny over \$250 and eight counts of public assistance fraud.

Data Analytics Unit

This quarter, BSI's DAU worked to identify home health agency (HHA) providers at a high risk for fraud, which BSI identified by querying MassHealth data to find payments made by MassHealth to HHA providers that those providers were not eligible to receive.

DAU also explored multiple areas for identifying potentially fraudulent or suspicious providers. Through outlier analysis, DAU is positioned to continue risk-scoring and fraud-scheme-testing for providers.

DAU received a new referral from the U.S. Attorney's Public Assistance Task Force this quarter. A case was opened on the subject, who allegedly used a false identity to receive several public assistance

benefits. DAU and the Social Security Administration’s Office of Inspector General are currently jointly investigating the case.

NOTABLE BSI ACTIVITY

Annual BSI All-Staff Meeting in Boston

On March 1, 2017, the Bureau of Special Investigations (BSI) held its 5th annual all-staff meeting at the café meeting space at One Ashburton Place in Boston. The all-staff meeting showcased BSI's staff knowledge, experience, and passion for investigating and identifying public assistance fraud throughout the Commonwealth. The day started off with a presentation from Tim Landry, an Assistant United States Attorney for the District of Massachusetts, who heads the federal Public Assistance Task Force. Suffolk County Sheriff Steve Tompkins discussed programs at the Sheriff's Department that combat substance abuse within the jail and assist inmates as they leave the jail and re-enter society. The afternoon gave way to a presentation by Laura Kessler, General Counsel of the Massachusetts Insurance Fraud Bureau, one of BSI's newest stakeholders. The day finished off with interactive roundtable discussions with representatives of MassHealth's Program Integrity Unit and Department of Early Education and Care financial assistance workers.

Out-of-State Defendant Pleads Guilty to Larceny and Public Assistance Fraud

A BSI investigation uncovered a scheme by a Rhode Island man, Paul Hession, who fraudulently received \$45,645 in MassHealth benefits from 2012 to 2015 and \$8,324 in Department of Transitional Assistance (DTA) benefits from 2013 to 2015 by falsely claiming to be a resident of the Commonwealth and failing to report earned income to MassHealth and DTA. BSI filed a complaint on Hession in Attleboro District Court on March 11, 2016. Hession was subsequently indicted in Bristol County Superior Court on June 27, 2016. On February 27, 2017, Hession pled guilty to larceny over \$250, misrepresentation, and public assistance fraud. He was sentenced to two years' imprisonment in the House of Corrections, five years' probation after his release, and restitution of over \$8,000 to DTA and \$500 to MassHealth.

BSI recently filed criminal complaints on two other subjects for allegedly receiving MassHealth benefits while living out of state, one in Pittsfield District Court and one in Waltham District Court. These two cases had financial overpayment amounts of \$36,164 and \$11,998.90, respectively.

Repeat Public Assistance Defrauder Has Cases Continued Without a Finding

BSI filed a criminal complaint against the subject, a Milton man, in 2012 when an investigation found he defrauded the Commonwealth of over \$80,000 in cash, Supplemental Nutrition Assistance Program (SNAP) benefits, and MassHealth benefits by falsely claiming custody of his two children and underreporting his household income in order to receive SNAP benefits. With the open criminal case in Boston Municipal Court, BSI examiners found that the subject again applied for and received benefits for the children, of whom he did not have custody. BSI examiners filed a second complaint against the subject in 2014, this time alleging he defrauded the Commonwealth of over \$8,000 in public assistance benefits. The subject subsequently pled sufficient facts in both cases. On February 28, 2017, Judge Michael Coyne of Boston Municipal Court ordered both cases continued without a finding for two years. Judge Coyne reduced restitution to \$75 per month for 24 months in both cases for a total of \$3,600, down significantly from the original calculation amounts, which totaled approximately \$90,000.

East Boston Woman Pleads Guilty in Federal Court

The subject of a joint investigation between BSI and the Social Security Administration, Patricia Grifoni, 53, of East Boston, was sentenced to one year's probation and full restitution on March 10, 2017. Grifoni pled guilty in U.S. District Court in Boston to over \$50,000 in Social Security fraud on December 15, 2016. Examiners determined that Grifoni misrepresented her household size and income from 2005 to 2011, illegally collecting Social Security and MassHealth benefits. She was ordered to pay over \$50,000 in restitution to the Social Security Administration and over \$40,000 in restitution to MassHealth.

While the bulk of cases BSI investigates are referred from state agencies and law enforcement, the general public also plays a vital role in reporting fraud. The State Auditor's Office has an online form to report public assistance fraud. Citizens can also use BSI's fraud reporting hotline: (617) 727-6771. All complaints are kept confidential.