



Commonwealth of Massachusetts
Office of the State Auditor
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Making government work better

Issued: February 3, 2016

Bureau of Special Investigations Annual Report Fiscal Year 2015



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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 allegations of public assistance fraud throughout the Commonwealth. The diligent work of BSI investigators ensures taxpayer dollars used to fund Massachusetts' public benefits programs are used 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 (DTA), the Department of Children and Families¹ (DCF), and the Division of Medical Assurances (DMA), which administers MassHealth (the state's Medicaid program). Although not included in the BSI statute, BSI also works with the Department of Early Education and Care (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 fiscal year 2015.

¹ The Department of Children and Families does not administer public assistance funding and therefore, does not fall within the scope of BSI's investigative work.

EXECUTIVE SUMMARY

The Bureau of Special Investigations within the Office of the State Auditor strives to ensure public benefits programs operate with integrity so that the programs are available to residents who truly need them. In FY15, BSI identified a record \$13.7 million in fraud, a 44% increase from fiscal year 2014 (FY14). It is important to note that this increase does not reflect a 44% increase in fraud, but is instead reflective of increased effectiveness by BSI to identify fraudulent behavior.

BSI has made strategic investments in technology that increase the organization's capacity to view and analyze tremendous amounts of data, allowing investigators to proactively discern potential patterns of fraud more quickly across multiple programs rather than relying strictly on referrals. BSI has also begun working with additional state agencies that it had not worked with previously. As a result of this increased capacity, for every dollar spent funding BSI, which in FY15 was \$2.2 million, the return on investment (ROI) was \$6.17. This amount represents a 40% increase over the last fiscal year and extends BSI's annual streak of ROI growth.

BSI's fraud investigation strategy is two-fold: investigators follow up on tips about individual recipient fraud and also work alongside auditors to investigate provider fraud. BSI receives referrals from myriad sources, including the Department of Transitional Assistance, MassHealth, the Department of Early Education and Care, BSI's fraud hotline, and internal referrals generated by BSI's Data Analytics Unit.

In FY15, BSI opened 9,943 new investigations, a 9.16% increase from FY14, and completed 10,784 total investigations, a 13% increase from FY14. Fraud was identified in 1,131 cases, a 37% increase from FY14. The next section of this report includes a comprehensive summary of the fraud identified within each of the specific programs BSI is statutorily obligated to investigate. In addition, BSI examiners personally filed criminal complaints on 15 subjects.

In the course of its work, BSI investigators interacted with numerous state and federal agencies, including the Department of Agriculture, the Department of Health and Human Services, the Massachusetts' Office of the Inspector General, the United States Attorney General, the Massachusetts Attorney General, district attorneys, and local law enforcement. In FY15, BSI was the first and only state agency invited to participate in a joint federal task force on public assistance fraud.

BSI's partnership with these agencies is 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.

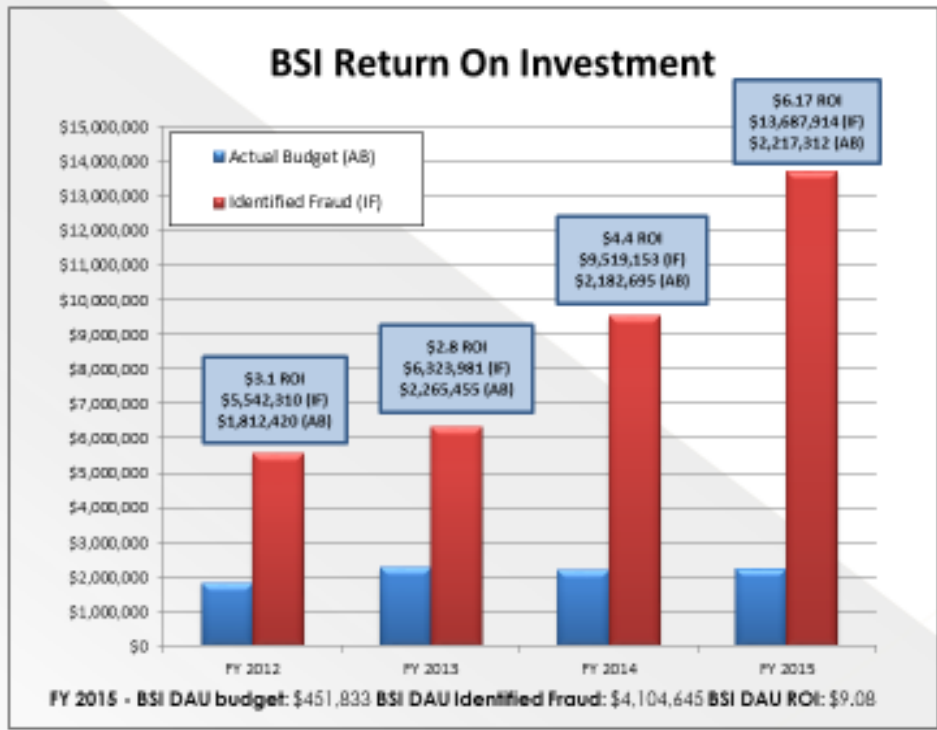
BSI YEAR IN REVIEW

Return on Investment

BSI identified \$13,687,914.44 in fraud in FY15, a 44% increase from FY14. BSI’s return on investment (ROI) has increased every fiscal year since 2013 and has approximately doubled since 2012. In FY15, BSI’s ROI was \$6.17, a 40% increase from FY14, meaning BSI identified \$6.17 in fraud for every \$1 invested in BSI.

In FY14, BSI’s total budget appropriation was \$2,182,695 and in FY15 it was \$2,217,322. This constitutes a 1.5% increase in budget appropriation from FY14 to FY15. BSI is funded through two line items in the state budget, one of which is designated for costs related to the Data Analytics Unit (DAU), which uses advanced data analytics to proactively identify fraud. The FY15 appropriation for this unit was \$451,833 and it proactively identified over \$4.1 million in fraud, resulting in a \$9.08 ROI for this unit alone.

BSI ROI

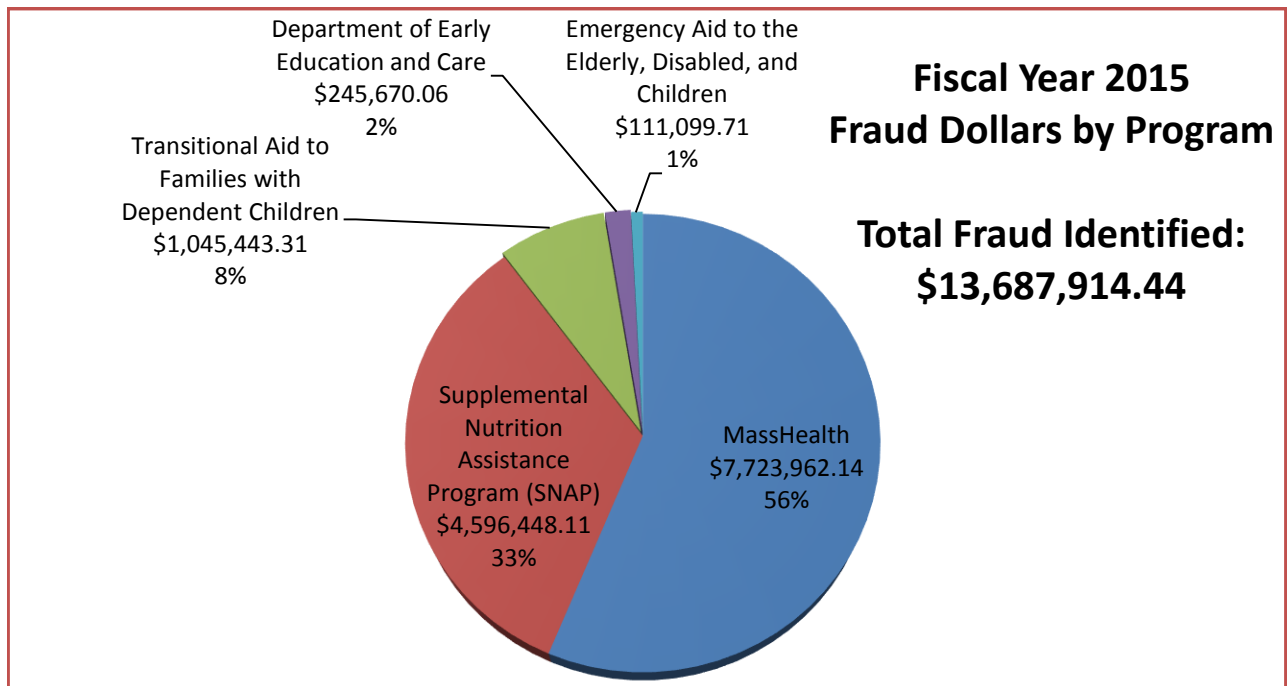


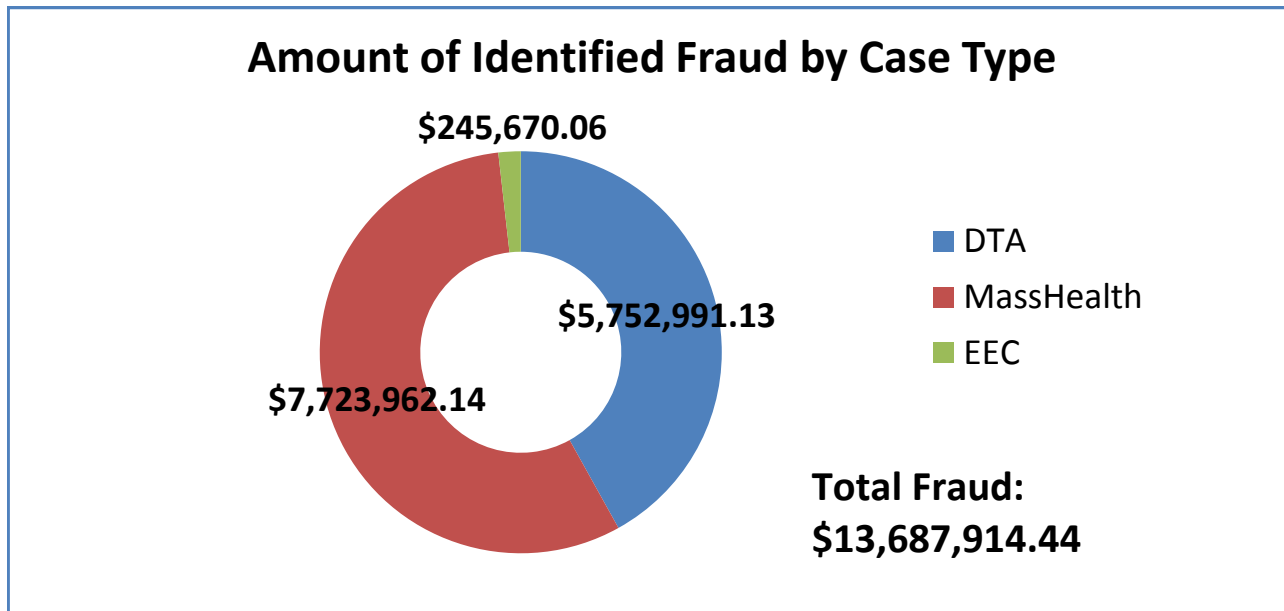
Fraud Investigations and Identification

- New investigations: 9,943
- Total completed investigations: 10,784
- Completed investigations with identified fraud: 1,131
- BSI began FY16 with 2,019 active cases

Total Identified Fraud

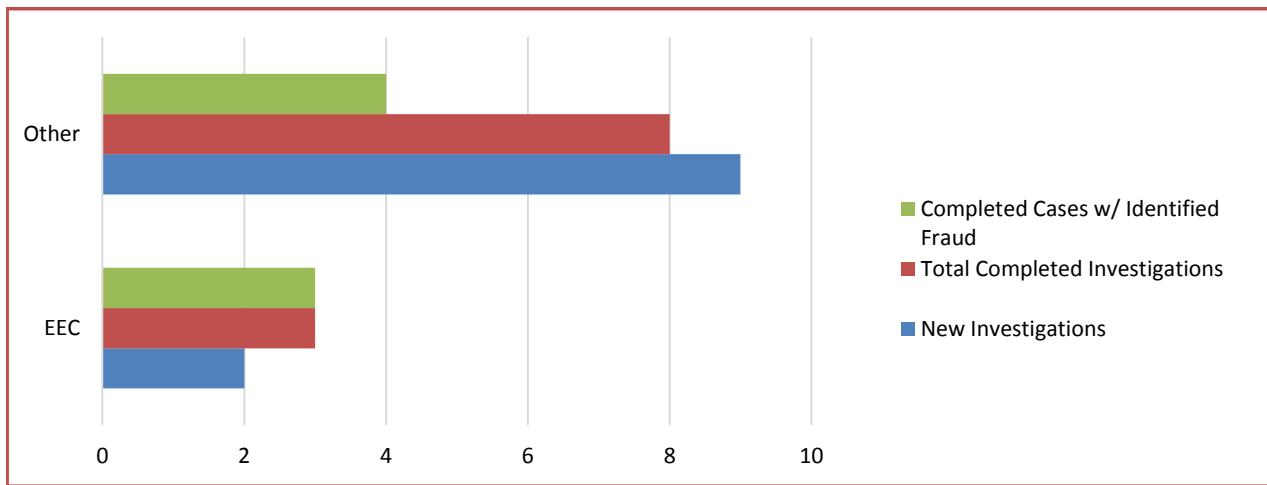
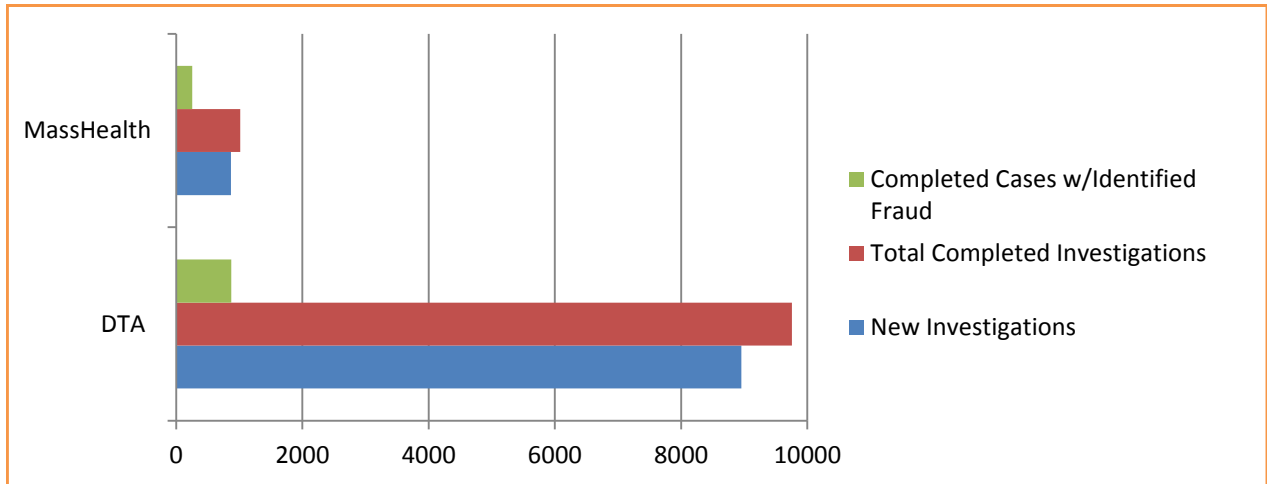
- Total identified fraud from DTA investigations (SNAP, TAFDC, EAEDC): \$5,752,991.13
- Total identified fraud from MassHealth cases: \$7,723,962.14
- Total identified fraud from investigations from EEC cases: \$245,670.06
- Total fraud identified: \$13,687,914.44





Investigations by Source

	EEC	MH	DTA	HOTLINE	OTHER	TOTAL CASE COUNT
BEGINNING BALANCE	3	500	2,309	1	6	2,819
NEW INVESTIGATIONS	2	906	9,067	0	9	9,984
TOTAL COMPLETED INVESTIGATIONS	3	1,016	9,757	0	8	10,784
COMPLETED WITH NO FRAUD	0	764	8,886	0	4	9,654
COMPLETED WITH FRAUD	3	252	871	0	4	1,130
ENDING BALANCE	2	390	1,619	1	7	2,019



Larger programs in both funding and usage, MassHealth and DTA programs constitute the majority of referrals. Both DTA and MassHealth have program integrity units dedicated to identifying potentially fraudulent activity, which send referrals to BSI. While EEC does have procedures in place to identify fraud, it is on a much smaller scale and sending referrals of suspicious activity to BSI for investigation is a new process for the agency.

Status of Investigations with Identified Fraud

BSI uses five disposition codes to categorize completed investigations: closed, referred to agencies for further action, in court proceedings, resolved non-court agreements, 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 benefits during the period of the allegation².
- Cases **referred to agencies for further action** are those for which BSI has identified fraud but for a number of possible reasons, the originating agency (DTA or MassHealth) is in a better position to resolve the case through their administrative processes.
- Cases categorized as **in court proceedings** include those in which BSI examiners have filed criminal complaints against the subjects or the case has been referred to the Attorney General's Office or a district attorney's office for prosecution.
- **Resolved non-court cases** are those for which BSI has resolved the case through an agreement in which the subject agrees to pay back part or all of the fraudulently obtained benefits to the Commonwealth.
- Lastly, a **warrant is issued** when BSI files a criminal complaint against a subject and they fail to show up for a hearing.

Below is a summary of the status of BSI's FY15 cases:

- Closed: 1,061
- Referred to agencies for further action: 36
- In court proceedings: 26
- Resolved non-court agreements: 7
- Warrant issued: 1

² The Office of the State Auditor filed House Bill 5, "An Act facilitating the legislative mandate of the Bureau of Special Investigations," which would grant subpoena authority to the Director of the Bureau of Special Investigations.

NOTABLE BSI ACTIVITY

BSI Is the Only State Agency Asked to Join Federal Task Force

After completing an investigation originating from the Social Security Administration's Office of Inspector General, a federal task force on public assistance fraud asked representatives of the Bureau of Special Investigations (BSI) to join their group. The task force meets monthly in Boston and consists of representatives from the United States Postal Service and the US Departments of Labor, Homeland Security, Veterans Affairs, and Health and Human Services. BSI is the only state agency involved in the task force. BSI exchanges fraud referrals with the various federal agencies, makes valuable contacts, and learns about new investigative techniques and resources.

MassHealth Unit Integrates Data Analytics to More Rapidly and Effectively Identify Potential Fraud

BSI's MassHealth Unit began collaborating with BSI's Data Analytics Unit (DAU) on cases that involve Personal Care Attendant (PCA) and Adult Foster Care (AFC) overlap. BSI believes there is a strong possibility of fraud in subjects billing the state through the PCA program while also billing the federal government through the AFC program for the same services, a practice that is prohibited in state and federal regulations. MassHealth Unit examiners worked with DAU examiners to gather documents, interview subjects, and complete investigations generated from DAU analysis. Through collaboration with DAU, BSI's MassHealth Unit will now receive referrals and investigate these cases.

The MassHealth Unit also began working with the Massachusetts Department of Elder Affairs (EA) on an initiative to regularly receive electronic referrals. The new process will expedite the referral intake of EA cases and allow BSI to commence investigations more quickly. EA serves as another valuable source of fraud referrals for BSI.

BSI and EEC Collaborate to Investigate Childcare Subsidy Program

BSI and the Department of Early Education and Care (EEC) formally entered into an agreement for the purpose of data exchange to identify and resolve cases related to EEC's childcare subsidy program. This agreement, similar to the agreements BSI has with other agencies, such as the Department of

Transitional Assistance and the Department of Revenue, is formally called a Memorandum of Understanding. Thus, EEC is now another agency for which BSI will help detect, investigate, and prevent fraud. Since this Memorandum of Understanding was signed on June 24, 2015, BSI has completed 3 investigations and identified \$245,670.06 in fraud.

Improved Efficiency of DTA Referral Process

BSI's Central Processing Unit (CPU) updated the electronic system by which it receives referrals from DTA. It will now automatically return the referral to DTA if the referral data is not complete, which will save time and manpower that can be dedicated to ongoing investigations. BSI creates a weekly report identifying the number of rejected referrals and the corresponding reason(s). DTA reviews the report and corrects the errors. The goal of this newly implemented process is to improve BSI's compliance rate and DTA's data transfer.

New IPV Procedure for DTA Referrals

Beginning in October 2014, BSI began a project to identify Intentional Program Violations (IPV) for the Department of Transitional Assistance (DTA). An IPV is a case in which BSI has identified fraud but at levels that do not reach certain thresholds for criminal prosecution or civil litigation. This project created a process by which BSI could analyze and review DTA referrals to determine which did not meet BSI investigatory standards but instead could meet the requirement for DTA to recover funds via IPV actions. BSI designates these referrals as IPV's after performing preliminary investigations and determining the merits of the referral's allegation. BSI processed, analyzed, and reviewed 7,086 referrals from DTA between October 2014 and June 2015. Of those referrals, 4,081 were identified as IPV cases and returned to DTA for further action. These cases represent 57.59% of the referrals during the reported period. The IPV project has been a success, resulting in higher referral proficiency, an upturn in identified fraud, and an increase in completed investigations by the Federal Food and Nutritional Services (FNS), which administers the Supplemental Nutritional Assistance Program (SNAP).

BSI CASE HIGHLIGHTS

Data Analytics Uncovers “Double-Dipping”

DAU examiners identified and completed an investigation into a South Shore Adult Day Health provider and has referred this case to an outside agency for investigation, which is currently ongoing so the provider will remain anonymous. DAU examiners determined that the South Shore provider billed MassHealth for Adult Day Health services and received payment for members who, at the time, resided in facility-based settings. State regulations prohibit MassHealth from paying for additional services for members who are in facility-based care. The South Shore provider submitted 95,863 improper claims on behalf of 138 MassHealth members, totaling \$3,086,175.

DAU also identified the South Shore provider as violating Part 5, Section D of the USDA A Child and Adult Care Food Program Handbook by double-billing for meals provided to MassHealth members. Using the Massachusetts Management Accounting and Reporting System, DAU identified \$396,532.70 in Child and Adult Care Food Program (CACFP) funds that were improperly paid to the South Shore provider. Additionally, a third bill for the same meal was submitted to Medicaid from the members’ Long Term Care facility. As a result of the South Shore provider’s actions, state and federal resources paid for one meal for one member three separate times.

Uncovering Hidden Income

The Department of Transitional Assistance (DTA) sent BSI a fraud referral for Massachusetts resident M. Lederman after it received tax documents showing that Lederman’s income was greater than what he reported to the agency on his Supplemental Nutrition Assistance Program (SNAP) applications. Lederman reported his household income as \$400 per week, but evidence uncovered through BSI’s investigation showed Lederman was actually earning significantly more income from different sources, including several different companies in which he had an ownership interest. Lederman also owns a house that was assessed at approximately \$900,000 in 2009.

Due to his misrepresentations to DTA, Lederman fraudulently received \$13,121 in SNAP benefits. A BSI fraud examiner filed a criminal complaint against Lederman in Chelsea District Court, charging him with larceny over \$250 (Section 20 of Chapter 266 of the Massachusetts General Laws) and Public Assistance

Fraud (Section 5B of Chapter 18 of the General Laws). Lederman was arraigned on February 24, 2015.

Using Data Analytics to Identify Underreported Income

The Data Analytics Unit (DAU) identified P. Richard, a Commonwealth employee enrolled in MassHealth, as a subject for further investigation based on her earnings and employment records, which confirmed that Richard worked part-time for Mount Wachusett Community College from 1997 through 2014. As a part-time employee, Richard did not receive health insurance through the state's Group Insurance Commission and thus applied for MassHealth. On Richard's MassHealth Eligibility Review Forms, she noted employment with Mount Wachusett Community College; however, her earnings were underreported, allowing her to receive MassHealth coverage. A DAU examiner verified that Richard's household income was above 300% of the Federal Poverty Level in years 2009 through 2013, which made her income too high for her to qualify for MassHealth. The calculated fraud amount for paid medical claims during this time period was \$21,469.62. After a BSI Fraud Examiner interviewed Richard, she agreed to civilly re-pay the fraud amount.

Collaboration with Social Security Administration Results in Felony Charges

A joint BSI investigation with the Social Security Administration's Office of the Inspector General led to the March 4, 2015 indictment of N. Kasimatis by a Norfolk County grand jury. Kasimatis was indicted on four felony charges for fraudulently collecting nearly \$200,000 in state and federal public assistance benefits.

Kasimatis, an independent clinical social worker licensed by the Commonwealth, intentionally withheld the fact that she was receiving income and had assets in excess of state food stamp and federal Social Security Assistance programs' asset limits. Kasimatis failed to report that she earned significant income that would affect her eligibility. A BSI fraud examiner investigated her food stamp benefit in addition to obtaining her bank records, applications for benefits, employment records, social work certificates, and interviewing the defendant. In furtherance of her scheme, Kasimatis falsely stated she was not working and had an "unpaid internship." Kasimatis has been arraigned and is awaiting trial at Norfolk Superior Court.

Collaboration with MassHealth Identifies Out-of-State Benefit Recipient

BSI received a fraud referral from MassHealth stating that MassHealth recipient M. Ullo was suspected of residing outside of Massachusetts while receiving MassHealth benefits. Several witness interviews in Massachusetts and New Hampshire, along with real estate evidence, revealed that Ullo resided with her boyfriend at several addresses in New Hampshire over an eight-year period while receiving MassHealth benefits and claiming a Massachusetts address. According to Section 503.002 of Title 130 of the Code of Massachusetts Regulations, “As a condition of [MassHealth] eligibility, an applicant or member must be a resident of the Commonwealth.” Due to her false representations to MassHealth, Ullo fraudulently received \$75,232.39 in benefits from August 11, 2004 to December 31, 2012. On March 25, 2015, in Lowell District Court, Ullo was charged with larceny over \$250.00 and making false statements to collect medical assistance.

BSI Examiners Filed Criminal Complaints throughout the Commonwealth

In FY15, BSI examiners filed criminal complaints on 15 subjects. These complaints do not include the criminal cases resulting from BSI investigations that were referred to other agencies for prosecution, such as federal investigators, or that were returned to the referring agency to be handled administratively. BSI filed seven complaints in Boston Municipal Court, three in Chelsea District Court, one in Lowell District Court, one in Dudley District Court, one in Quincy District Court, one in Springfield District Court, and one indictment in Suffolk Superior Court. This marks a 33% increase from FY14, when BSI filed 11 cases.

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.