



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

Bureau of Special Investigations Annual Report
Fiscal Year 2016
July 1, 2015—June 30, 2016



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ABOUT 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 that taxpayer dollars used to fund Massachusetts public benefits programs are used effectively so that public benefits 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 Assistance (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 directly to the Director of BSI. While each unit has its own specific concentration, all the BSI Units collaborate with each other and investigations often involve overlap. BSI participates

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.

in joint investigations and task forces that focus on combating fraudulent activities with other state and federal agencies across the Commonwealth.

This report, as statutorily required, summarizes BSI's work in fiscal year 2016.

EXECUTIVE SUMMARY

The Bureau of Special Investigations within the Office of the State Auditor strives to ensure that public benefits programs operate with integrity so that the benefits are available to residents who truly need them. In fiscal year 2016 (FY16), BSI identified a record \$15,448,890.19 in fraud, approximately a 12% increase from FY15. For every dollar spent funding BSI, which in FY16 was \$2,185,710, the return on investment (ROI) was \$7.06. This amount represents a 14% increase over the last fiscal year, and extends BSI's four-year streak of ROI growth.

BSI's fraud investigation strategy is two-fold: investigations involving individual recipient fraud and provider fraud. In FY16, BSI opened 10,056 new investigations and completed a total of 9,700 investigations. This report includes a comprehensive breakdown of the fraud identified within each of the specific programs that BSI is statutorily obligated to investigate. Of the 1,045 completed cases with identified fraud, the average amount of fraud was \$14,783, marking an increase from FY15, at which time BSI completed 1,130 fraud cases with an average of \$12,143 in identified fraud per case. That the number of cases has decreased while the amount of fraud identified has increased reflects the increased effectiveness and efficiency of BSI in targeting the higher-risk perpetrators of fraud. BSI has made strategic investments in technology and training that increase the organization's capacity to view and analyze vast amounts of data, allowing investigators to discern potential patterns of fraud more quickly across multiple programs.

BSI also added a new source of referrals from the Executive Office of Early Education and Care (EEC), which led to uncovering more Department of Transitional Assistance (DTA) and MassHealth fraud. This adds to the myriad sources from which BSI receives referrals, which includes the DTA, MassHealth, BSI's fraud hotline, various federal agencies, and internal referrals generated by BSI's Data Analytics Unit. BSI's collaboration with federal agencies blossomed this year through active participation on the U.S. Attorney's Public Assistance Task Force, in which BSI is the only state agency to participate. In the course of its work, BSI investigators 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 United States Attorney's Office, the Massachusetts Attorney General's Office, District Attorneys throughout the Commonwealth, and local law enforcement. 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.

In FY16, BSI pursued cases throughout the criminal justice system: 16 criminal complaints were filed in district courts across the Commonwealth, one subject was indicted by a Bristol County grand jury, one subject was found guilty by a jury, one subject pleaded guilty in U.S. District Court, and several cases were referred to the Attorney General's Office or a federal agency for further investigation/prosecution.

BSI YEAR IN REVIEW

Return on Investment

BSI identified \$15,448,890.19 in fraud in FY16, approximately a 12% increase from FY15, which represents a return on investment (ROI) of \$7.06, a 14% increase from FY15. This means that BSI identified \$7.06 in fraud for every \$1 allocated to BSI’s budget, which was \$2,185,710. BSI’s ROI has increased in the past four fiscal years and has approximately doubled since 2012.

Figure 1. BSI Budget and Identified Fraud: FY13–FY16

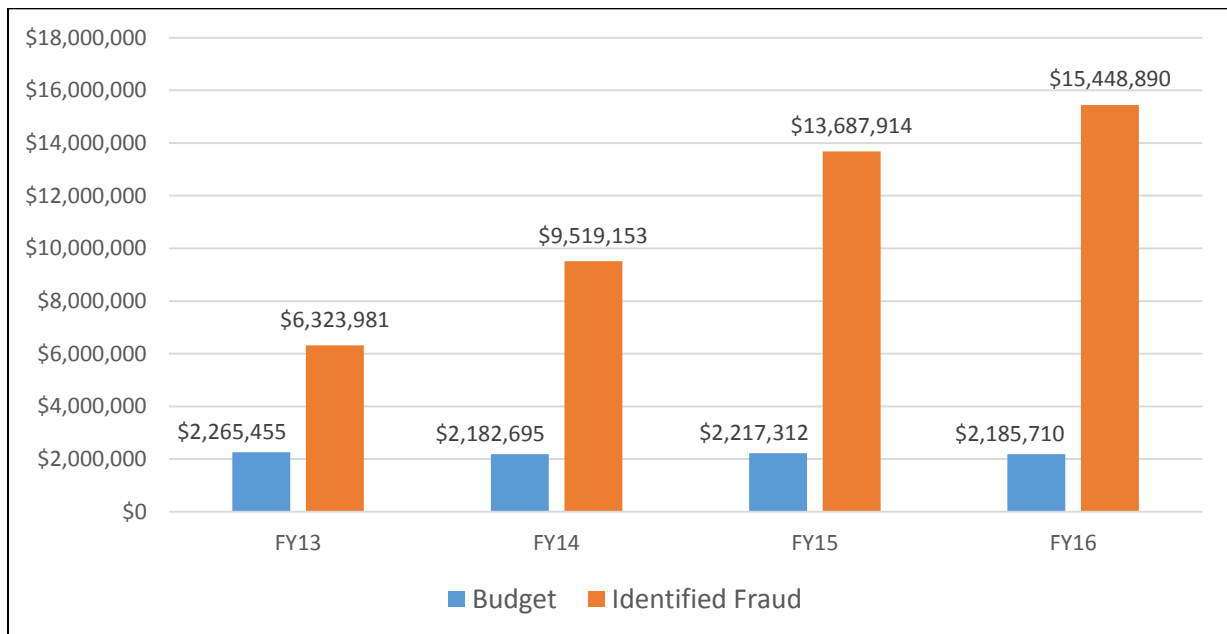


Figure 1 displays BSI’s budget (including the budget for the Data Analytics Unit) along with the amount of fraud identified in public-assistance programs for each fiscal year from FY13 to FY16. FY16 continues a multi-year streak in the increase in identified fraud.

Figure 2. BSI’s Return on Investment FY13–FY16

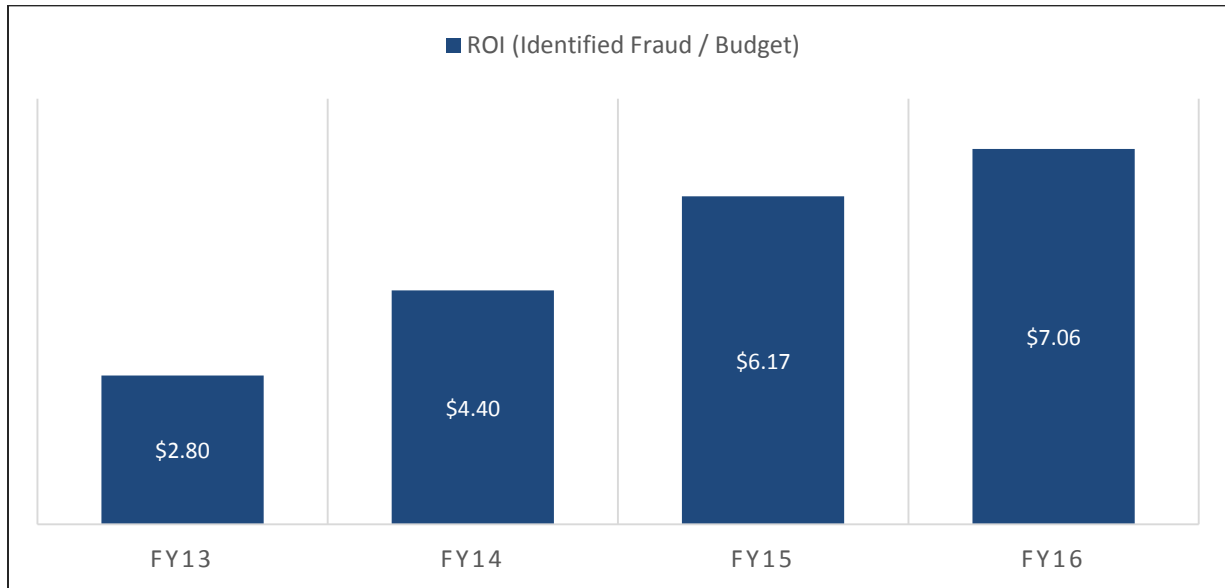


Figure 2 displays the return on investment (ROI) BSI has delivered in the last four fiscal years. The ROI was calculated by dividing the amount of identified fraud by BSI’s budget for each given year.

Fraud Identifications

- \$15,448,890.19: Total identified fraud
- \$4,866,567.79: Total identified fraud from DTA investigations (SNAP, TAFDC, EAEDC)
- \$9,786,780.40: Total identified fraud from MassHealth cases
- \$448,754.42: Total identified fraud from EEC cases
- \$346,787.58: Total identified fraud from other sources

Figure 3. FY16 Fraud Dollars by Program

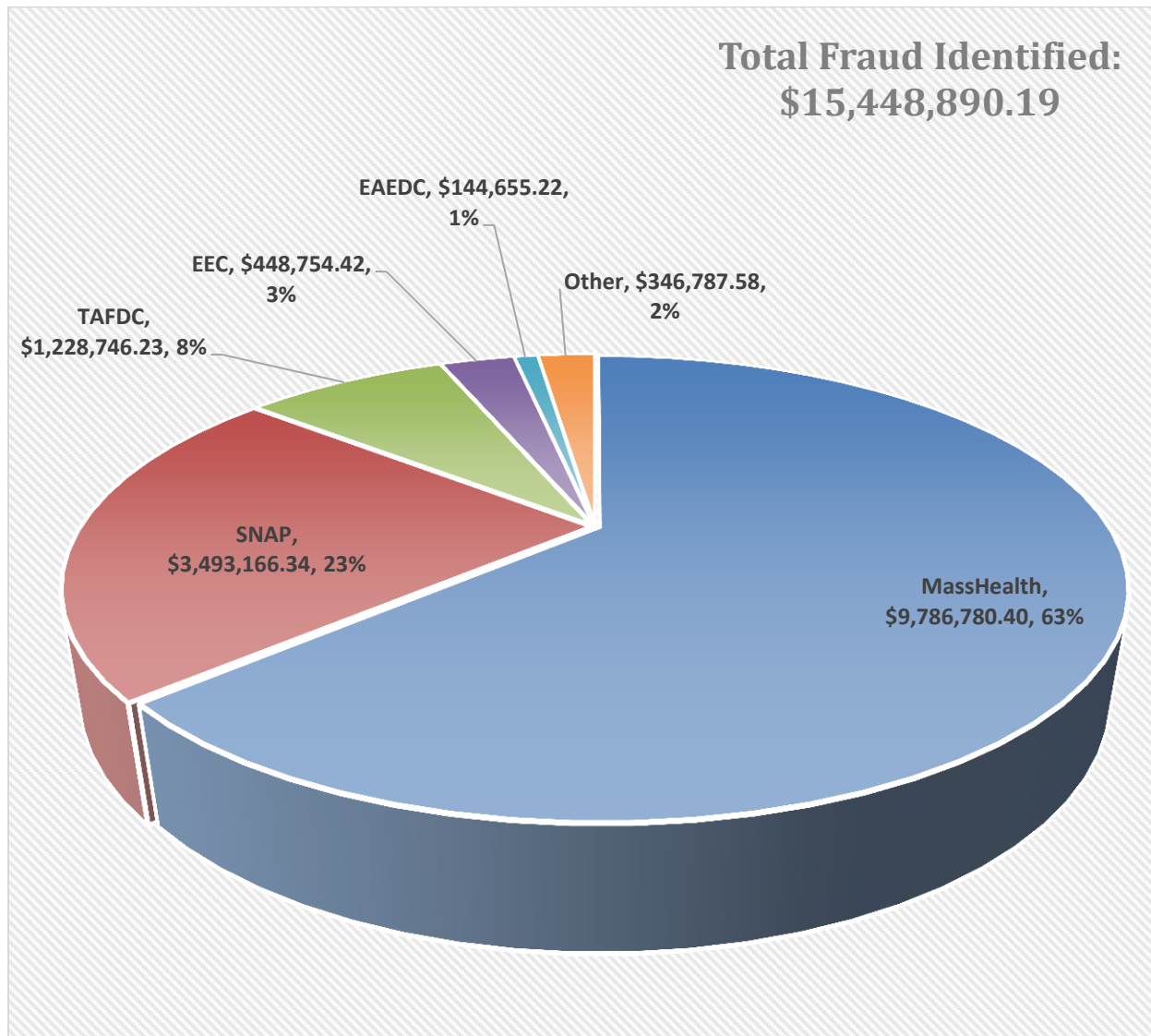


Figure 3 shows the total amount of fraud for FY16 broken down by public-assistance program.

Fraud Investigations

- 2,019: Number of cases with which BSI started FY16
- 10,056: New investigations
- 9,700: Total completed investigations
- 1,045: Completed investigations with identified fraud
- 2,375: Number of cases with which BSI began FY17

Investigations by Source

Figure 4. FY16 Case Numbers by Source

Caseload	EEC	MassHealth	DTA	Hotline	Other	Total
Beginning Balance	2	390	1,619	1	7	2,019
New Investigations	47	1,109	6,158	2	2,740	10,056
Total Completed Investigations	15	1,197	6,109	1	2,378	9,700
Completed w/ No Fraud	5	937	3,201	1	2,263	6,407
Completed w/ Identified Fraud	10	260	664	0	111	1,045
Completed as Potential IPV	0	0	2,244	0	4	2,248
Ending Balance	<u>34</u>	<u>302</u>	<u>1,668</u>	<u>2</u>	<u>369</u>	<u>2,375</u>

Figure 4 breaks down BSI’s case numbers for FY16 by source.

Figure 5. FY16 EEC Caseload

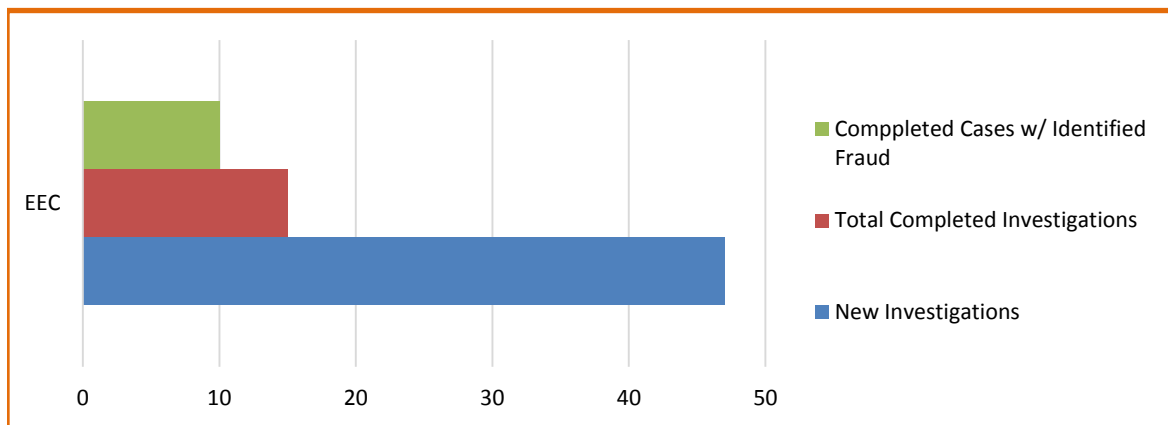


Figure 5 displays BSI’s EEC caseload in FY16.

The working relationship between the Department of Early Education and Care (EEC) and BSI took shape in FY16 and referrals from EEC have steadily increased every quarter. EEC has also designated one of its Financial Assistance Workers as its BSI liaison to more efficiently track and assist with BSI’s EEC caseload. This contact also obtains much-needed EEC documents and

information in an expedited manner for speedier investigations.

Early on in the relationship, BSI realized that subjects suspected of defrauding EEC were more often than not receiving other public assistance as well. Regularly checking into EEC subjects' other public-assistance benefits and their reporting to other agencies has led to uncovering additional fraud in DTA and MassHealth benefit programs.

Figure 6. FY16 DTA Caseload

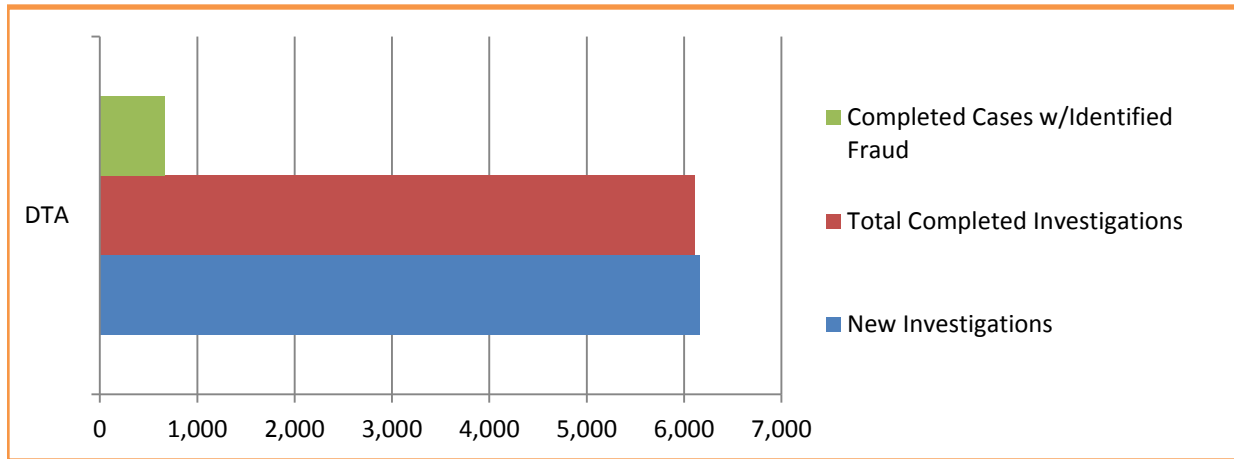


Figure 6 displays BSI's DTA caseload (which includes SNAP, TAFDC, and EAEDC cases) in FY16.

The Department of Transitional Assistance (DTA) Unit uncovered nearly the same amount of fraud in FY16 as it did in FY15, even though it had roughly 3,000 fewer referrals from DTA this fiscal year. This was due in part to the Data Analytics Unit's initiative to produce internal referrals through data query and analysis. The DTA Unit also streamlined its case management system by re-prioritizing the assignment of cases based on allegation types that have historically had the largest amount of fraud.

Figure 7. FY16 MassHealth Caseload

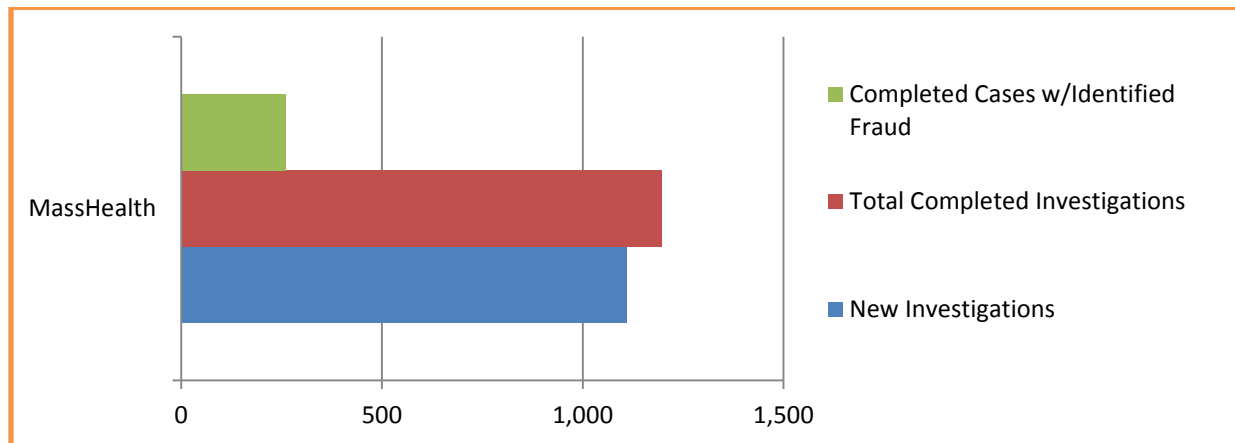


Figure 7 displays BSI’s MassHealth caseload in FY16.

The MassHealth Unit also streamlined its case-assignment process, with an emphasis on expediting assignment to examiners of cases that were highly time-sensitive. The MassHealth Unit continued its collaboration with the Data Analytics Unit in proactively identifying fraud schemes in the many complex MassHealth assistance programs. The MassHealth Unit also continues to investigate the impermissible overlap of Personal Care Attendant (PCA) and Long Term Care (LTC) program services.

BSI Investigations in Court

In FY16, BSI filed criminal complaints against 16 subjects in district courts across the Commonwealth. These complaints include nine filed in the Boston Municipal Court, three in Springfield District Court, one in Fall River District Court, one in Wrentham District Court, one in Brockton District Court, and one in Attleboro District Court. BSI charged these subjects with varying crimes, including larceny, false representations to procure welfare, and food-stamp trafficking. In addition to the 16 cases filed in Massachusetts district courts this year, the United States Attorney’s Office is actively pursuing cases referred to the agency by BSI.

Status of Investigations with Identified Fraud

Figure 8. Summary of Cases with Identified Fraud

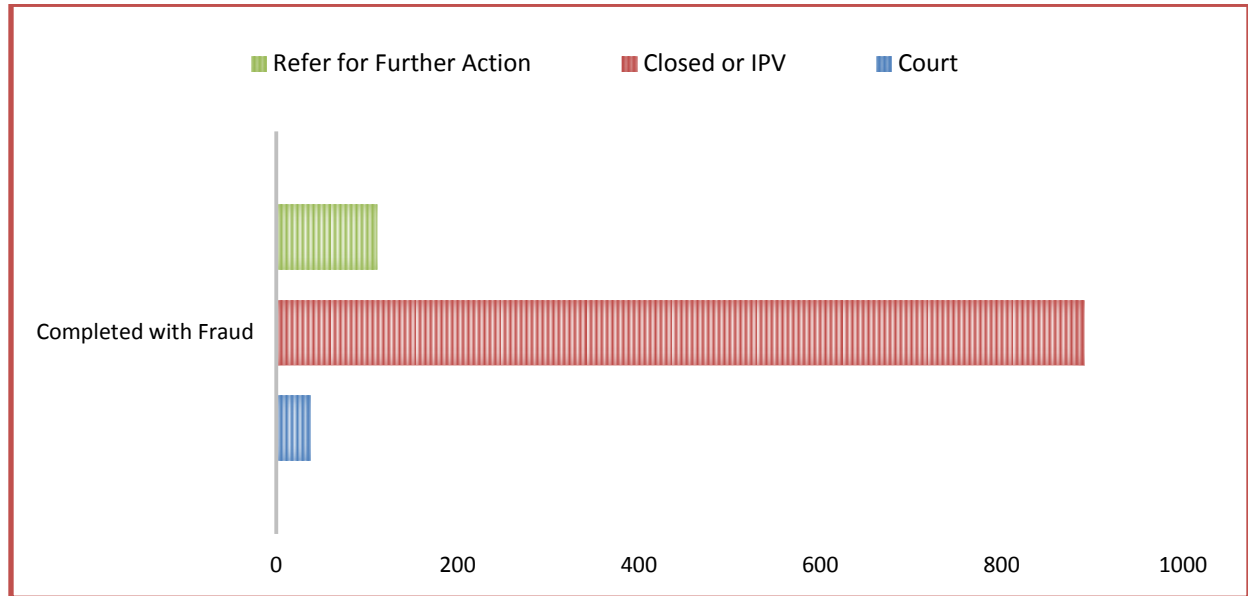


Figure 8 displays the three main dispositions of cases with identified fraud for FY16, which includes Closed or IPV (891), Referred for Further Action (111), and Court (38).

The following is a full summary of the status of cases with identified fraud:

- Total cases with identified fraud: 1,045
- Closed or IPV: 891
- Referred for further action: 111
- In court proceedings: 38
- Resolved non-court agreements: 4
- Warrant issued: 1

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 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 Child Care (EEC) to be handled administratively. BSI has conducted an investigation and concluded that there was fraud. This finding is sent back to the originating agency so that they can execute their own administrative process.
- Cases that are referred for prosecution are cases in which BSI examiners file criminal complaints against the subjects or cases that have been referred to the Attorney General's Office, a District Attorney's Office, or U.S. Attorney's Office for prosecution.
- Civil recovery cases are cases that BSI has resolved through an agreement with the subject to pay back part or all of the fraudulently obtained benefits to the Commonwealth. BSI must follow the rules and regulations of the originating agency when executing a civil recovery.
- Cases designated as 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, civil recovery, or 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 s/he fails to appear at a hearing.

Expansion of Data Analytics Capabilities

Implementation of new tools and new partnerships has led to an overall increase in the technical skillset and capabilities of the Data Analytics Unit (DAU). Tools such as SQL Server Management Studio (SSMS) allow DAU to extract data sets more efficiently and to more quickly examine or test the data to uncover fraud. Before acquiring this tool, DAU relied on OSA IT staff to query data. Now, DAU staff has the ability to write queries and analyze data on its own, allowing for more efficient, independent investigations. The increase in technical capabilities, coupled with access to new data warehouses (DAU gained access to the DTA Eligibility and Electronic Payment Processing Information Control) this fiscal year gives DAU the increased

ability to perform integrated data analyses that result in key insights into fraudsters who are potentially committing fraud in more than one public-assistance program.

The increased effectiveness in identifying fraud in FY16 results partly from the unit's proactive initiative to create internal referrals of more viable cases using data mining and analysis. In FY16, DAU generated over 3,500 referrals for BSI's Central Processing Unit (CPU). Approximately 2,700 cases were opened and investigated and 2,400 cases were completed by the end of the FY16. The majority of these referrals identified consumers with overlapping Medicaid claims for Personal Care Assistant (PCA) and long-term care services. Through a partnership with the Executive Office of Elder Affairs, DAU identified high-earning PCAs who may have falsely reported their income to other public-assistance programs. The unit successfully created referrals through data integration, looking at incidences in which a recipient potentially committed fraud by not reporting a change in circumstances to both MassHealth and DTA within the required time period. Using new tools and collaborating without outside agencies, DAU is poised to identify even more cases to be referred for review internally and externally in the upcoming fiscal year.

NOTABLE BSI ACTIVITY

BSI Uncovers Food-Stamp Trafficking Scheme

BSI charged its first case alleging a violation of Section 5 of Chapter 18 of the Massachusetts General Laws, commonly referred to as the Commonwealth's food-stamp trafficking law, which was enacted in 2012. A partnership of fraud examiners from different units within BSI completed an investigation into two individuals who were engaged in an alleged food-stamp trafficking scheme at a local business. The investigators worked with the company's security staff to uncover the scheme, first witnessed on security-camera footage. As a result of the investigation, the individuals were criminally charged with larceny, false representations, and food-stamp trafficking in Boston Municipal Court on May 24, 2016. The next court date is set for November 17, 2016.

Rhode Island Resident Charged with Receiving Benefits in Massachusetts

A BSI investigation led to an indictment of a Rhode Island man in Bristol County on June 27, 2016. BSI's investigation revealed that the Rhode Island resident fraudulently received MassHealth benefits and DTA benefits in excess of \$60,000 from 2012 to 2015. The subject falsely claimed to be a resident of the Commonwealth and failed to report his earned income while he lived and worked in Rhode Island. BSI originally filed a criminal complaint in Attleboro District Court on March 11, 2016. The Bristol County District Attorney's Office presented the case to a Grand Jury, at which the investigating BSI fraud examiner testified, and the defendant was subsequently indicted.

BSI Case Leads to Guilty Verdict from Jury

On June 3, 2016, a Boston Municipal Court jury convicted J. Lewis of one count of larceny over \$250 by single scheme, one count of public-assistance fraud, and one count of medical assistance fraud. The two-day jury trial included seven government witnesses and two defense witnesses, including the defendant. Judge Eleanor C. Sinnott adopted the Commonwealth's recommendation of three years supervised probation and full restitution. The jury concluded that the defendant fraudulently obtained over \$37,000 in Department of Transitional

Assistance (DTA) and MassHealth benefits over a four-year period. The key issue at trial was whether the defendant's child's father was living with the defendant during this period of time. The father, who earned over \$72,000 per year, is employed as a bus driver. The defendant did not claim his income on her applications for public assistance.

BSI's Membership in Federal Task Force Leads to Collaboration in Uncovering Fraud

BSI is the only state agency represented on the U.S. Attorney's Public Assistance Task Force, which produces opportunities for increased collaboration with federal agencies.

As a result of a joint investigation between BSI and the Social Security Administration Office of Inspector General, subject H. Narcisse was charged with a felony in August 2015 and pled guilty in U.S. District Court on September 10, 2015 to fraudulently receiving over \$100,000 in public benefits.

BSI referred three cases of Adult Day Health (ADH) and Long-term Care (LTC) overlap for investigation to the Health and Human Services, Office of Inspector General. BSI examiners had introductory meetings with representatives from the United States Department of Agriculture and United States Department of Health and Human Services, Office of Inspector General on overlap cases that are presently open. These cases are in the preliminary stages of investigation and future meetings are anticipated.

In total, BSI received 36 fraud referrals from this task force. These cases have led to joint investigations with federal agencies, sole BSI investigations, and criminal charges being prosecuted in district and federal courts.

BSI Refers Cases to Attorney General for Investigation

BSI also referred three cases of alleged fraud by MassHealth dental providers with billing practices in violation of MassHealth rules to the Massachusetts Attorney General. These cases are all pending action by the Attorney General's Office.

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.