

A. JOSEPH DE NUCCI
AUDITOR

The Commonwealth of Massachusetts

AUDITOR OF THE COMMONWEALTH

BUREAU OF SPECIAL INVESTIGATIONS

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Office of the State Auditor Bureau of Special Investigations

FY2008

4th Quarterly Report
April 1, 2008 - June 30, 2008

August 4, 2008



The Commonwealth of Massachusetts

AUDITOR OF THE COMMONWEALTH

STATE HOUSE, BOSTON 02133

A. JOSEPH DE NUCCI
AUDITOR

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August 4, 2008

The Honorable Robert A. DeLeo
Chairman
House Committee on Ways and Means
State House
Room 243
Boston, MA 02133

Dear Chairman DeLeo:

In compliance with the provisions of Chapter 139 of the Acts of 2006, line item 0710-0200, I hereby submit a quarterly report of the activities and accomplishments of the Bureau of Special Investigations of the Office of the State Auditor. The report covers the period of April 1, 2008 – June 30, 2008.

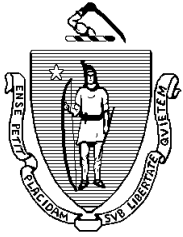
Please feel free to contact me if you require any additional information.

Sincerely,

A handwritten signature in black ink, reading "A. Joseph DeNucci". The signature is fluid and cursive, with a prominent initial "A" and "J".

A. Joseph DeNucci
Auditor of the Commonwealth

AJD/law



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August 4, 2008

The Honorable Steven C. Panagiotakos
Chairman
Senate Committee on Ways and Means
State House
Room 212
Boston, MA 02133

Dear Chairman Panagiotakos:

In compliance with the provisions of Chapter 139 of the Acts of 2006, line item 0710-0200, I hereby submit a quarterly report of the activities and accomplishments of the Bureau of Special Investigations of the Office of the State Auditor. The report covers the period of April 1, 2008 – June 30, 2008.

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Bureau of Special Investigations

FY 2008

Quarterly Report

April 1, 2008 – June 30, 2008

Introduction

The Office of the State Auditor's Bureau of Special Investigations (BSI) is charged with investigating fraudulent claims for or wrongful receipt of payments or services under public assistance programs. BSI receives referrals from various state and federal agencies, the general public and the State Police. The majority of these allegations involve suspected fraud in the Department of Transitional Assistance (DTA) cash assistance and Food Stamp Programs and the Division of Medical Assistance (DMA) MassHealth program.

When an investigation results in identified public assistance fraud, the case is referred to the appropriate legal authority for criminal prosecution or the appropriate agency for civil recoupment of illegally obtained benefits or services. BSI examiners work closely with District Attorneys offices and/or appropriate agency personnel to assure the recovery of lost funds. These entities establish settlement restitution payment amounts and are responsible for the actual collection of these payments.

Fourth Quarter Activities and Accomplishments

At the start of the fourth quarter of FY 2008, BSI's caseload included 2,994 cases in various stages of investigation. During the period of April 1, 2008 through June 30, 2008, BSI received 665 new allegations of public assistance fraud. The total number of open investigations on June 30, 2008 totaled 2,738 cases.

During the same period BSI completed the investigation of 949 cases. In 80 of these investigations, BSI examiners found illegal activities that resulted in \$1,046,282.73 of fraudulently obtained public assistance benefits and services. Each of these cases has been referred to the appropriate agency for either criminal prosecution or civil recoupment of lost funds.

Fiscal Year 2008 Summary

During FY 2008, BSI identified over \$3.6 million in public assistance fraud, constituting a 14% increase in identified fraud since FY 2007 and a 50% increase since FY 2006. This increase is attributable to BSI's:

- efforts to focus on serious or egregious fraud,
- the use of its investigative case management software,
- electronic receipt of referrals from DTA, and
- electronic data retrieval from other agencies to speed the collection of required information.

Of the \$3.6 million in identified fraud, BSI found \$1.7 million in Medicaid fraud, \$820,000 in financial assistance fraud, \$480,000 in food stamp fraud, \$420,000 in housing fraud and \$136,000 in child care fraud.

Also during this period, BSI referred 186 of its completed investigations to DTA for civil recovery of over \$620,000. In addition, BSI brought 13 completed cases, valued at over \$505,000 to the criminal justice system for prosecution.

BSI has continued its warrant initiative, in which examiners have sought to contact subjects in 640 aged cases in which fraud has been identified and an arrest warrant has been issued. Letters have been sent to over 600 subjects, informing them of their responsibility to respond to the warrant and repay the identified fraud. A number of subjects have initiated the process of resolving their outstanding warrants and 45 cases have been brought back into court. Of these, 43 have been adjudicated in court, resulting in court-ordered restitution of \$106,000.

BSI's appropriation of \$1.8 million is eligible for federal reimbursement resulting in an actual state cost of approximately \$900,000 for BSI's work. Thus the ratio of identified fraud to state expenditures in FY 2008 was \$3.6 million/\$900,000 or 4:1.

Summary of BSI Investigative Activities

The charts below provide a summary of caseload activities and the amounts of identified fraud by program of assistance.

| Caseload Summary (4/1/2008 - 6/30/2008) | |
|---|------------|
| Number of open investigations 4/1/2008 | 2,995 |
| New Referrals received | 772 |
| Completed Investigations with Identified Fraud | 80 |
| Completed Investigations with no Identified Fraud | <u>949</u> |
| Number of open investigations 6/30/2008 | 2,738 |

| Identified Fraud by Program of Assistance (4/1/2008 - 6/30/2008) | |
|--|------------------------|
| Transitional Assistance to Families with Dependent Children (TAF) | \$ 228,020.38 |
| Emergency Aid to Elderly, Disabled and Children (EAEDC) | \$ 35,068.92 |
| Food Stamps (FS) | \$ 201,036.89 |
| Medical Assistance (MA) | \$ 427,655.54 |
| Child Care | \$ - |
| Housing | <u>\$ 154,501.00</u> |
| Total | \$ 1,046,282.73 |