



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

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## Bureau of Special Investigations 4<sup>th</sup> Quarter Report

Fiscal Year 2017

April 1, 2017 – June 30, 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 allegations of public assistance fraud throughout the Commonwealth. The diligent work of BSI fraud examiners ensures taxpayer dollars used to fund Massachusetts' 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 Families (DCF),<sup>1</sup> 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 fraud 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 4<sup>th</sup> quarter of fiscal year 2017.

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

## **EXECUTIVE SUMMARY**

In the 4<sup>th</sup> quarter of fiscal year 2017 (FY17), the Bureau of Special Investigations (BSI) opened 2,552 new investigations, completed 2,780 total investigations, and identified fraud in 366 cases. BSI identified \$5,263,200.94 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 fraud examiners filed one criminal complaint this quarter in Somerville District Court. The case involved a woman who worked as a contractor for the Department of Early Education and Care who falsified her applications in order to be eligible for child-care vouchers for her children.

BSI's Data Analytics Unit continued its focus on creating internal referrals using data mining and analysis.

In the course of its work, BSI fraud examiners interacted with numerous state and federal agencies, including the US Department of Agriculture, the US 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.

## 4<sup>th</sup> QUARTER SUMMARY

**Figure 1. 4th Quarter Caseload by Referral Source**

Caseload	EEC	DAU	MassHealth	DTA	Hotline	Other	Task Force	Total
<b>Beginning Balance</b>	26	5	462	2,118	3	212	0	2,826
<b>New Investigations</b>	10	111	350	2,310	13	4	6	2,804
<b>Total Completed Investigations</b>	8	2	272	2,430	2	66	0	2,780
<b>Completed w/ No Fraud</b>	2	0	253	1,231	2	7	0	1,495
<b>Completed w/ Identified Fraud</b>	6	2	19	280	0	59	0	366
<b>Returned to DTA as Potential IPV</b>	0	0	0	919	0	0	0	919
<b>Ending Balance</b>	<u>28</u>	<u>114</u>	<u>540</u>	<u>1,998</u>	<u>14</u>	<u>150</u>	<u>6</u>	<u>2,850</u>

Figure 1. A breakdown of BSI’s case numbers categorized by referral source for the 4<sup>th</sup> quarter of FY17.

### Identified Fraud Cases by Disposition

The total number of cases with identified fraud was 366. The disposition of these cases is as follows:

- Intentional Program Violation (IPV): 342
- Referred for Prosecution: 12
- 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, Warrant Issued, and Returned to DTA as Potential IPV.

- 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.

- Completed cases are cases where BSI investigations are completed. Closed cases are those that have been adjudicated completely and BSI will not pursue any further action.
- An Intentional Program Violation (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 further action are completed cases with identified fraud that require management discussions to determine appropriate resolutions. These cases will be referred for prosecution or civil recovery or returned to the appropriate agency for their administrative process, at which time the BSI status changes to completed and closed.
- Cases referred for prosecution are cases in which BSI fraud 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 the US 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.
- A warrant is issued when BSI takes out a criminal complaint against a subject and the subject fails to show up for a hearing.
- Cases returned to DTA as potential IPVs are cases completed by CPU and determined to have potential overpayments but do not merit the deployment of BSI resources.

**Figure 2. Summary of Cases with Identified Fraud**

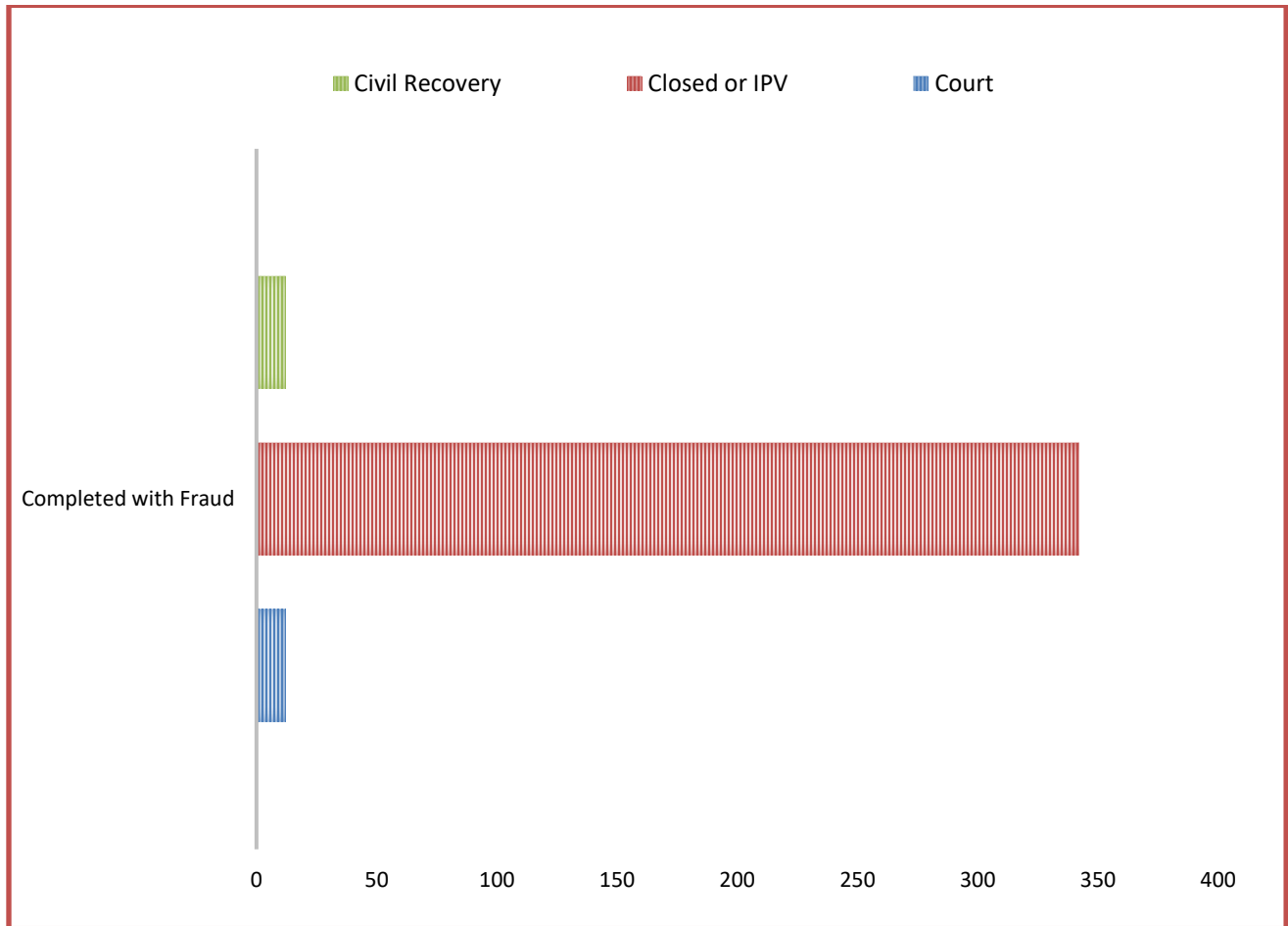


Figure 2. The three different dispositions of cases with identified fraud in the 4th quarter of FY17, which included 12 civil recoveries, 342 cases closed or sent back to the originating agency as an IPV, and 12 cases designated for court.

**Figure 3. Total Identified Fraud by Referral Source**

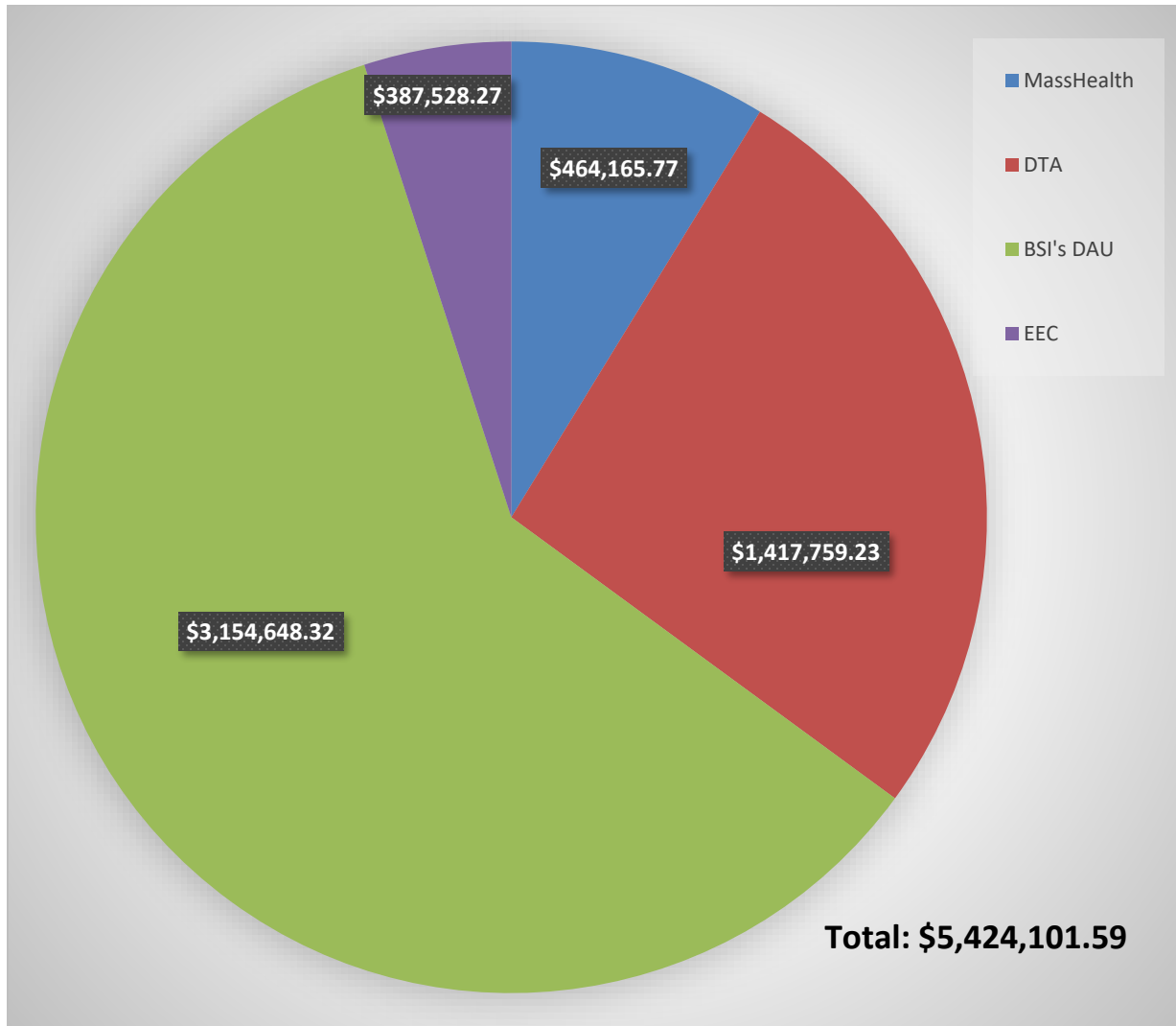


Figure 3. The total amount of fraud BSI identified in the 4<sup>th</sup> quarter of FY17, organized by the referral source. For example, BSI identified \$1,417,759.23 in fraud as a result of referrals from DTA. Referrals from BSI's Data Analytics Unit (DAU) and EEC are investigated by the MassHealth Unit, DTA Unit, or DAU.



## 4<sup>th</sup> QUARTER SUMMARY BY UNIT

### Central Processing Unit

The Central Processing Unit (CPU) received 2,804 new referrals for investigation in the 4<sup>th</sup> quarter from the following sources:

Source	Number of Referrals	Percentage of Total
Department of Early Education and Care (EEC)	10	0.3%
Data Analytics Unit (DAU)	111	4.0%
MassHealth	350	12.5%
Department of Transitional Assistance (DTA)	2,310	82.4%
Hotline	13	0.5%
Other	4	0.1%
Task Force	6	0.2%

The primary sources of fraud in these new referrals based on the number of cases is as follows:

Source	Number of Cases	Percentage of Total
Emergency Aid for the Elderly, Disabled and Children (EAEDC)	351	12.5%
Supplemental Nutrition Assistance Program (SNAP)	1,413	50.4%
MassHealth	441	15.7%
Other	2	0.1%
Transitional Aid for Families with Dependent Children (TAFDC)	593	21.1%
Select Classification	4	0.1%

CPU team members processed, analyzed, and reviewed 2,356 cases. CPU identified 919 referrals as potential Intentional Program Violation (IPV) cases and recommended their return to the Department of Transitional Assistance (DTA) for further action. Additionally, CPU closed 1,209 cases administratively with a determination of no fraud after completing a preliminary investigation. CPU designated 228 cases for assignment to either the DTA or MassHealth units.

## **MassHealth Unit**

During the 4<sup>th</sup> quarter of FY17, there were 350 new cases assigned to the Office of the State Auditor’s BSI MassHealth investigative team. The unit completed 272 investigations and identified \$464,165.77 in fraud. Of the 272 cases completed, 19 had a financial amount attached to them, while 253 cases investigated resulted in no finding of fraud or were closed administratively.

The MassHealth Unit also collaborated with the DTA Unit, completing 75 investigations with identified fraud in the amount of \$185,246.09 for that unit. Sixty-three of the DTA cases resulted in fraud totaling \$109,876.54. Three of the investigations were EEC cases, resulting in fraud totaling \$75,369.55 for EEC-identified fraud.

The unit’s collaboration with DAU continues to contribute to the success of investigations into the MassHealth Personal Care Attendant Program. DAU’s success at uncovering long-term care overlap has increased the percentage of identified fraud. The unit continues communication and meetings with stakeholders within MassHealth, including Program Integrity, Elder Affairs, fiscal intermediaries, UMass Medical Center, and the Attorney General’s Office.

## **Department of Transitional Assistance Unit**

For the 4<sup>th</sup> quarter of FY17, BSI’s DTA Unit identified \$1,805,287.50 in fraud, representing 33% of the total fraud identified by BSI. The breakdown by public assistance program is as follows: \$1,468,419.29 of fraud within the SNAP (food stamp) program; \$414,270.48 in Early Education and Care (EEC) fraud; \$131,431.47 in fraud from the Transitional Aid to Families with Dependent Children (TAFDC) cash assistance program; and \$43,380.96 in Emergency Aid for the Elderly, Disabled, and Children (EAEDC) fraud.<sup>2</sup>

## **Data Analytics Unit**

During the 4<sup>th</sup> quarter of FY17, BSI DAU identified an adult day health facility in violation of MassHealth regulations (130 CMR 404.415) and the US Department of Agriculture (USDA) Child and Adult Care Food Program Handbooks. The facility sought reimbursement from both state and federal programs for meals served to recipients. This resulted in the identification of \$2,671,783 in improper Medicaid payments made to the facility when members were in long-term care (LTC) facilities and \$476,473 in improper

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<sup>2</sup> Due to collaborations with the MassHealth and DAU units, the \$2,057,202.20 total for fraud broken down by public assistance program exceeds the \$1,805,287.50 of identified fraud attributed solely to the DTA unit.

federal grant payments for meal reimbursements. DAU determined that over a 10-year period, the adult day health facility received a total of \$3,148,256 in state and federal funding to which it was not entitled. BSI's DAU referred this case to the USDA's Office of the Inspector General for further investigation.

DAU explored possible overlap of MassHealth personal care attendant (PCA) services provided to a member residing in LTC from January 2014 through February 2017. MassHealth does not cover PCA services provided to a member while the member is a resident of a nursing facility or other inpatient facility, per 130 CMR 422.412(d). The analysis produced a total of 79 referrals related to MassHealth PCA overpayments totaling approximately \$223,000. DAU submitted these referrals to BSI's CPU for review.

BSI's DAU conducted an analysis examining instances in which home health care services were provided to individuals residing in nursing homes, a practice that is disallowed by MassHealth. The analysis resulted in DAU generating 23 self-referrals, totaling approximately \$2.1 million in identified fraud. Additionally, DAU conducted an analysis examining the improper transfer of assets prior to an individual's enrollment in MassHealth. The analysis resulted in DAU generating six referrals to CPU.

During the 4<sup>th</sup> quarter of FY17, DAU received and investigated three hotline complaints alleging public assistance fraud. Two complaints of alleged provider fraud were investigated by DAU and resulted in no findings. The third complaint, alleging MassHealth recipient fraud, prompted BSI DAU to open a case, which remains active.

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## NOTABLE BSI ACTIVITY

### **Medford Woman Charged with Illegally Receiving Child Care Vouchers**

On April 21, 2017, a BSI fraud examiner filed criminal charges against a Medford woman of Larceny over \$250 for illegally receiving \$64,425.78 in child care services. The defendant was employed by the agency Associated Day Care Services, which is subcontracted by the Department of Early Education and Care (EEC) to dispense child care vouchers. She is alleged to have used her knowledge of the child care benefit program to receive these benefits from September 1, 2009 to September 1, 2016 by reporting to EEC that she was a single mother, although she was married and her husband was employed. She did not report being married, living with her husband, or his income to EEC during the period of alleged fraud, in order to receive child care benefits to which she was not entitled.

### **Lawrence Woman Receives Probation for Illegally Receiving Child Care Vouchers**

A Lawrence woman fraudulently received \$225,105.52 in EEC benefits between October 13, 2005 and October 24, 2014. She also collected \$9,590 in Supplemental Nutritional Assistance Program benefits (formerly known as food stamps) from August 1, 2011 through February 28, 2014 by providing false and misleading information concerning her total household income and family size. The Lawrence woman received thousands of dollars in public assistance benefits by intentionally withholding the fact that the noncustodial parent resided in the household and earned an income. On June 7, 2017, in Boston Municipal Court, the Lawrence woman tendered a plea with the disposition of a CWOFF (continued without a finding) for two years and was ordered to pay \$10,000 in restitution to the Commonwealth.

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.