

# **FY2013 Annual Report**



**State of Michigan  
Department of Human Services  
Office of Inspector General**

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# Executive Summary

## RECIPIENT FRAUD DETECTION AND PREVENTION

### In FY2013, Office of Inspector General (OIG) Agents:

- Determined \$116 million of fraud, cost savings and established program disqualifications.
- Completed 9,063 recipient fraud investigative dispositions.
- Completed 24,965 front end eligibility (FEE) investigations, a 32 percent increase over FY2012.
- Identified \$76.6 million in cost avoidance in FEE investigations, a 10 percent increase over FY2012.
- Established an additional \$14.7 million in cost savings from intentional program violations (IPV) disqualifications.
- Identified \$20.3 million of recipient fraud.
- Identified \$286 of recipient fraud per investigative hour.
- Three-year program savings for taxpayers in FEE of \$176.6 million.

## SPECIAL INVESTIGATIONS UNIT (SIU)

### In FY2013, the Special Investigations Agents:

- Completed 337 investigations, a 50 percent increase over FY2012.
- Determined \$3.9 million of provider, contractor and employee fraud.

## BENEFIT TRAFFICKING UNIT (BTU)

### In FY2013, Benefit Trafficking Agents:

- Completed 1,820 benefit trafficking investigations, a 62 percent increase from FY2012.
- Determined \$2.6 million in fraud from trafficking.
- Established \$2.4 million in receivables from trafficking, a 71 percent increase from FY2012.

## COST EFFECTIVENESS AND PRODUCTIVITY

### In FY2013, Cost Effectiveness:

- Every dollar spent on fraud prevention resulted in \$22 of cost avoidance and savings for taxpayers.
- For every hour spent on an investigation, \$286 of fraud was identified.

## **STATUTORY REQUIREMENT FOR OIG**

The OIG, created in 1972, is a criminal justice agency in the Department of Human Services (DHS). The primary duty of the OIG is to investigate cases of suspected fraud within DHS. OIG is statutorily required under MCL 400.43b to perform the following activities:

- Investigate fraud, waste and abuse in the programs administered by DHS.
- Make referrals for prosecution and disposition of appropriate cases as determined by OIG.
- Review administrative policies, practices and procedures.
- Make recommendations to improve program integrity and accountability.

## **OIG MISSION STATEMENT**

The mission of the OIG is to assist DHS in maintaining integrity and accountability in the administration of its programs. The OIG provides investigation and advisory services to ensure appropriate and efficient use of available public resources.

## **VALUES OF THE OIG**

- Excellence in the performance of OIG duties
- Highest possible standards of professional conduct
- Innovation from all levels of the organization
- Support for the accuracy and integrity of all DHS programs

OIG is accountable by the people of the State of Michigan for maintaining the highest standards of integrity and good moral character. As members of the OIG, we work together as a team to plan and strive for excellence, realizing the daily decisions that are made will reflect on the future of our organization as a whole.

## **KEY PRINCIPLES**

The key principles of the OIG are Responsibility, Excellence, Integrity and Communication.

- Responsibility - OIG employees shall dedicate themselves to treating all people with respect, fairness and compassion.
- Excellence - OIG employees shall know the laws, rules and policies that will aid them in performing their duties and serving the public.
- Integrity - OIG employees shall recognize that the cooperation of all criminal justice and public agencies is essential for effective, efficient and responsive investigations and enforcement.
- Communication - OIG employees shall recognize the accomplishments of those who make significant contributions toward our mission, values, goals and objectives.

## OIG ACTIVITIES

*OIG is involved in many areas of the department that affect program integrity. Included are the following operational activities:*

**Claims Establishment:** Make recommendations directly to DHS concerning all aspects of the claims establishment process. Responsibilities include program content development, policy, procedures, program monitoring and measurement of outcomes and program advocacy.

**DHS/Michigan State Police (MSP) Match:** Pursuant to MCLA 400.10(a)(b)(c), DHS partners with the Michigan State Police to identify public assistance recipients who are not eligible due to a criminal justice disqualification. As supported by DHS policy and Food and Nutrition Services (FNS) regulation, these identified recipients are ineligible to receive certain program benefits.

**Electronic Benefit Transfer (EBT):** Food assistance and cash assistance benefits are electronically transferred to an account accessible by the client debit card called the Michigan Bridge Card. Transactions are analyzed for fraud trends to include out-of-state purchases for more than 30 days, non-recipients using Bridge cards, and other patterns of Food Assistance Program (FAP) trafficking.

**Estate Recovery Fraud Investigations:** The OIG collaborates with the Department of Community Health to investigate potential fraud by individuals who received long-term-care Medicaid payments. The estates of individuals who received Medicaid payments fraudulently are subject to repayment.

**Fraud Hotline:** Fraud referrals that come through the toll free DHS fraud number or website go to a designated fraud coordinator in each local office. The referral is routed to the appropriate caseworker and manager for review, and OIG is notified directly if the referral meets certain priority criteria.

**FEE:** DHS caseworkers may request an investigation by an OIG Agent when applications or re-certifications for public assistance contain suspicious or error-prone information. FEE agents investigate, substantiate or refute discrepancies and suspicious activities; the results may involve an assistance case not being opened, reduced benefits issued and/or case closure.

**IP Locator Project:** The Internet Protocol (IP) Locator Project was created to give OIG the capability to identify the physical location of individuals using MiBridges to apply for Michigan public assistance benefits online. This capability increases the chances of catching potential and current recipients who are residing outside Michigan and are improperly applying for public assistance benefits in Michigan.

**LEIN (Law Enforcement Information Network):** OIG, through its Terminal Agency Coordinator (TAC), is responsible for the integrity and security of sensitive and confidential information contained in the LEIN database. OIG provides extensive training for LEIN statewide operators, maintains the LEIN policy and procedure manuals for LEIN use by DHS and investigates LEIN violations.

**Lottery Match:** Through a partnership with the Michigan Bureau of Lottery, DHS matches known lottery winners with active public assistance recipients. When lottery winnings and active recipients are identified, appropriate case action is taken to affect the continued eligibility of the recipient.

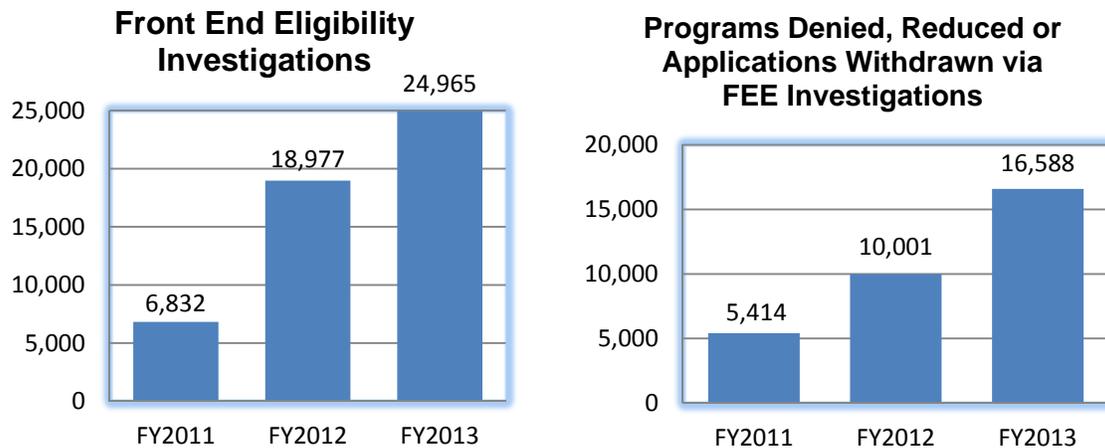
**Policy Recommendations:** OIG provides a leadership role in recommendations for policy changes to enhance prevention and detection of fraud by the continuous review of proposed and current department policy.

**Provider Fraud:** Intentional false billings or intentional inaccurate statements by a provider in areas such as a child development and care, foster care, adult home help and adoption subsidy, as well as contractors or other related businesses.

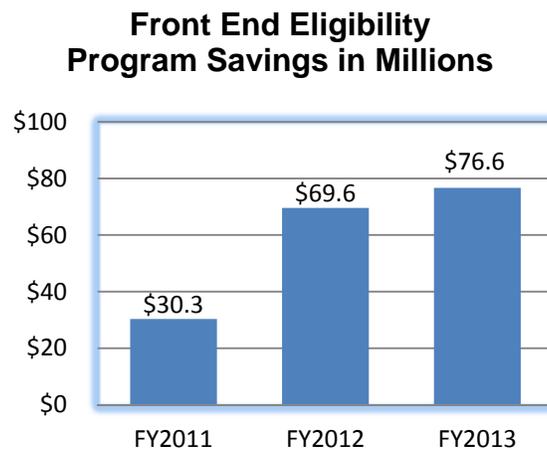
**Recipient Fraud:** An IPV by a person on or applying for public assistance. IPV occurs when there is intentional deception or misrepresentation, with the knowledge that the deception could result in the receipt of unauthorized benefits.

## FEE – FRAUD DETECTION AND PREVENTION

The OIG conducts investigations when clients are suspected of misrepresenting their eligibility for public assistance. FEE investigations target cases in which DHS field staff has requested an investigation when assistance applications or other submitted documentation appear to contain suspicious or error-prone information. In focusing on fraud prevention through FEE in Michigan, OIG ensures public assistance program integrity and increased savings for the taxpayers.



Working toward fraud prevention, OIG FEE agents conducted 24,965 investigations in FY2013 and identified over \$76 million in cost savings. Investigations by OIG agents have resulted in over \$176.6 million in program savings for taxpayers over the last three-year period.



## **2013 FEE (FRAUD PREVENTION AND DETECTION) INVESTIGATION HIGHLIGHTS**

### ***Unreported Assets***

Received fraud complaint alleging a Social Security disability client owned several assets that were not disclosed; these assets included land properties, automobiles, motorcycles and recreational vehicles. Client was also receiving state benefits, such as FAP, Medicaid, Family Independence Program (FIP) and State Emergency Relief (SER). While the client attempted to mislead the agent about these assets, it was found that the client failed to report ownership of two real estate properties, numerous automobiles, recreational vehicles, a motorcycle and livestock. This information was reported to the Social Security Administration, and the client's disability case was closed. OIG investigation resulted in \$22,000 annual cost avoidance and identified over \$57,000 in benefits received fraudulently.

### ***Unreported Spouse Income***

Received FEE referral alleging self-employed husband owning a construction business was believed to be living in the home. OIG investigation revealed this allegation to be true; the husband was added to the case and his income was included. This resulted in monthly savings in FAP of \$479. Further, the husband's income was considered when looking at previous benefits received, and \$16,414 was determined to have been received fraudulently.

### ***Man in the Home***

Through a complaint received through the DHS Fraud Hotline, an allegation was made that a client had not reported her husband in the home, and he had earned income. During the investigation by OIG, the agent found evidence that supported this allegation. The case was referred to the County Prosecutor's office, a warrant was issued and the client pled guilty to two counts of felony welfare fraud. Restitution in the amount of \$26,002 was ordered by the Court.

### ***Dual Assistance***

It was reported that a client was residing in Canada and receiving public assistance benefits there and in Michigan. Collateral contact with the Providence of Ontario, Canada, revealed that the client, husband and two minor children had been receiving public assistance benefits in Canada in the amount of \$992 per month since October 2011. DHS records showed that the client was also receiving FAP and Medicaid benefits in the State of Michigan. Investigation findings resulted in the Michigan case being closed.

### ***Paying Child Support with no Income***

A FEE complaint was received concerning a client that reported he had no income and was homeless; however, he was paying child support consistently. During the course of the investigation, it was revealed that the client had an outstanding warrant from Ohio since July 2005 and was considered a fugitive felon according to DHS policy. Therefore, he was not eligible for assistance. This information allowed DHS to immediately close his FAP case resulting in a cost savings of \$189 per month. Additionally, this information led to a conviction of welfare fraud for the \$19,789 that the client received in public assistance from August 2005 through January 2013.

## **BENEFIT TRAFFICKING UNIT (BTU)**

### ***Definition of Trafficking:***

Public assistance trafficking is the buying and selling of benefits for cash or other ineligible items including: tobacco, alcohol, firearms, drugs and gambling. Violations of the FAP occur when food assistance is redeemed for cash or offered for sale in person or on the Internet or when unauthorized items are bought or sold. Medicaid Assistance trafficking includes prescription forgery, prescription theft and narcotics “shopping” with multiple prescribers/pharmacies.

## **2013 BTU HIGHLIGHTS**

### ***Retailer Food Stamp Trafficking***

In May 2013, Trafficking Agents were assigned to investigate recipient FAP trafficking at several Detroit area retailers. DHS-OIG partnered with U.S. Department of Agriculture (USDA) OIG investigators who believed that Supplemental Nutrition Assistance Program (SNAP)/FAP benefits were being trafficked at these markets. DHS-OIG Agents identified and interviewed numerous recipients who admitted their involvement in FAP trafficking at the markets. The recipients also revealed details of the trafficking scheme operated by the store owner. DHS-OIG Agents also uncovered previously undisclosed evidence establishing that the store owner had altered his tactics and had continued to traffic FAP benefits subsequent to other USDA-OIG raids. As a result of these investigations, DHS-OIG Agents have established over \$300,000 in recoupment, and more than 200 recipients have been disqualified from the FAP; an additional 100 recipients are being investigated in this case.

### ***Truck Stop FAP trafficking***

A joint investigation was conducted by DHS-OIG and USDA-OIG involving a truck stop in Alpena that was allegedly trafficking FAP benefits. The store was selling synthetic drugs, alcohol and cigarettes for FAP benefits. The store masked the illegal transactions by selling a ham (many times with expired date), charging the recipient \$37.99 in FAP benefits and giving the purchaser synthetic drugs, alcohol or cigarettes “free.” Agents with the DHS-OIG Benefits Trafficking Unit worked in conjunction with USDA-OIG agents and the Alpena County Prosecutor’s Office to complete the investigation. Over 100 recipients were found to have trafficked their FAP benefits at this retailer. The corporation and many of the recipients were prosecuted.

### ***Felony Food Stamp Fraud***

In February 2013 a DHS-OIG Agent learned of a situation where vulnerable adults were removed from two boarding houses due to alleged neglect. The OIG agent worked in conjunction with the Genesee County Sheriff’s Department and DHS Adult Protective Services, and it was revealed that these vulnerable adults had their FAP benefits trafficked. The suspect was charged with multiple felonies and pled guilty to felony FAP fraud.

### ***Out of State FAP Usage***

Through data analysis, it was revealed that a Medicaid recipient had fraudulent prescriptions filled at various pharmacies. The client created forged prescriptions online for herself prescribing pain medication. The subject identified a prescribing doctor that she had never seen. During the investigation, the doctor confirmed she was not a patient. Further investigation revealed the client previously resided in North Carolina and used her Bridge Card in that state exclusively for seven months. The following cost avoidances were identified for Michigan public assistance programs: Medicaid cost avoidance, \$615; FAP cost avoidance, \$2,529.

## **SPECIAL INVESTIGATIONS UNIT (SIU)**

The SIU investigates the most complex complaints involving criminal employee wrongdoing, multiple suspects, co-conspirators, multiple jurisdictional venues, program financial and service contracts as well as providers. The SIU develops, recommends and advocates methodology for DHS to deter or detect fraud through internal control development and departmental policies and procedures.

### **2013 SIU HIGHLIGHTS**

#### ***State Employee Investigated for Fraud***

DHS-OIG received a tip that a DHS employee was not reporting her spouse's current income, and that he worked as a tile installer for a company owned by her parents. The DHS-OIG Agent conducted an investigation and found that the employee misrepresented or failed to report her income (prior to DHS employment), her spouse's income and their living arrangements. OIG determined fraud in FAP, Child Development & Care (CDC) and SER totaling \$21,731. The DHS employee and her spouse pled guilty to welfare fraud. Based on full restitution being received on their plea date, the DHS employee was sentenced to community service and her DHS employment was terminated.

#### ***Provider Fraud***

DHS-OIG received a referral from a local law enforcement agency involving a couple in a drug-related asset seizure. The wife informed law enforcement that she was able to afford the assets she possessed because she owned and operated a licensed child care center and was paid through the State of Michigan. During the OIG investigation, comparisons were made between CDC time and attendance records, billing records and samples of parents' schedules. Discrepancies were revealed between all sources. Financial records were retrieved, and it was determined that the owner was the sole beneficiary of the monies received from DHS. The owner had also applied for and received Medicaid for her children and underreported her household income in order to be eligible. OIG determined CDC and Medicaid fraud in the amount of \$371,033. The owner pled guilty, full restitution was ordered and the owner was incarcerated until the first \$3,000 was repaid.

#### ***Divestment/Estate Recovery***

A DHS eligibility specialist discovered inconsistencies in a Medicaid case. The Medicaid applications and verifications over several years were completed and submitted by an attorney specializing in elder law. The couple previously lived out of state, but had moved back to Michigan and purchased a home while keeping their previous home in the other state. On the initial application for Long-Term Care, the couple's second home out of state was reported as being "for sale" and therefore was considered an excluded asset in determining eligibility for Medicaid benefits. Shortly after the approval of the Medicaid Long-Term Care benefits, the listing expired. Expiration of the listing changed the second home from an excluded asset to a countable asset. At the first yearly redetermination, the out-of-state home was listed as transferred into the community spouse's name and DHS did not take any action at that time. The community spouse continued to own this second home. The OIG investigation revealed \$30,399 in Medicaid benefits were issued incorrectly as the termination of the sales listing was not reported within the required time period. From the findings, DHS closed the clients' Medicaid case as they were no longer eligible. The spouse signed a full repayment agreement for receiving the overpayment of Medicaid benefits.

## INVESTIGATIVE ANALYTICS UNIT (IAU)

OIG's IAU is responsible for providing systematic and analytic support for ongoing investigations and fraud referrals. Examples of IAU functions and responsibilities include:

- Management Reports for Performance Measurement
- OIG's Case Management System (MIGS) development, enhancement and maintenance
- Executive Office Reports – Scheduled and Upon Demand
- Michigan's Enterprise Fraud Detection System – Business development
- Out-of-State Bridge Card Transaction Project
- IP Address Locator Project
- Public Assistance Reporting Information System (PARIS) Match Analysis
- County Jail Match Analysis
- Lottery Match Analysis
- Fugitive Felon Analysis
- Multiple Bridge Card Replacement Analysis
- FAP Trafficking Data Mining
- Medicaid Fraud, Waste and Abuse Data Mining
- Social Media Analysis
- DHS Policy Analysis
- USDA-FNS Client Integrity Referral Analysis
- USDA-FNS Management Evaluation Analysis/Liaison
- In-house Recoupment Specialist resource
- OIG's Designated Staff Person for IRS Data
- Freedom of Information Act (FOIA) Request Liaison
- Office of Attorney General (OAG) Audit Liaison
- Law Enforcement Liaison for Trafficking Investigations

### ***Public Assistance Reporting Information System (PARIS)***

OIG-IAU utilizes the PARIS Interstate Match as an investigative tool to identify individuals who may be receiving public assistance in two or more states concurrently. The match data provides a concise description of the individual's circumstances in both states at the point of the match, as well as contact information. OIG actively investigates individuals identified in the PARIS match for receiving public assistance benefits in another state. This often results in the assistance case being closed in Michigan and a warrant request for welfare fraud. The utilization of the PARIS Interstate Match has been instrumental in lowering public assistance program expenditures by removing ineligible non-resident recipients. In FY2013, OIG identified \$880,000 in fraud from PARIS matches.

### ***PARIS Match Highlight***

OIG received a PARIS match indicating a DHS client was receiving welfare benefits in Texas and Michigan. An OIG investigation revealed that the client was receiving public assistance in both Michigan and Texas concurrently. A felony warrant was authorized, and the subject returned to Michigan to face criminal charges. The client pled guilty and was ordered to pay \$15,280 in restitution for food and medical assistance benefits. Furthermore, the client was disqualified from the FAP for 10 years for receiving dual assistance.

### ***Bridge Card-Food Assistance Benefits Cashied Outside Michigan***

OIG's IAU utilizes data analysis to identify households that are redeeming FAP benefits out of Michigan on a regular basis. In FY2013, OIG investigated over 1,500 households identified as potentially having left Michigan while continuing to receive benefits. Of these investigations, OIG established claims of over \$3.1 million as a result of this project. As a result of this match, there have been additional program savings to the state, including stopping monthly Medicaid premiums, which average \$428/month per person.

### ***Out of State Match Highlight***

An Out of State match showed a DHS client had used a Bridge Card in Tennessee exclusively for several months. The OIG investigation confirmed that the client had moved to Tennessee and gained employment. OIG's investigation resulted in the closure of the client's FAP and Medicaid cases as well as a 24-month FAP disqualification. The client signed a repayment agreement for more than \$17,000 for FAP over issuance.

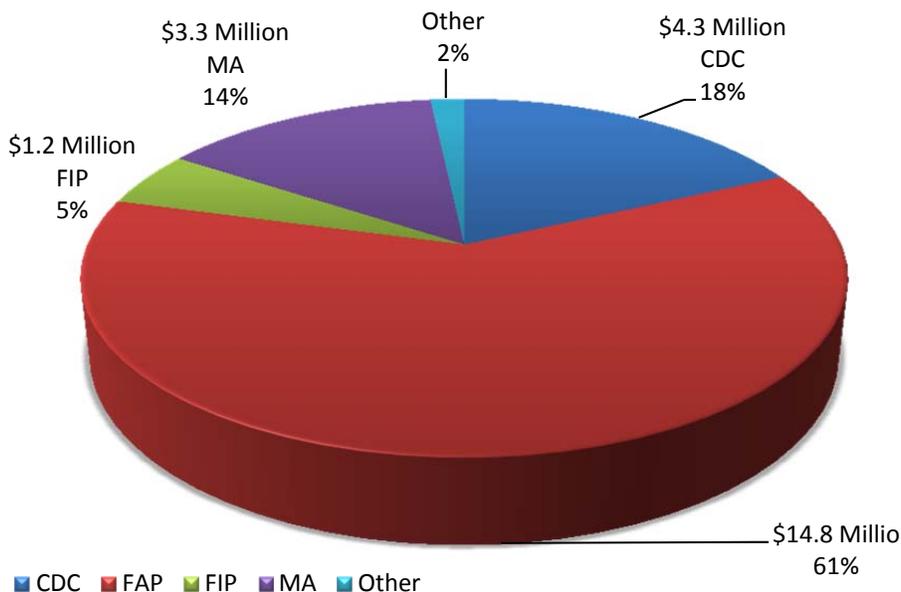
## PUBLIC ASSISTANCE PROGRAM IMPACTS

OIG determined over \$24 million in fraud during FY2013 within multiple Michigan public assistance program areas. During FY2013, 509 felony warrants were authorized by county prosecutors. Investigations by OIG agents have uncovered over \$69 million in fraud during the last three years.

### **Food Assistance Program:**

- Fraud in the FAP accounted for 61 percent of Michigan's public assistance fraud during FY2013.
- OIG investigated 8,443 fraud cases in the FAP alone, with 8,285 fraud investigative dispositions and 472 criminal warrants issued for a fiscal year total of over \$14.8 million dollars in fraud found.
- OIG has investigated 22,567 fraud cases in FAP over the past three years.
- Fraud found in FY2013 was \$14.8 million for a three-year total of \$35.2 million.

### Fraud Dollars by Program FY 2013



CDC = Child Development and Care Program  
FAP = Food Assistance Program  
FIP = Family Independence Program  
MA = Medicaid Assistance Program  
Other = Adult/Children's Services, State Disability, State Emergency Relief

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