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Performance Audit

Prioritizing Fraud Investigations at the Department of Social and Health Services' Office of Fraud and Accountability

June 29, 2015

The Department of Social and Health Services' Office of Fraud and Accountability (OFA) is responsible for investigating allegations of fraud and abuse in public assistance programs. OFA has made several improvements over the last few years, including restructuring the organization and assigning new leadership. Although its backlog of overpayment investigation referrals is growing, its backlog of early detection referrals is declining. We wanted to see if OFA could reduce the backlog of referrals cost effectively while still complying with its mandate to assess all referrals. OFA developed tools that help ensure high priority allegations of fraud or abuse in public assistance programs are investigated. However, we found that the Office's lack of important performance measures hampers its ability to make informed decisions about how to best allocate resources. Our analysis of the available data suggests there are opportunities to use those resources more effectively.



Audit Number: 1014392

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Executive Summary

The Department of Social and Health Services' (DSHS) Office of Fraud and Accountability (OFA) conducts investigations of suspected fraud or abuse in public assistance programs.

Despite improvements in OFA's operations following a contractor's unfavorable review in 2011, including restructuring the organization and assigning new leadership, OFA continued to attract scrutiny. An investigation by a local news station early in 2014 claimed that OFA had "purged nearly 5,000 tips" of possible public assistance fraud and abuse from its backlog of referrals during a two-week span in 2012. The news station reported the tips came from DSHS employees across the state. These referrals required timely investigations because they involved concerns about client eligibility when they were submitted. OFA officials responded to the news station that the referrals in question were not deleted, but sent back to caseworkers, primarily because they were old, and that caseworkers had an opportunity to resubmit another referral if the issue still existed.

Concerns about OFA's handling of its referral backlog prompted the Legislature to require a performance audit of OFA by the State Auditor's Office.

This performance audit examined how OFA prioritizes and processes referrals and sought to answer the following question:

- Can OFA reduce its backlog of referrals by improving methods for closing cases, workload allocation, and performance reporting?

The Legislation requiring this audit also asked us to analyze coordination between the Department of Early Learning and OFA. However, we found cases referred by Early Learning do not affect OFA's backlog; therefore, we did not include an analysis of the coordination between OFA and Early Learning in our audit.

State law requires OFA to assess **every** referral and to **fully** investigate the case if it finds evidence of fraud or abuse. If the allegation is substantiated during the investigation, OFA must refer the case for prosecution or overpayment recovery. The law also requires OFA to detect and prevent fraud and abuse, and appropriately use investigative resources in a balanced and effective manner.

Referrals come from a variety of sources including the public, law enforcement and other agencies. Most are supplied by DSHS employees throughout the state – caseworkers who determine if clients are eligible for public assistance benefits. OFA conducts two main types of investigations:

1. **Early Detection Investigations** – to answer questions raised about a client's current eligibility for public assistance.
2. **Overpayment Investigations** – to determine if clients deliberately withheld or provided false information to collect benefits they were not entitled to receive.

OFA has made improvements to help investigators identify the highest priority cases, but the overpayment investigation referral backlog is growing

Since 2012, OFA has developed tools to help investigators prioritize referrals for both early detection and overpayment cases. We evaluated the early detection tool and found it appropriately prioritizes cases based on high dollar amounts and the likelihood of fraud. The overpayment investigation prioritization tool also contains appropriate criteria; however, OFA staff only began using it in November 2014, and there were too few cases scored and completed during our audit for us to assess the results.

Nevertheless, the backlog of overpayment investigation referrals grew dramatically over the last three fiscal years, from five to 2,674. Referrals have increased while the number of cases assigned to investigators has actually decreased. OFA management stated they reduced the number of overpayment investigation assignments to make workloads more reasonable and to ensure all assigned cases are investigated.

The backlog of early detection referrals did drop in the last fiscal year, due in part to the “aging out” process of OFA’s Fraud Case Management System, which automatically closes early detection referrals after 90 days and sends them back to caseworkers if they have not been assigned to an investigator.

To make improvements that will help reduce the backlog, OFA needs better performance measures

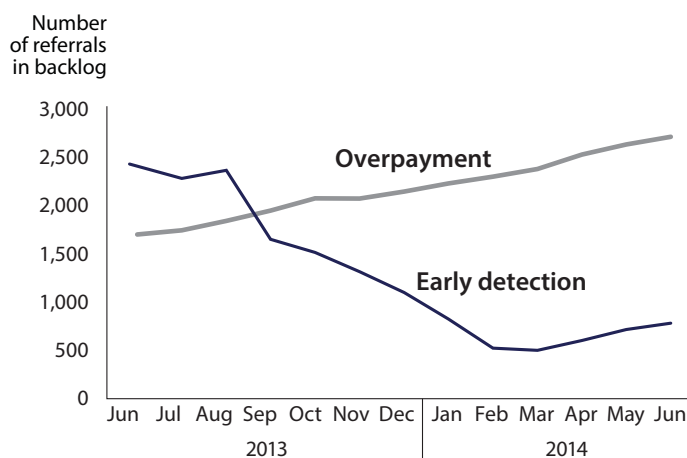
We wanted to see if OFA could reduce the backlog of referrals cost effectively while still complying with its mandate to assess all referrals. But OFA’s lack of important performance measures hampers its ability to make informed decisions about how to best allocate resources. For example, OFA does not track the costs of investigations, nor outcomes specific to particular investigations.

From the data available, we determined DSHS could prevent paying as much as \$2.43 in inappropriate benefits for every \$1.00 spent on early detection investigators. Additional investigators would further reduce the backlog and prevent referrals from aging out.

However, OFA does not track the data necessary to make an informed choice on how to allocate resources to address the backlog of overpayment investigations. We were able to determine that overpayment investigations not referred to prosecution take fewer months to complete than those that are referred. We also found the successful conviction of clients produced additional financial benefits, but because OFA does not track the time investigators spend on cases, we had no way to determine if those benefits offset the added costs of pursuing prosecution.

The early detection referral backlog is decreasing, while the overpayment investigation backlog is increasing

Fiscal year 2014



Source: Auditor analysis of information in the Fraud Case Management System.

Cost-benefit measures could also help OFA allocate workload between early detection and overpayment investigations. Based on our analysis, it appears early detection investigations are more cost beneficial than overpayment investigations, and cost avoidance is more effective than cost recovery.

In addition, we found several figures in OFA's performance measure reports were inaccurate. Some reported figures were estimates and not based on source data, while others were calculated incorrectly. Performance reporting must be accurate in order to effectively inform decisions on allocating resources.

Recommendations

To more effectively reduce the backlog and improve workload prioritization, we recommend OFA:

1. Develop a method to determine the cost per investigation and the cost by investigative approach for overpayment investigations.
2. Conduct ongoing cost-benefit analyses so management can decide how to approach investigations and allocate workload, including the costs and benefits of:
 - a) Early detection investigations
 - b) Prosecuted overpayment investigations
 - c) Overpayment investigations that are sent to administrative disqualification hearings
 - d) Overpayment determinations.
3. Reduce the agency goal of referring 250 cases to prosecution each year and add a goal to pursue:
 - a) more cost-beneficial cases
 - b) more cost-beneficial approaches to reduce the backlog (overpayments, administrative hearings or prosecution).
4. Work with DSHS to seek additional funding to hire more investigators to help eliminate the early detection referral backlog, prevent referrals from aging out, and identify ineligible recipients sooner.
5. As allowed under federal rules, work with the DSHS Economic Services Administration to revise the agency's administrative code so OFA can assess overpayments going back more than two years without a court proceeding.
6. Continue to evaluate the effectiveness of the overpayment investigation prioritization tool to ensure it appropriately scores referrals based on risk of fraud and high overpayments.
7. Document why referrals are closed without investigation, so supervisors can ensure valid cases are not closed inappropriately.
8. Track and report the number of cases closed without investigation and the reasons for doing so, to improve accountability.
9. Correct weaknesses in performance measure data collection to ensure reported figures are accurate and consistent.

Introduction

More than 1.7 million Washington residents currently receive public assistance through the Department of Social and Health Services (DSHS), totaling more than \$2 billion in benefits. Our recent audit on electronic benefit transfer cards, published in November 2014, found that DSHS has one of the highest food assistance payment accuracy rates in the country and that it has effective processes in place to prevent and detect fraud and payments to those not qualified to receive them. The DSHS Office of Fraud and Accountability (OFA) plays a key role in the Department's oversight of public assistance programs by conducting investigations of suspected fraud or abuse of public funds. OFA investigators also provide information to help caseworkers determine if clients are eligible for benefits by verifying circumstances affecting their eligibility for those benefits, such as income level or household size. OFA received about 15,000 referrals regarding potential fraud or eligibility issues in fiscal year 2014.

In 2011, in response to negative news media reports and legislator concerns, DSHS hired a contractor to review OFA, then known as the Division of Fraud Investigations. The contractor's report criticized DSHS' fraud-fighting operations and the Division's leadership. This led to a complete rebranding and restructuring of the Division. DSHS established OFA to replace the Division of Fraud Investigations, made combating fraud and abuse a priority, and appointed new leadership.

Despite the Department's efforts to improve OFA's operations, OFA continued to attract scrutiny. An investigation by a local news station early in 2014, claimed that OFA had "purged nearly 5,000 tips" of possible public assistance fraud and abuse from its backlog of referrals during a two-week span in 2012. The station reported that the tips came from DSHS employees across the state who screen applicants for state and federal assistance programs. These referrals required timely investigations because they involved concerns about client eligibility when they were submitted. OFA officials responded to the news station that the referrals in question were not deleted, but sent back to caseworkers, primarily because they were old, and that caseworkers had an opportunity to resubmit another referral if the issue still existed.

Concerns about OFA's handling of its referral backlog prompted the Legislature to require a performance audit of OFA by the State Auditor's Office.

This performance audit examined how OFA prioritizes and processes referrals and sought to answer the following question:

- Can OFA reduce its backlog of referrals by improving methods for closing cases, workload allocation, and performance reporting?

Background

State law requires OFA to assess every referral and to fully investigate if it finds evidence of fraud or abuse. If the allegation is substantiated during the investigation, OFA must refer the case for prosecution, overpayment recovery or both. The law also requires OFA to detect and prevent fraud and abuse and to appropriately use investigative resources in a balanced and effective manner.

To act on referrals, OFA conducts two main types of investigations:

1. **Early Detection Investigations** – to answer questions about a client’s current eligibility for public assistance, such as “Did the client report all members of the household in his or her application for benefits and will it affect his or her eligibility for food assistance or the payment amount?” Early detection investigations are done to determine the client’s eligibility for benefits and prevent potential overpayments.
2. **Overpayment Investigations** – to determine if a client deliberately withheld or provided false information to collect benefits he or she was not entitled to receive. For example, an investigation may find that a client was receiving cash benefits for the past three years, while the client had a second, intentionally unreported job that made the client ineligible for cash assistance. Overpayment investigations are done to determine if an overpayment or a crime occurred. If OFA determines there was an overpayment, DSHS attempts to recover it. If a crime was committed, OFA may refer the case to a prosecutor.

In fiscal year 2014, OFA assessed \$1.6 million in overpayments through overpayment investigations. Also, we estimated DSHS avoided about \$5 million of potential overpayments through early detection investigations.

OFA employs 33 investigators: 22 to conduct early detection investigations and 11 to conduct overpayment investigations. Early detection investigators also try to determine if a client is involved in the trafficking of Electronic Benefit Transfer (EBT) cards, a criminal offense that would make the client ineligible for benefits. If OFA decides to pursue prosecution of the client, an overpayment investigator would take over the investigation.

Investigators are located in field offices in three regions across the state (illustrated in **Exhibit 1**, below). Each region has a supervisor who assigns cases and oversees investigators as they work on cases involving clients within that region.

Referrals can come from a variety of sources, including the public, law enforcement, and other agencies; most are referred by the caseworkers throughout the state who determine if clients are eligible for public assistance. Caseworkers electronically submit referrals for either early detection or overpayment investigations depending on whether they suspect the issue is current or has been ongoing. The referrals are automatically placed into system queues for early detection or overpayment investigations, where they wait to be assigned by the region's supervisor.

Exhibit 1 - Investigators are stationed around the state



Source: OFA management.

Scope and Methodology

In order to determine if OFA can reduce its backlog of referrals, we interviewed agency management and staff and reviewed documents to gain an understanding of how OFA:

- Manages its backlog of referrals
- Prioritizes referrals, assigns cases and establishes workload
- Tracks investigator time
- Measures performance
- Works with the Department of Early Learning on childcare provider fraud referrals

We obtained all cases stored within OFA's Fraud Case Management System and obtained access to the system's user interface. We analyzed cases that had activity in fiscal years 2012 through 2014.

We calculated the backlog of referrals and analyzed how many cases were referred, assigned and completed. We reviewed case status information to determine the outcomes of all cases that were referred or assigned. We reviewed cost and budget information, interviewed investigators, and examined public assistance amounts to determine the costs and benefits associated with each type of investigation and the various approaches. We also reviewed OFA's performance measures to understand how they are calculated and whether additional measures should be tracked.

Audit performed to standards

We conducted this performance audit in accordance with Generally Accepted Government Auditing standards (December 2011 revision) issued by the U.S. Government Accountability Office. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. **Appendix A** contains more information about our methodology.

Next steps

Our performance audits of state programs and services are reviewed by the Joint Legislative Audit and Review Committee (JLARC) and/or by other legislative committees whose members wish to consider findings and recommendations on specific topics. Representatives of the State Auditor's Office will review this audit with JLARC. The public will have the opportunity to comment at this hearing. Please check the JLARC website for the exact date, time, and location (www.leg.wa.gov/JLARC). The State Auditor's Office conducts periodic follow-up evaluations to assess the status of recommendations and may conduct follow-up audits at its discretion.

Do cases referred by the Department of Early Learning affect OFA's backlog of referrals?

The legislation requiring this audit specifically asked us to analyze coordination between the Department of Early Learning and OFA. Early Learning licenses and monitors Working Connections Child Care program providers, and the agency refers suspected cases of provider fraud or criminal activity to OFA. OFA then conducts the investigation, coordinates with law enforcement, and sends the case to prosecution when appropriate. If necessary, OFA also establishes that an overpayment has been made and refers it to DSHS' Office of Financial Recovery for collection.

During our audit period, Early Learning referred only 62 child care cases to OFA, and we found that all 62 were already under investigation, or had been investigated or closed – none were in the backlog. Early Learning managers explained that they have been referring fewer cases since they implemented an audit process to reconcile invoices with attendance records. For these reasons, we did not include an analysis of the coordination between OFA and Early Learning in our audit.

Audit Results

Answer in brief

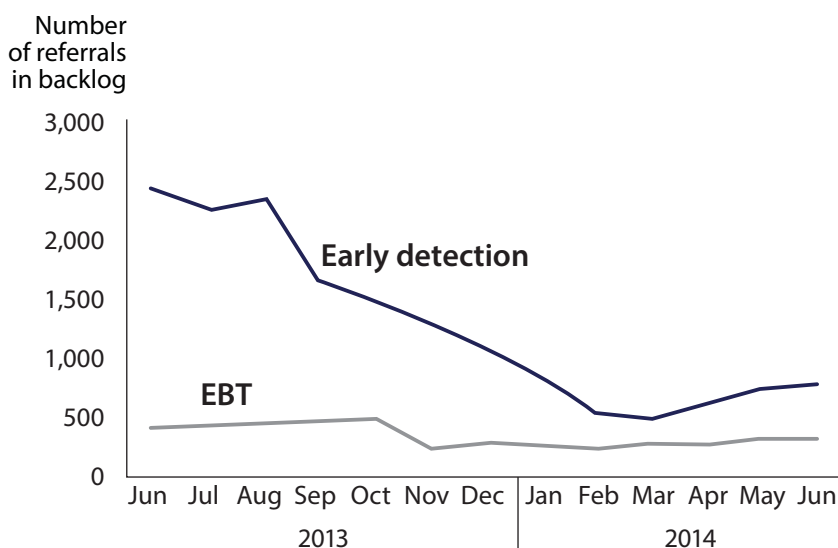
We found OFA has made several improvements over the last few years, including restructuring the organization and assigning new leadership. Although its backlog of overpayment investigation referrals is growing, its backlog of early detection referrals is declining. Our analysis suggested resources could be used more effectively to reduce the backlog. OFA's lack of important performance measures, however, hampers its ability to make informed decisions on how and where to allocate resources. In addition, we found several of the figures in OFA's performance reports were inaccurate.

The backlog of early detection referrals has diminished, due in part to a systematic "aging-out" process for older referrals

We found the backlog of early detection referrals decreased 68 percent from the 2013 fiscal year to the 2014 fiscal year. As **Exhibit 2** shows, in July 2013, the early detection backlog totaled 2,409 and at the end of fiscal year 2014 it was 772. The backlog for EBT trafficking cases was 426 and 322 for the same time periods.

Exhibit 2 - The backlog of early detection referrals, including EBT card abuse, is decreasing

Fiscal year 2014



Source: Auditor analysis of information in the Fraud Case Management System.

Because we were unable to calculate the backlog prior to June 2013, we relied on numbers from 2012 reports saved by DSHS staff. Using these reports, we determined that in February 2012, the backlog of early detection referrals had reached a high of 6,592. OFA closed about 5,000 referrals and sent them back to caseworkers in spring 2012 because many were no longer current.

Due to changes in a DSHS case management system, we were unable to reproduce reports for pre-2013 early detection referrals. Therefore, we could not calculate the backlog of referrals earlier than 2013, when the new Fraud Case Management System was brought online.

According to DSHS documents, 55 percent of the unassigned referrals were more than six months old, and some were more than two years old. Because OFA lacked resources to review each unassigned referral and determine which ones merited investigation, they were closed based primarily on the age of the referral.

However, our review suggested some of the unassigned referrals OFA closed in spring 2012 may have merited investigation if reviewed sooner. We based our assessment on a random sample of referrals that were closed in the DSHS case management system at that time. We found that 38 percent (11 out of 29) were eventually re-referred for investigation and completed - indicating the issue still existed.

Currently, the Fraud Case Management System “ages out” early detection referrals that have not been assigned to an investigator within 90 days of receipt, meaning the system automatically closes the referrals and notifies caseworkers to resubmit them if an issue still exists. The automated process helps OFA manage its backlog based on timeliness which is critical with early detection investigations because the results of the case are used to determine a client’s current eligibility. However, it raises other problems, as we discuss on page 15.

OFA has made improvements since 2012 to ensure the highest priority cases are investigated

In 2012, OFA staff and colleagues from DSHS’ Community Services Division enhanced their case management system to help prioritize early detection referrals so cases with the greatest risk of fraud or abuse are investigated first. A system tool now assigns scores based on information entered by caseworkers as they consider the reasons for an investigative referral. Referrals are transferred from the caseworkers’ case management system to the Fraud Case Management System.

Caseworkers use a series of drop-down menus to enter a variety of preselected criteria for the referral, and the system delivers a ranking based on the options they select. The illustration in Exhibit 3 is taken from training materials OFA gives to caseworkers.

Exhibit 3 - Illustration of the menu options caseworkers can use to create new early detection investigation referrals

The screenshot displays a software interface for the Fraud Case Management System. At the top, a title bar reads "Barcode 2003". Below it, a menu bar includes "Client's Address", "History", "Canned Text", and "Help". The main window is titled "LECOMM".

The "Client Demographic Information" section shows the following details:

- Client ID: 3296615
- Name: John Smith
- SEX: M
- DOB: 03/28/68
- SSN: 555-55-5555
- Addr: 100 N. 1st St. Seattle WA 98900

Below this, the "Referral Type - Select One" dropdown menu is open, showing options: "PREO", "Warrant Check", "Recipient Trafficking", and "CC Provider". The "Warrant Check" option is selected.

Three "Referral Specifics" dropdown menus are shown, each with a list of options:

- The first "Referral Specifics" menu (labeled "S95,S03") has options: "Household Composition", "Unreported Income", "Unable to explain Living Above Means", "Address Verification", "State Residency", "Identity/Citizenship", "Suspected Incarceration", "Countable Resources", and "Other (requires review & approval)".
- The second "Referral Specifics" menu (labeled "39 - Yakima CSO") has options: "Suspicious EBT Usage", "Suspicious EBT Usage", and "Too many EBT replacements".
- The third "Referral Specifics" menu (labeled "ACES Alert") has options: "ACES Alert", "Case History of Fleeing", "Client Disclosed - Not sure of status", "Location of Warrant", and "Third Party Report".

The drop-down menus built into the tool serve two functions. They help ensure caseworkers include all the information investigators need, and they help prevent inappropriate early detection referrals. If caseworkers wish to enter an allegation that is not on a menu, they must get prior approval from their supervisor.

The system scores referrals based on several factors that indicate risk of an eligibility issue. These factors include:

- Dollar amount of benefits being received
- Number and frequency of earlier referrals
- Any history of overpayments

OFA supervisors said they assign the highest priority referrals to investigators first. OFA management also told us that caseworkers received training on the qualities of an appropriate early detection investigation referral, which also contributed to the reduction in improper referrals.

We found that the early detection prioritization tool appropriately scores referrals based on risk

In 2014, ESSB 6002 directed OFA to identify and prioritize for investigation those cases with large overpayments and likelihood of fraudulent activity. To determine how well the tool has helped OFA meet this requirement, we reviewed the priority score assigned to all cases between July 1, 2011, and June 30, 2014. We used system data to determine how many referrals within each priority ranking involved clients receiving more than \$400 in monthly benefits, one of the threshold amounts set by OFA as higher priority. We also reviewed system data to determine how many referrals within each priority ranking involved clients previously referred for investigation, which indicates a higher likelihood of fraud.

We found cases with higher priority rankings were more likely to have prior referrals for investigation and were more likely to have monthly benefit amounts greater than \$400, as shown in Exhibit 4 below.

Exhibit 4 - The early detection tool assigns priority scores to cases based on previous referrals and the value of the benefit among other factors

Priority score	Percent of cases with any past referrals	Percent of cases with benefits \$400 or more
High	49%	72%
Medium High	40%	64%
Medium	33%	42%
Medium Low	26%	28%
Low	39%	25%

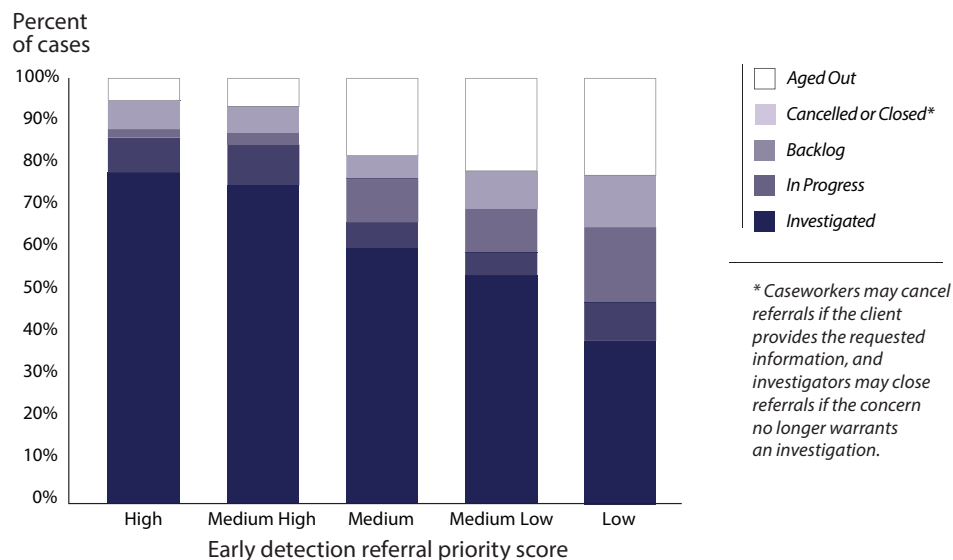
Source: Auditor prepared using data from the Fraud Case Management System.

With the exception of low priority referrals, all categories had fewer instances of past referrals. The 39 percent of low priority referrals, however, included many referrals that came from the public. Until recently, the tool did not score these referrals. Without a score, the Fraud Case Management System automatically assigned them a low priority. In some instances, referrals from the public were submitted multiple times, resulting in a higher percentage of prior referrals for this category during our audit period. OFA management said referrals from the public are now being scored appropriately.

By reviewing the status of prioritized cases, we could see how OFA uses the results of the early detection investigation prioritization tool. We found cases with the highest scores were more likely to be investigated and less likely to remain in the backlog. Case outcomes for each of the early detection referral priority scores are shown in Exhibit 5 below.

Exhibit 5 - Higher priority early detection referrals are more likely to be investigated

Fiscal years 2012 - 2014



Source: Auditor analysis of information in the Fraud Case Management System.

Our analysis indicates the early detection investigation prioritization tool is effectively helping OFA prioritize the highest risk referrals, and that referrals with the higher priority rankings are more likely to be investigated and less likely to remain in the backlog. This means the highest risk cases are being investigated.

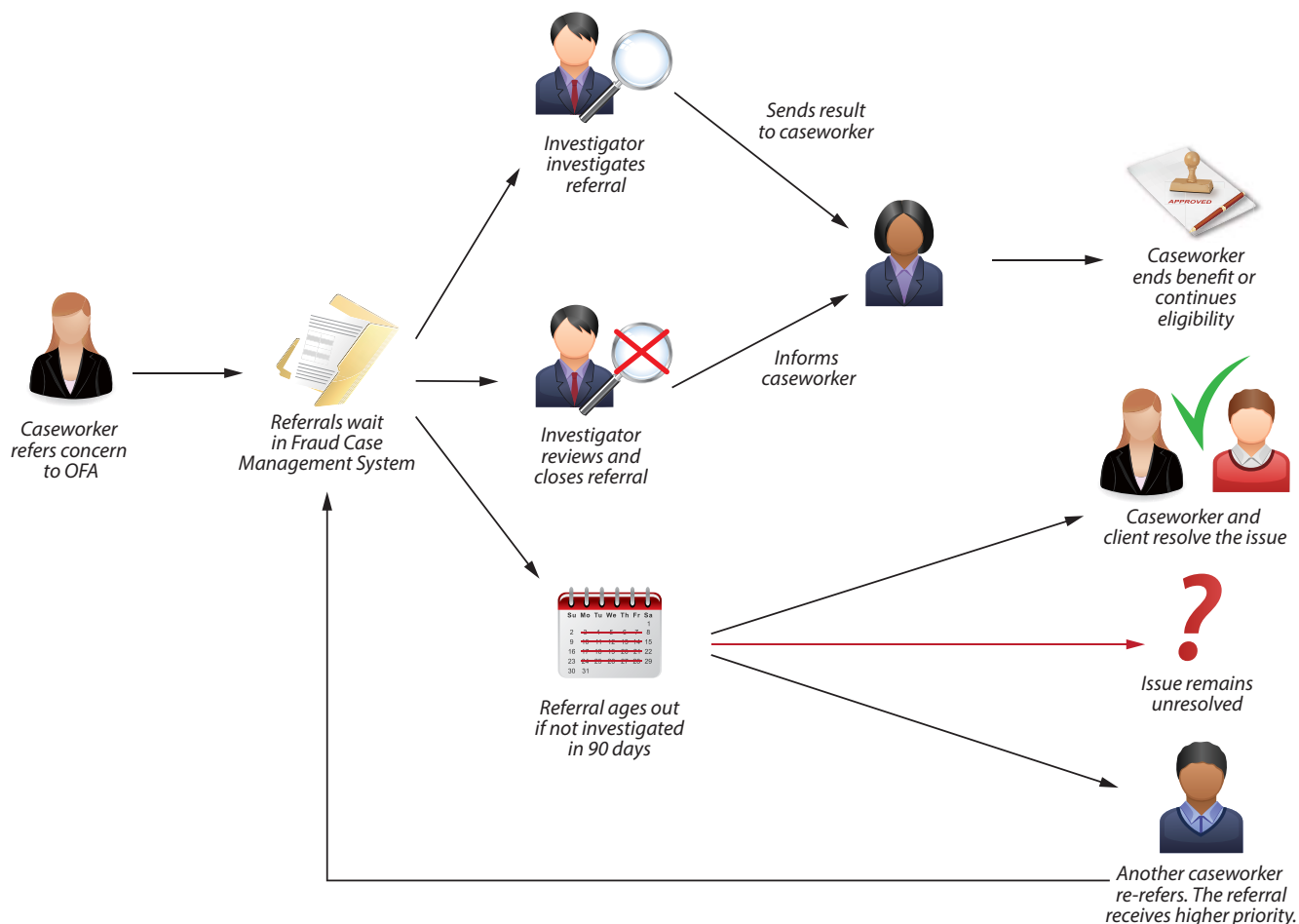
As explained earlier in the discussion of the backlog, timeliness of early detection investigations is critical. Although our analysis showed OFA is effectively prioritizing these referrals, we found about 18 percent of the referrals age out before being assigned to an investigator. As Exhibit 5 shows, most of the cases that age out were low priority; however, even low priority cases could result in cost avoidance.

The automatic “aging out” of low priority referrals means some referrals go uninvestigated unless resubmitted

Neither investigators nor supervisors review referrals before they age out. When a referral ages out, the system sends an automated notice to the next available caseworker in a statewide pool saying the referral was not investigated. The referral could be resubmitted if another caseworker concludes there is still a problem. In these cases, the referral is assigned a higher score by the prioritization tool. However, not all referrals that age out are resubmitted.

We found 29 percent of aged out referrals reviewed were re-referred, indicating an eligibility question still existed, which, if substantiated, could affect the clients’ eligibility and benefits.

Exhibit 6 – How early detection referrals move through the OFA workflow



Source: Interviews with OFA staff and reviews of referrals and their outcomes in the Fraud Case Management System.

Additional early detection investigators could save DSHS more money than they cost

We assessed the potential costs and benefits if OFA hired additional investigators to work on more referrals and allow fewer to age out. We estimate that DSHS could potentially avoid \$1.62 to \$2.43 in inappropriate benefits for every \$1.00 spent on more investigators, depending on the number of cases the investigator completes.

To determine the costs for early detection investigations, we analyzed fiscal year 2014 expenditures. To calculate the benefits of completing more investigations, we analyzed changes in benefits for clients investigated in the last three fiscal years. These changes are essentially the benefits DSHS avoided paying the clients by completing the investigation and correcting their eligibility. We estimated the number of early detection referrals that age out, the likelihood they could result in cost avoidance if they were investigated, and the average potential cost avoidance per investigation. We compared the potential cost avoidance to the average cost of an additional investigator.

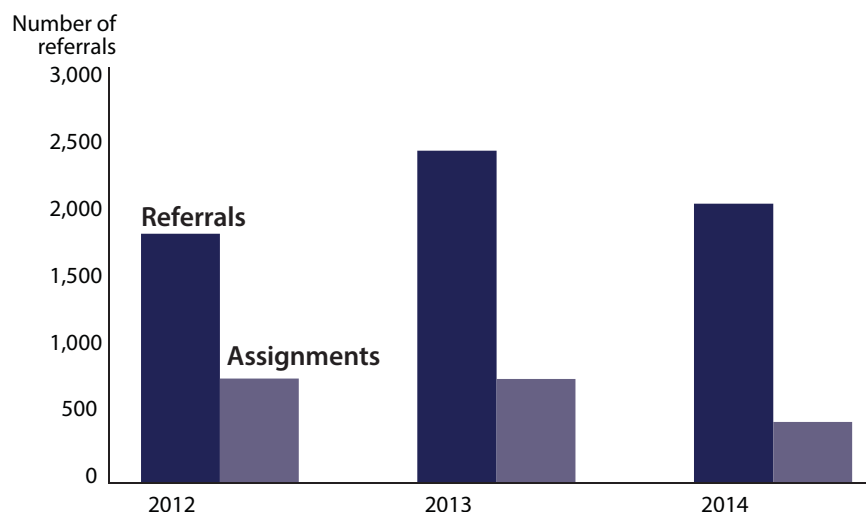
We calculated our own cost avoidance estimate because OFA does not currently track the cost avoidance that results from early detection investigations. OFA has asked the contractor that manages the Fraud Case Management System to automate a similar calculation, but is waiting for this improvement. If OFA measured cost avoidance and calculated the total cost-benefit for early detection investigations, it would be able to consider the cost effectiveness of hiring additional investigators. The agency would also be able to make informed decisions on how much of its investigative resources it should allocate to early detection versus overpayment investigations.

The backlog of overpayment investigations is increasing as fewer cases are assigned

While OFA reduced the backlog of early detection referrals and is using system filters that automatically prioritize those referrals, the number of overpayment referrals has generally risen over the last three years. However, the number of assigned overpayment investigations has dropped, as Exhibit 7 shows.

Exhibit 7 – The number of overpayment investigation referrals has increased while the number assigned has decreased

Fiscal years 2012 - 2014



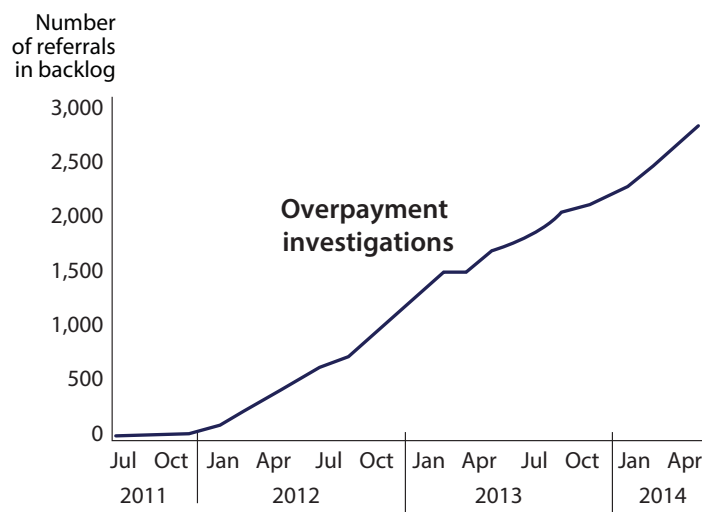
Source: Auditor prepared using data from the Fraud Case Management System.

The OFA Director told us that in 2014, he and his managers made the decision to reduce the number of cases each investigator is assigned because workloads were unreasonable and investigators were unable to work on all their assigned cases. Prior to this change, investigators' average daily caseloads were around 80; they are currently around 22. Experienced investigators told us a reasonable caseload for one investigator at any given time is about 10 to 15 cases. As we discuss below, without knowing how long it takes an investigator to work through her or his assigned cases, it is difficult to manage case assignments effectively.

However, as a consequence, the backlog of overpayment investigation referrals has been steadily increasing over the past three years. As **Exhibit 8** shows, at the end of fiscal year 2014, 2,674 of these referrals had yet to be assigned from the three region queues.

Exhibit 8 – The overpayment investigation backlog is increasing

Fiscal years 2012 - 2014



Source: Auditor analysis of information in the Fraud Case Management System.

The new overpayment investigation prioritization tool could help reduce this backlog

OFA developed a tool to prioritize overpayment investigations similar to the one used for early detection cases. OFA staff began using it in November 2014, and are continuing to adjust it to ensure it appropriately prioritizes cases. We reviewed the tool and found it contains criteria to score referrals based on likelihood of fraud and size of the overpayment - as required by ESSB 6002. However, since OFA has assigned only about 100 cases using the tool's criteria and few have been fully investigated, we were unable to evaluate its effectiveness.

Overpayment investigations can be resolved using one or more of three approaches:

- Filing criminal charges against a client and pursuing restitution in court
- Sending a client to an administrative disqualification hearing, where a judge decides whether the client intentionally violated program rules
- Assessing an overpayment amount for the client to pay back

OFA focuses on pursuing prosecutions for all overpayment investigations. DSHS' Strategic Plan includes a target of 250 referrals to prosecution by July of 2015. As discussed below, prosecutions appear to require more resources, so pursuing prosecution for every case may not be the best approach.

In order to get through the backlog as quickly and efficiently as possible, OFA needs to understand the costs and benefits associated with each of the three options and adjust its strategies accordingly. However, we found OFA lacks sufficiently detailed time records to gain this understanding.

There may be opportunities to reduce costs and increase recoveries for overpayment investigations, but without tracking investigator hours, OFA cannot determine the costs and benefits of its three approaches

The evidence we gathered suggests that only assessing overpayments is much quicker and less costly than preparing a case for prosecution. However, we were unable to determine the relative costs of the approaches to complete these investigations, so we cannot say whether any added benefits of one approach over another are enough to make up for its costs.

OFA cannot determine the costs associated with each overpayment investigation outcome because investigators work on several cases simultaneously and do not track the time they spend on each investigation, some of which can take more than a year to complete. These circumstances make it difficult to accurately calculate an average cost for each of the three approaches OFA can take.

We used fiscal year 2014 OFA salaries, benefits and other expenditures to determine the amount spent on all overpayment investigations, and compared the costs to the overpayments assessed in fiscal year 2014. We found that the cost-benefit ratio for all overpayment investigations is \$1.00 in overpayments assessed for every \$1.00 spent. However, without knowing the number of hours spent on each investigation, we were unable to determine the average costs associated with each of the three approaches.

We did learn that the average number of days needed to prepare a case for criminal prosecution far exceeds the average number of days to complete only an overpayment assessment. We selected all cases during our audit period that were either sent to prosecutors or ended in an overpayment assessment, and compared the dates investigators were assigned to the dates cases were sent to prosecutors or the overpayments were assessed. We found that, on average, it took 232 days to prepare a case for prosecution and 178 days to complete an overpayment case. Investigators told us they believe it takes many more hours to prepare a case for prosecution than to do an investigation solely to determine an overpayment amount because the burden of proof is much higher for prosecution and the final reports take much longer to write.

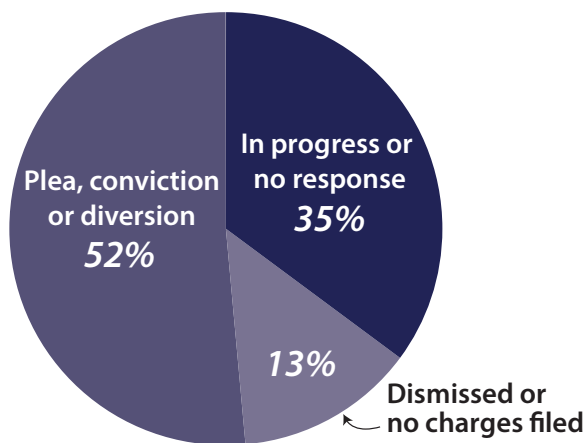
Benefits associated with overpayment investigative approaches vary

Filing criminal charges in court. Over the past three fiscal years, only 12 percent of assigned overpayment investigations (276 of 2,318) were forwarded for prosecution. OFA may not forward a case because the investigator was unable to gather sufficient evidence or the overpayment amount was not high enough to meet the prosecutor's threshold to file charges.

We reviewed all of these cases, totaling \$3.1 million in overpayments, and about 52 percent (142 of 276) resulted in the client pleading guilty, being convicted, or offered entry to a diversion program. The prosecutor declined to file charges or the charges were dismissed for another 13 percent of cases. The status of the remaining 35 percent was unknown as of February 24, 2015. In some situations, the case was still in progress and in others, the prosecutor had not responded.

Exhibit 9 – About half of all cases referred for prosecution were successfully prosecuted, but 35% are still in progress

Fiscal years 2012 – 2014



Source: Auditor analysis of information in the Fraud Case Management System.

Successful prosecutions generally result in higher repayment rates: clients who are ordered by a judge to pay back their overpayments are more likely to make payments than clients whose cases were addressed administratively. We sampled the results of overpayment assessments for two groups of clients: those who were ordered to make repayments and those who were pursued administratively. We found the Office of Financial Recovery, a separate office within DSHS tasked with collecting overpayments, had collected 37 percent of the amount owed by those under court order and only 17 percent of the amount owed by those not prosecuted. However, collections are ongoing and more payments could still come in.

We also found that in Washington, if proof is shown through court proceedings that a client intended to defraud the federally funded food assistance benefit program, the overpayment amount can be assessed for up to six years back. Without a court proceeding, OFA cannot prove intent and Washington rules only permit assessments going back two years in these circumstances. However, federal statutes covering this program do not require this two-year restriction if intent is not proven. If Washington eliminated its two-year restriction, OFA could administratively assess six-year overpayment determinations for some cases currently referred to prosecutors. This would also allow it to potentially avoid the higher costs to make these referrals, complete investigations faster, and collect larger overpayments.

Entry into a diversion program gives clients the opportunity to have their charges dismissed if they comply with requirements such as paying restitution and fees, completing community service hours, and reporting to a probation officer. If clients do not successfully complete the program, the prosecutor may resume prosecution of the case.

Sending a client to an administrative disqualification hearing. OFA routinely uses administrative hearings to disqualify clients involved in EBT card trafficking from public assistance for certain periods of time. OFA offers these clients the option of signing a self-disqualifying agreement if they want to avoid a hearing. However, they have rarely used administrative hearings to prove the client intended to misrepresent their eligibility for overpayment investigations. Over the past three fiscal years, only two overpayment investigations were sent to administrative hearings for this reason. Like successful prosecutions, establishing intent in administrative hearings would allow OFA to assess overpayments up to six years back.

With so few cases to review, we were unable to assess how administrative disqualification hearings could be used to complete investigations and prove intent for overpayments. OFA managers told us they believe they could complete overpayment investigations quicker if they referred more to administrative hearings or pursue disqualifications. However, without knowing the number of hours spent on investigations, we cannot determine if this is true.

Assessing an overpayment amount. Over the past three fiscal years, 27 percent of overpayment investigations ended in OFA assessing an overpayment, for a total of \$1.8 million in overpayment assessments. This is the option OFA pursues if it cannot gather enough evidence to prove the client intended to commit fraud or if the dollar amount is less than prosecutors will accept. Clients are notified of the overpayment in writing and they may either pay it back, have it deducted from future benefit payments, or contest the amount owed.

Establishing performance measures around the cost, duration and results of both early detection and overpayment investigations could help OFA allocate workload

Currently, the overpayment investigation backlog is much larger than the early detection backlog. In response, OFA made recent workload allocation decisions based on this fact, such as hiring three temporary employees to review referrals in the overpayment investigations backlog. OFA should also consider putting in place performance measures to help managers more effectively balance resources in the long term.

Useful performance measures – derived from reliable data – might include:

- Time taken to perform different types of investigations
- Related costs for each investigation
- The amount of money recovered or not paid out to ineligible people

Such measures would help OFA managers conduct the cost-benefit analysis that would allow them to appropriately allocate resources among different overpayment investigation approaches. Indeed, such analysis could also guide decisions regarding the allocation of resources between investigations that recover overpayments and early detection investigations, which are designed to prevent overpayments from happening.

Based on our analysis from the data available, it appears early detection investigations are more cost beneficial than overpayment investigations, and cost avoidance is more effective than cost recovery.

Overpayment investigations produce \$1.00 in benefits for every \$1.00 spent, assuming the entire overpayment amount established is collected. However, we found this may not be the case. We reviewed collection amounts of a random sample of overpayment determinations over fiscal years 2012 through 2014, and while more could still come in, we found only 32 percent of the total amount established (\$353,000 of \$1.1 million) had been collected as of April 1, 2015. As noted on page 15, our analysis of the costs and benefits to OFA if it hired additional early detection investigators showed an estimated saving of \$1.62 to \$2.43 in benefits for every \$1.00 spent on more investigators.

Some of OFA's performance reporting is inaccurate

State law requires OFA and the Department of Early Learning to provide a quarterly report to the Legislature on their progress in reducing the backlog. OFA also reports these performance measures to the DSHS Secretary each month:

- The number of cases assigned and not yet assigned (backlog)
- The dollar value of overpayments established
- The number of convictions, diversions, and disqualifications that result from investigations

We compared OFA's performance reports to the Legislature and the Secretary during our audit period to source documents and data from the Fraud Case Management System, and found many figures were incorrect.

In some instances, OFA used estimates rather than pulling figures from source documents, although it used notes to disclose this. All estimates in the reports were figures from fiscal years 2010 to 2013, before OFA implemented the Fraud Case Management System.

In other instances, the queries used to calculate these figures were inaccurate. For example, the data query that calculates the total overpayments assessed included estimated overpayments entered by workers who were not authorized to finalize overpayments. Another query, designed to calculate the number of clients who were disqualified from benefit programs and the resulting cost avoidance each month, used the wrong date to select records and excluded a number of clients who were disqualified.

For the remaining instances, we were unable to determine why the reported figures did not match source data.

We communicated these issues to OFA management during the audit, and they immediately began working to resolve them.

To improve accountability, investigators should document their reasons for not pursuing overpayment investigations

Once referrals are assigned, investigators have discretion to review them and determine if the cases warrant investigation, but the system does not require them to document their reasons for not investigating the referrals. Currently, a supervisor does not review these decisions, nor can supervisors run reports and monitor these decisions to ensure cases are closed appropriately. Only 11 of 632 cases that were closed in the last three years, which did not have an overpayment assessed or were not prosecuted, had a documented reason for closure in the Fraud Case Management System's designated field.

Management stated investigators may have documented the reasons for closure elsewhere in the system, but without reviewing each case individually, we were unable to determine how often this occurred. Consistent documentation would allow OFA to promote accountability by reporting on the total number of referrals closed without investigation to the DSHS Secretary and the Legislature.

Conclusion

Although we found OFA is prioritizing early detection investigations appropriately and is evaluating results to determine how well it is prioritizing overpayment investigations, it can make improvements to its processes to further reduce the backlog. Most importantly, OFA should begin tracking additional performance measures so it knows how and where to effectively allocate resources. We found that OFA does not track the costs of investigations, nor outcomes specific to particular investigations. From the data available, we were able to determine that OFA could hire more early detection investigators to reduce the backlog of early detection referrals and prevent those referrals from aging out while still producing benefits in excess of the costs of additional investigators.

However, OFA does not track the necessary data in order to determine how to effectively allocate resources to address the backlog of overpayment investigations. We were able to determine that, on average, overpayment investigations referred to prosecution take 54 more days to complete than those not referred to prosecution.

We found the successful conviction of clients produced additional financial benefits, but because OFA does not track the time investigators spend on cases, we could not determine if those benefits offset the added costs of pursuing prosecution.

Recommendations

Recommendations

To more effectively reduce the backlog and improve workload prioritization, we recommend OFA:

- Develop a method to determine the cost per investigation and the cost by investigative approach for overpayment investigations.
- Conduct ongoing cost-benefit analyses so management can decide how to approach investigations and allocate workload, including the costs and benefits of:
 - a) Early detection investigations
 - b) Prosecuted overpayment investigations
 - c) Overpayment investigations that are sent to administrative disqualification hearings
 - d) Overpayment determinations.
- Reduce the agency goal of referring 250 cases to prosecution each year and add a goal to pursue:
 - a) more cost-beneficial cases
 - b) more cost-beneficial approaches to reduce the backlog (overpayments, administrative hearings or prosecution).
- Work with DSHS to seek additional funding to hire more investigators to help eliminate the early detection referral backlog, prevent referrals from aging out, and identify ineligible recipients sooner.
- As allowed under federal rules, work with the DSHS Economic Services Administration to revise the agency's administrative code so OFA can assess overpayments going back more than two years without a court proceeding.
- Continue to evaluate the effectiveness of the overpayment investigation prioritization tool to ensure it appropriately scores referrals based on risk of fraud and high overpayments.
- Document why referrals are closed without investigation, so supervisors can ensure valid cases are not closed inappropriately.
- Track and report the number of cases closed without investigation and the reasons for doing so, to improve accountability.
- Correct weaknesses in performance measure data collection to ensure reported figures are accurate and consistent.

Agency Response



STATE OF WASHINGTON

June 26, 2015

Ms. Jan Jutte
Acting Washington State Auditor
P.O. Box 40021
Olympia, WA 98504-0021

Dear Ms. Jutte:

We appreciate the opportunity to review and respond to the State Auditor's Office (SAO) performance audit report: "Prioritizing Fraud Investigations at the Department of Social and Health Services' Office of Fraud and Accountability." Our agencies were pleased to work together to provide this joint response. We also thank the SAO staff for the professional and collaborative nature in which they conducted the audit.

The Office of Fraud and Accountability (OFA) plays a key role in accountability for more than \$2 billion in public assistance payments each year. OFA is committed to protecting these taxpayer dollars by preventing, detecting and prosecuting public benefits fraud. As documented in the audit, OFA realized more than \$6.6 million in overpayment collections and cost savings in fiscal year 2014.

As noted in the audit conducted at the request of the 2014 Legislature, OFA has significantly reduced or eliminated two of three investigation backlogs: payments to child care providers and early detection referrals done when questions arise about client eligibility.

We agree that the backlog of overpayment investigations — those that examine whether clients deliberately withheld and/or provided false information in order to receive benefits — continues to grow as monthly referrals increase. We will continue to pursue remedies to decrease and eliminate this backlog.

We appreciate the SAO's recommendations on ways to improve our performance measures and data collection. Our detailed actions for addressing those recommendations appear in the response to the audit report and give a timeline for making the suggested improvements.

Sincerely,

A handwritten signature in black ink, appearing to read "Kevin W. Quigley".

Kevin W. Quigley
Secretary
Department of Social and Health Services

A handwritten signature in black ink, appearing to read "David Schumacher".

David Schumacher
Director
Office of Financial Management



Ms. Jan Jutte
June 26, 2015
Page 2 of 2

cc: Joby Shimomura, Chief of Staff, Office of the Governor
Kelly Wicker, Deputy Chief of Staff, Office of the Governor
Miguel Pérez-Gibson, Executive Director of Legislative Affairs, Office of the Governor
Matt Steuerwalt, Executive Director of Policy, Office of the Governor
Tracy Guerin, Deputy Director, Office of Financial Management
Wendy Korthuis-Smith, Director, Results Washington, Office of the Governor
Tammy Firkins, Performance Audit Liaison, Results Washington, Office of the Governor
David Stillman, Assistant Secretary, DSHS Economic Services Administration
Steve Lowe, Director, DSHS Office of Fraud and Accountability

OFFICIAL STATE CABINET AGENCY RESPONSE TO THE PERFORMANCE AUDIT ON PRIORITIZING INVESTIGATIONS AT THE OFFICE OF FRAUD AND ACCOUNTABILITY

JUNE 26, 2015

This coordinated management response to the State Auditor's Office (SAO) performance audit report received June 15, 2015, is provided by the Department of Social and Health Services (DSHS) and the Office of Financial Management.

SAO PERFORMANCE AUDIT OBJECTIVES:

The SAO sought to answer this question:

- Can DSHS' Office of Fraud and Accountability (OFA) reduce its backlog of referrals by improving methods for closing cases, workload allocation and performance reporting?
-

SAO RECOGNITION 1: The backlog of early detection referrals has diminished, due in part to a systematic "aging-out" process for older referrals.

SAO RECOGNITION 2: OFA has made improvements since 2012 to ensure the highest-priority cases are investigated.

SAO RECOGNITION 3: The early detection prioritization tool appropriately scores referrals based on risk.

SAO ISSUE 1: The automatic "aging out" of low-priority referrals and DSHS' pooled workflow staff structure means some referrals go uninvestigated unless resubmitted.

SAO ISSUE 2: The backlog of overpayment investigations is increasing as fewer cases are assigned.

SAO ISSUE 3: There may be opportunities to reduce costs and increase recoveries for overpayment investigations, but without tracking investigator hours, OFA cannot determine the costs and benefits of its three approaches.

SAO ISSUE 4: Establishing performance measures around the cost, duration and results of both early detection and overpayment investigations could help OFA allocate workload.

SAO ISSUE 5: Other improvements could help OFA manage its investigations workload better.

SAO Recommendation 1: Develop a method to determine the cost per investigation and the cost by investigative approach for overpayment investigations.

STATE RESPONSE

OFA will conduct a time study of its intentional overpayment investigations to determine their costs. The time study will be done in lieu of individual-case time tracking as we wish to avoid slowing down the work of investigators with additional administrative duties while they address the backlog of OFA cases.

Action Steps and Time Frame

- Conduct a time study of intentional overpayment investigations. *By December 31, 2015.*
-

SAO Recommendation 2: Conduct ongoing cost-benefit analyses so management can decide how to approach investigations and allocate workload, including the costs and benefits of:

- a. Early detection investigations
- b. Prosecuted overpayment investigations
- c. Overpayment investigations that are sent to administrative disqualifications hearings
- d. Overpayment determinations

STATE RESPONSE

The time study will provide the framework to determine the cost benefit of all investigations except Fraud Early Detection (FRED) investigations. OFA will use information from this performance audit to help us analyze FRED investigations' cost benefit.

Action Steps and Time Frame

- Conduct a cost-benefit analysis. *By March 1, 2016.*
-

SAO Recommendation 3: Reduce the agency goal of referring 250 cases to prosecution each year and add a goal to pursue more: a) cost-beneficial cases and b) more cost-beneficial approaches to reduce the backlog (overpayments, administrative hearings or prosecution).

STATE RESPONSE

OFA will reduce its goal of prosecution referrals to 200 cases and place additional emphasis on referring more cases for overpayment collection and to administrative disqualification hearings. OFA has increased overpayment collection in each of the past three years.

OFA will emphasize referring for prosecution those cases with large dollar losses. This allows the others to be handled more expeditiously through overpayment collection or administrative disqualification.

Action Steps and Time Frame

- OFA will reduce the goal of 250 cases to 200 cases referred to prosecution while increasing referrals for overpayment collection and administrative disqualifications. *By August 1, 2015.*
-

SAO Recommendation 4: Work with DSHS to seek additional funding to hire more investigators to help eliminate the early detection referral backlog, prevent referrals from aging out, and identify ineligible recipients sooner.

STATE RESPONSE

DSHS will continue to pursue directing or adding resources to investigations.

Action Steps and Time Frame

- DSHS will pursue directing or adding more resources to investigate early detection referrals. *By September 30, 2015.*
-

SAO Recommendation 5: As allowed under federal rules, work with the DSHS Economic Services Administration (ESA) to revise the agency's administrative code so OFA can assess overpayments going back more than two years without a court proceeding.

STATE RESPONSE

Administrative code states the department may assess up to six years in overpayments if an administrative law judge determines that is appropriate during a formal administrative disqualification hearing. Such hearings are conducted when it is alleged a client intentionally misrepresented his or her circumstances to receive benefits, or to receive more benefits than entitled to. The judge also could disqualify the client from receiving future benefits for a period of time.

Program integrity is a high priority for DSHS. The department takes seriously its responsibility to protect taxpayer funds from fraud and abuse, and is committed to accurately determining benefit eligibility and providing effective oversight of its public assistance programs.

Limited resources require us to strategically prioritize our work. The department's program integrity efforts combine a strong focus on prevention with tools and techniques to identify and take appropriate action in instances of fraud and/or abuse. This ensures eligible individuals receive the right amount of benefits at the right time. In fact, the department's innovative, proactive approach to delivering accurate benefits resulted in creation of the Public Assistance Reporting Information System (PARIS) interface. This allows federal and state agencies to access and share information about public assistance benefit applicants to prevent, identify and stop the receipt of benefits in multiple states. As of mid-June 2015, PARIS helped the department identify and avoid more than \$22 million in inappropriate benefits.

Action Steps and Time Frame

- DSHS will explore ways to expand its use of the administrative disqualification hearings process to identify and establish overpayments. Leadership in OFA and ESA will work together to assess the current process and to determine areas for potential improvement. *By July 31, 2016.*

SAO Recommendation 6: Continue to evaluate the effectiveness of the overpayment investigation prioritization tool to ensure it appropriately scores referrals based on risk of fraud and high overpayments.

STATE RESPONSE

In November 2014, DSHS began using a new tool to prioritize referrals for overpayment investigations. The tool uses criteria to score referrals based on the likelihood of fraud and size of overpayment. OFA continually evaluates the tool and makes improvements as warranted. When needed, OFA incorporates new information in the tool. OFA is examining ways to automate the tool, much like the FRED prioritization tool.

Action Steps and Time Frame

- OFA will continue to use the tool, make appropriate updates and study the feasibility of automation. *By September 1, 2015.*

SAO Recommendation 7: Document why referrals are closed without investigation, so supervisors can ensure valid cases are closed.

STATE RESPONSE

Whenever an OFA case is closed, the reason(s) is documented. However, the reasons are not standardized and not always properly entered in the case management system. Standard reasons for closure and training on proper documentation in the case management system are needed.

Action Steps and Time Frame

- Standard reasons for closure have been developed. Staff will be trained on proper documentation. *By October 31, 2015.*
-

SAO Recommendation 8: Track and report the number of cases closed without investigation and the reasons for doing so, to improve accountability.

STATE RESPONSE

With standard reasons for closure and proper training, the OFA case management system will be able to report accurate information on investigation closures.

Action Steps and Time Frame

- OFA will develop reports from the case management system. *By March 1, 2016.*
-

SAO Recommendation 9: Correct weaknesses in performance measure data collection to ensure reported figures are accurate and consistent.

STATE RESPONSE

The audit pointed to several weaknesses in the new OFA case management system and its reports. In 2011, the lack of a case management system was identified as the major barrier to effective work in OFA. OFA acquired an off-the-shelf case management system which was operational by June 2013. This system has required constant upgrades as errors and issues have been identified. OFA is working with the DSHS Office of Research and Data Analysis to improve data reporting from the case management system.

Action Steps and Time Frame

- OFA will complete the data reporting verification upgrades and implement accurate performance measurement reports. *By December 31, 2015.*
-

Appendix A: Methodology

The audit's objective was to determine if OFA could reduce its backlog of referrals by improving methods for closing cases, workload allocation, and performance reporting. Because OFA is required by law to assess all referrals and it has limited resources to do so, we designed the audit to evaluate how OFA prioritizes referrals and the costs and benefits associated with the two types of investigations OFA performs. We used several methods to conduct these analyses, and used data from the following sources:

- **Fraud Case Management System (FCMS)** – OFA uses FCMS to store documents related to investigations and track their progress
- **Barcode** – DSHS caseworkers use Barcode to send referrals to OFA
- **Automated Client Eligibility System (ACES)** – DSHS uses ACES to process public assistance clients' eligibility information
- **Enterprise Reporting System** – Washington uses Enterprise Reporting to query revenue and expenditure data for all state agencies
- **Travel and Expense Management System (TEMS)** – State agencies use this system to request reimbursements for work-related travel expenses
- OFA timekeeping and salary records
- OFA investigator mileage records

Calculating the backlog of investigation referrals

Not all early detection referrals were imported into FCMS from the previous system, but all overpayment investigation referrals were. To calculate the early detection backlog before FCMS was introduced in June 2013, we used 2012 reports DSHS had saved, which showed the backlog during several points in time between December 2011 and May 2012.

To calculate the backlog of early detection referrals after June 2013 and the overpayment investigation backlog for the entire audit period, we used FCMS data. Our data queried referrals for each month of our audit period that had referral dates before the last day of the month, but which did not have an assigned or closed date before that date. This gave us a count of all unassigned referrals at the end of each month.

Verifying the accuracy of OFA's reported performance measures

We interviewed OFA management to determine how the Office calculated each measure in its monthly progress reports and quarterly Legislative reports. We used the same FCMS and Barcode queries OFA used to recalculate each figure. We also reviewed the FCMS query parameters and results to determine if they were designed appropriately. In some cases, the FCMS queries were not designed to produce historical numbers, so we created our own queries to calculate those performance measures.

Examining the early detection prioritization function

Does the early detection prioritization tool appropriately score referrals?

We used FCMS and ACES data and wrote queries to determine the monthly benefit amount that clients received and if the client was the subject of any prior investigations. For each priority ranking, we determined the percent of completed early detection investigations where the client had monthly benefit amounts greater than \$400, which OFA considers higher priority. We also determined the percent of investigations where the client had prior referrals against them, which indicates a higher likelihood of fraud. We used the client's identification number to link the FCMS and ACES data together and to determine whether the same client was the subject of multiple investigations.

Are higher priority referrals more likely to be investigated?

We used FCMS data and wrote a query to select all early detection referrals with a priority score referred during our audit period and determined the status of the investigation at the end of the audit period. We divided the statuses of early detection referrals into six categories:

- Backlog – the referral has entered the system, but has not been assigned or closed
- In progress – the case has been assigned, but not yet completed
- Closed or cancelled – either the investigation was assigned, but closed because the investigator found that the referral no longer warranted an investigation, or the referral was cancelled by the caseworker before it could be assigned because they resolved the issue
- Pended – the referral has been investigated and the results sent to the caseworker
- Referred to overpayment investigation – the early detection case was referred to an overpayment investigator
- Aged out – the referral was automatically closed by the system prior to being assigned and investigated

We then counted the number of referrals with each of these statuses and grouped the referrals by priority score.

What percentage of aged out referrals were re-referred?

We used FCMS data and wrote a query to select all referrals made in our audit period with an aged out date. To select potential re-referrals, we wrote a second query that selected records where the client had another referral that was after the first referral's aged out date. We compared the referrals in the aged out query to the referrals in the re-referred queries to see if any of the re-referred cases had the same allegation as the referrals that had aged out. If the case did have the same allegation, we counted it as a re-referred case.

As we were reviewing allegations, we found that re-referred cases typically had the word “reopen” in the referral description. We wrote a third query to select all cases with this description, which minimized the number of cases we needed to review individually.

Questions examining costs and benefits for investigations

How did we calculate the average number of OFA investigators?

We compiled OFA timekeeping and salary records and ran queries to count the total number of staff each pay period (twice per month). We then added up the number of staff in all pay periods and divided it by the number of pay periods. We aggregated the results by fiscal year and by employee classification.

How did we calculate the costs associated with early detection investigations and overpayment investigations?

To determine the costs associated with early detection investigations and overpayment investigations, we reviewed expenditure data from fiscal year 2014 from the Enterprise Reporting System, reimbursement data from TEMS, and salary records from OFA. Because early detection investigators work exclusively on early detection cases, we allocated their salaries, benefits, and mileage reimbursement expenditures to early detection investigations. Because overpayment investigators work exclusively on overpayment investigations, we allocated their salaries, benefits, and mileage reimbursement expenditures to overpayment investigations. We then allocated goods and services, overhead and administrative costs based on the average number of investigators that worked on early detection and overpayment investigations in fiscal year 2014.

Does OFA avoid more costs to DSHS than it incurs when conducting early detection investigations?

To determine the cost avoidance that resulted from early detection investigations, we selected all early detection investigations completed in our audit period and used ACES data to identify the client's monthly benefit amount prior to the date the investigation was completed. We then subtracted the monthly benefit amount they received 60 days after the investigation was complete. The difference is essentially the amount DSHS avoided paying the client by completing the investigation and correcting their eligibility. Because early detection investigations occur to determine correct eligibility, and the certification period for public assistance is typically one year, we determined the likely cost avoidance from these investigations would last for at least a year. Therefore, we multiplied the sum of the monthly differences by 12 to get the total potential yearly cost avoidance. We grouped the results by the priority score of the early detection referral to determine the likelihood a referral within each priority level would result in cost avoidance. We also used this grouping to determine the average cost avoidance for each score.

We then selected a random sample of cases and looked at detailed case information in ACES to determine if the difference in benefits was in fact the result of an early detection investigation, or because of another factor. For example, if a client self-reported a change in their income and it reduced their benefit amount, the reduction in benefits was not the result of the early detection investigation.

We used the sample to estimate the average cost avoidance resulting from early detection investigations.

Our analysis did not include medical benefits as we found that most medical benefit programs are now administered by the Health Care Authority. We excluded public assistance programs with short-term benefits such as the Pregnant Women Assistance program and the Refugee Assistance program because it would be difficult to determine if the client came off of benefits due to the early detection investigation or just because their eligibility had ended due to the time limit associated with these programs.

As stated above, we made the assumption that the reduction or cessation of benefits would continue for only one year. Some reductions would actually continue for two to 10 years if the client was disqualified because of the seriousness of the wrongdoing and/or prior instances of fraud. Due to these reasons we believe we made a conservative cost avoidance estimate.

We also compared the estimated cost avoidance to the cost of early detection investigations to come up with a cost-benefit ratio.

Could hiring additional investigators to complete more early detection investigations provide more benefits than costs?

We first used FCMS data and wrote a query to determine the average number of early detection investigations that are not closed within 90 days from the time they are referred. These referrals would potentially age out prior to being investigated. We used the priority score distribution of actual cases that aged out to determine the potential priority scores of these referrals. We used these scores and our cost avoidance analysis to determine the likelihood they would be investigated and result in cost avoidance. We then multiplied the estimated number that would result in cost avoidance by the average cost avoidance to estimate the potential savings for each additional case.

We multiplied this value by the number of early detection investigations each investigator is expected to complete each month. We used 20 for a low estimate and 30 for a high estimate. We then compared these values to the average monthly cost of an investigator to determine a range of potential cost-benefit ratios.

How did we determine the benefits associated with overpayment investigations?

We used a pre-defined query in FCMS to determine the number and total amount of overpayments established in fiscal year 2014. We manually reviewed these overpayments in ACES and removed those the query selected that were not valid overpayments, that were not established in fiscal year 2014, or that were associated with early detection investigations. We totaled the remainder to determine the benefits resulting from overpayment investigations.

We also compared this amount to the costs of overpayment investigations to determine the cost-benefit ratio.

How did we determine the average number of days it takes to refer a case to prosecution and to establish an overpayment?

We used FCMS data and wrote a query to select all overpayment investigations that were assigned in fiscal years 2012 through 2014 and the dates they were assigned. We determined whether they were referred to prosecution or had an overpayment established. We then subtracted the dates the cases were referred to prosecution or had an overpayment established from the assignment dates and calculated the average difference.

Are clients who are ordered by a judge to pay back their overpayments more likely to make their payments than clients who are not?

We reviewed overpayments that were established in fiscal years 2012 through 2014 and determined whether the overpayment investigation was successfully prosecuted or not. We took random samples of each group and sent the case information to the Office of Financial Recovery to determine the amount collected for each of the overpayments in our sample. We then compared the total amount collected as of April 1, 2015, to the total overpayment amount established for each group of overpayment investigations.

Were there any data reliability issues or data limitations?

Cost data limitations

As discussed in the report, OFA investigators work on several cases simultaneously and do not track the time they spend on each investigation, some of which can take more than a year to complete. These circumstances make it difficult to accurately calculate an average cost. We were unable to calculate the costs associated with each of the investigation approaches. We reported this data limitation as a finding and made a recommendation that OFA develop a method to determine the cost per investigation and the cost by investigative approach for overpayment investigations.

Referral data limitations

OFA implemented FCMS in June 2013, which captures all investigation referrals. However, when using the prior system, OFA would only enter referrals once they were assigned, so cases closed prior to assignment were not recorded. When OFA began using FCMS, they transferred all the cases from the prior system, but did not add those that were never assigned. Therefore, we could not use FCMS to calculate the backlog prior to June 2013. In addition, due to changes in the DSHS case management system that is used to make investigation referrals, we were also unable to reproduce reports that calculated the backlog using that system. Due to these limitations, we relied on numbers from 2012 reports saved by DSHS staff to calculate the backlog for that period.