

**BIENNIAL REPORT  
FISCAL YEARS 2006 & 2007**

**OFFICE OF INSPECTOR GENERAL**



**State of Michigan  
Department of Human Services**

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# **EXECUTIVE SUMMARY**

## **AGENTS COMPLETE ACTION ON 8,750 CASES**

Office of Inspector General agents increased efficiencies to improve productivity over the past two years. Agents completed investigations on 5,060 cases in FY2007. The total represents a substantial 37 percent increase over the 3,690 cases completed in FY2006.

## **67% INCREASE IN FRAUD FOUND**

The dollar value of cases referred to county prosecutors over the past two years equaled \$33.7 million. The total represents a substantial increase over the \$20.3 million during the previous two years.

## **142% INCREASE IN RECEIVABLES ESTABLISHED**

The dollar value of total receivables established over the past two years equaled \$26.9 million. The total represents a dramatic increase over the \$11.1 million during the previous two years.

## **OIG WINS NATIONAL AWARD**

The National Association of State Chief Information Officers (NASCIO) honored Michigan's Department of Human Services-OIG with a recognition award for the innovative use of technology for fraud detection. In partnership with the Department of Information Technology (DIT), OIG implemented a first-in-the-nation Reverse Wage Match, linking day care benefits data with wage and client data and establishing parameters to detect fraud in the program.

## **OIG JOINS NATIONWIDE DATA MATCH SERVICE**

The OIG received a partnership grant to join the Public Assistance Reporting Information System (PARIS). This information exchange system is designed to share information on veteran's benefits, federal employment and potential duplicate assistance in two or more states.

## **NEW INITIATIVE TO IDENTIFY FAP OUT-OF-STATE USAGE**

The OIG has identified over 1,300 cases where EBT transactions were made in states geographically distant from the household's Michigan address. FIS and ES staffs were notified that these households need an immediate eligibility review and to close cases where clients no longer reside in Michigan.

## **DHS FRAUD HOTLINE REFERRAL TRACKING SYSTEM ESTABLISHED**

OIG Central Office staff participated in efforts to establish a new electronic database for tracking fraud referrals made to county offices. Fraud referrals that come to the department through the toll free number or Web site now go to a designated fraud coordinator in each local office via email.

## **OFFICE OF INSPECTOR GENERAL**

The Office of Inspector General (OIG) is a criminal justice agency in the Department of Human Services, created in 1972. The primary duty of the OIG is to investigate cases of alleged fraud within the Department. State law [MCL 400.43b] requires the OIG to perform the following activities:

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

## **MISSION STATEMENT**

The mission of the OIG is to assist the 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 OFFICE OF INSPECTOR GENERAL**

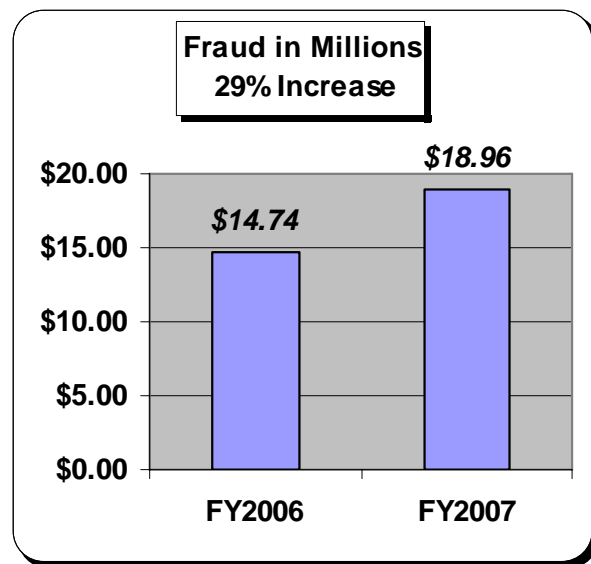
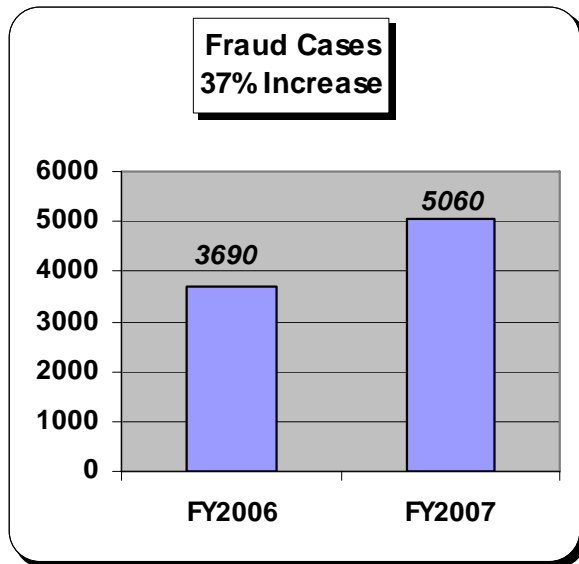
- Excellence in the performance of our duties
- Highest possible standards of professional conduct
- Innovation from all levels of the organization
- Support the accuracy and integrity of all DHS programs

The Office of Inspector General will be held accountable by the people of the State of Michigan for maintaining the highest standards of integrity and good moral character.

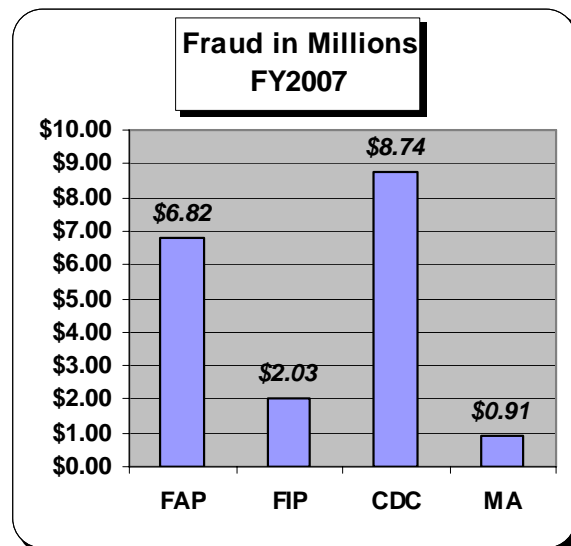
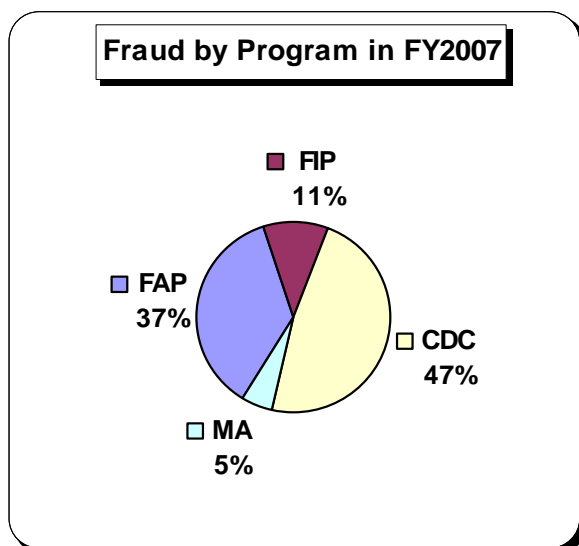
As members of the Office of Inspector General, we must work together as a team to plan and strive for excellence, realizing the daily decisions that are made will reflect on the future of our organization as a whole.

## FRAUD INVESTIGATIONS

OIG staff investigated 8,750 fraud cases over the past two years, with the majority involving multiple program areas. Nearly 3,000 criminal warrants were authorized. Investigations by OIG agents have discovered over \$33.7 million dollars in fraud during the same period.

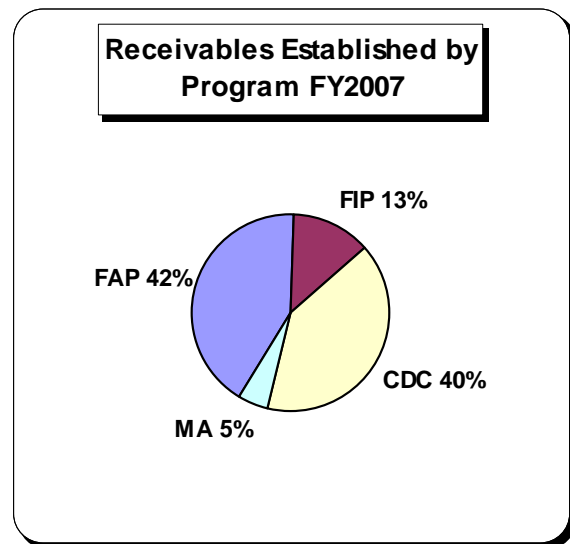
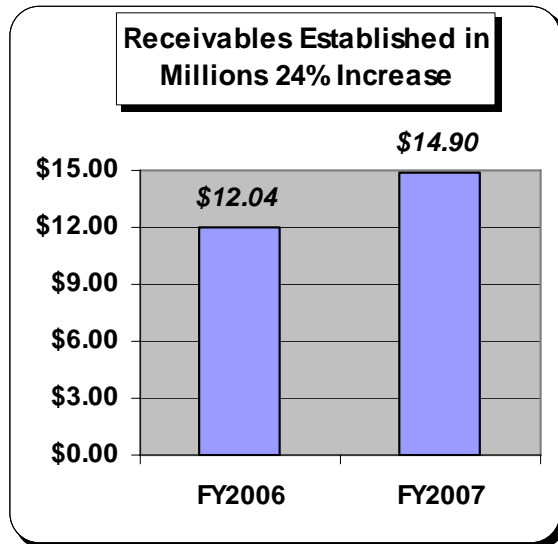


Fraud in the CDC program accounted for 47 percent or over \$8.7 million during FY2007.



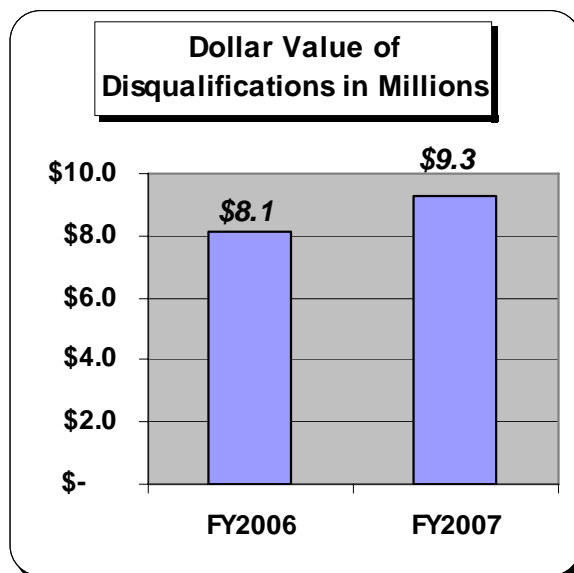
## RECEIVABLES ESTABLISHED

OIG investigations established over \$26.9 million dollars in receivables over the past two years. The 24 percent gain from FY2006 to FY2007 was primarily a result of an increase in cases where clients voluntarily sign repayment agreements.



## PROGRAM SAVINGS

Disqualifications are a penalty for committing an intentional program violation. Clients do not receive benefits during disqualification periods. The dollar value of disqualifications imposed as a result of OIG investigations from FY2006 and FY2007 was \$17.4 million.

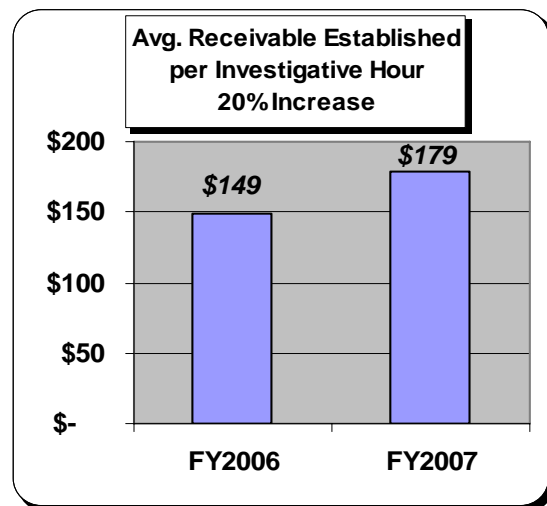
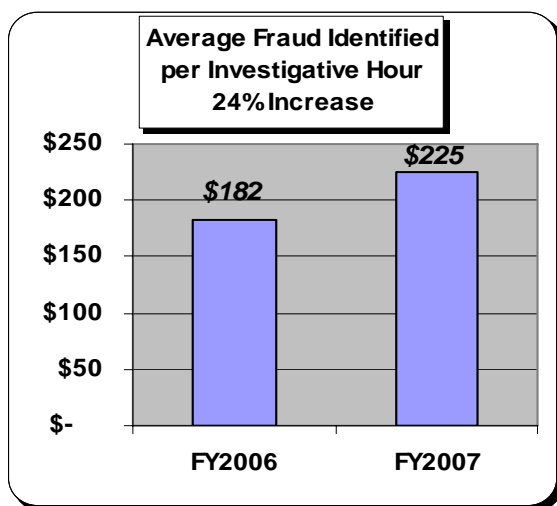


## COST EFFECTIVENESS and PRODUCTIVITY

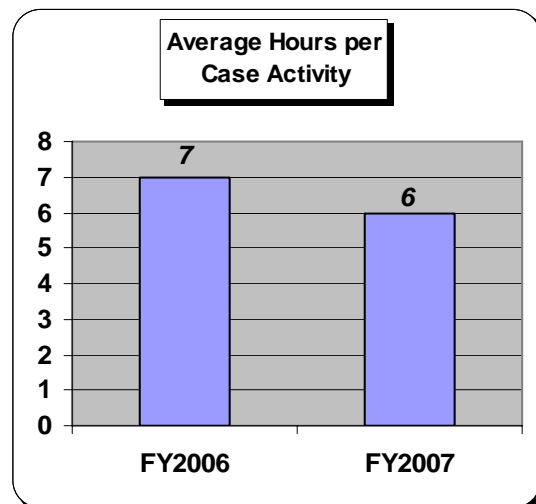
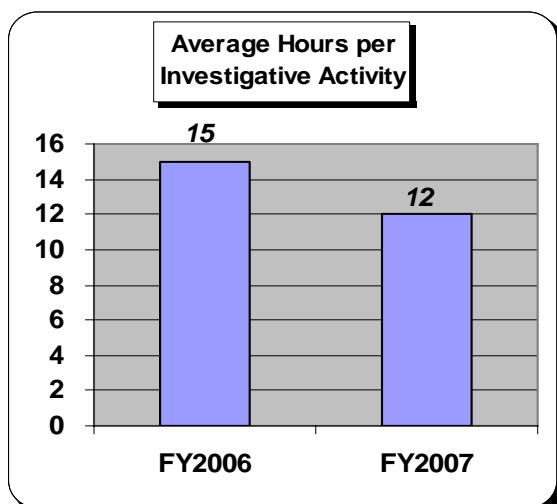
The average fraud found per investigative hour in FY2007 was \$225. The average receivable established per investigative hour in FY2007 was \$179.

The average cost per hour for a Regulation Agent in FY2007 was \$39\*. The cost effectiveness ratio for fraud identified per investigative hour was 5.8 to 1 in FY2007. The cost effectiveness ratio for receivables established per investigative hour was 4.6 to 1 in FY2007.

*\*Agent costs per hour include salary and wages and benefits for Regulation Agent 11 position at the top of the pay scale.*



OIG agents have increased efficiencies and productivity in FY2007 over FY2006. The average hours per investigative activity was reduced by 20 percent. The average hours per case activity was reduced by 14 percent.



## **SPECIAL INVESTIGATIONS**

In addition to client welfare fraud investigations, OIG is responsible for investigating complaints and referrals regarding alleged fraud by outside agencies that provide services to DHS clients. For example service vendors, child care providers and EBT retailers. OIG also investigates allegations of DHS employee fraud.

### **Former DHS Employee Arrested for Welfare Fraud**

A former DHS employee was arrested and then arraigned in the 56-A District Court in Charlotte. In reviewing the validity of a CDC Reverse Wage Match investigation, the OIG Agent determined the defendant opened numerous Child Development and Care (CDC) grants using active FIP/FAP recipients who did not ask for or receive CDC services. The defendant authorized bogus CDC providers to bill for services never received and the payments were sent to the provider's home address. The bogus providers were acquaintances of the former worker. The total amount of fraud masterminded by the defendant: \$283,139.

### **Detroit Trafficking Search Warrants**

OIG Agents assisted USDA-OIG, US Secret Service and the Michigan State Police in multiple search warrants of four Detroit area stores alleged to have trafficked in food benefits. Food stamp trafficking involves the buying or selling of FS benefits for cash or consideration other than eligible food. Three arrests were made. As a result of the warrants, over \$1.3 million (\$800,000 in cash assets) was seized.

### **Felony Conviction - Six Months Jail Time**

An OIG Agent submitted a CDC fraud investigation for prosecution to the Michigan Attorney General's Office. The subject was found guilty of welfare fraud. The subject was ordered to serve six months in the Wayne County Jail and was transported to the jail right after her sentence. The sentencing guidelines state that she will be allowed to have "work release benefits," as needed, in order to take care of her mother, who is not in good health. Additionally, she will be responsible for a period of three years probation, court costs and restitution.

## **Former Kent County DHS Employee Sentenced**

A Kent County DHS employee was sentenced in Kent County Circuit Court on two separate felony charges of "Using a Computer to Commit a Crime and False Pretenses." The employee was sentenced to four years probation, full restitution of \$6,571, three hundred hours of community service and court costs of \$600. The employee diverted State Emergency Relief funds to her neighbors in an effort to have them purchase her home and also used the Food Assistance and Cash benefit programs to supplement the neighbor's income for the home down payment. The deception to the neighbors was done under the guise of a new state program for recipients of public assistance to purchase their own home. At the time, the neighbors were unaware the Kent County DHS employee was actually their next door neighbor.

## **CDC Reverse Wage Match Fraud**

An OIG Agent completed a Child Development and Care fraud investigation of a client who received CDC from 2001 to 2005 but was not eligible for benefits received because of a lack of employment, less than full time employment, and non compliance with Work First activities. The client also billed while the children were attending school. The client and the provider appeared at an interview with the agent. The client admitted to the agent that she called in the CDC hours, not the provider. The CDC overissuance was \$80,104.

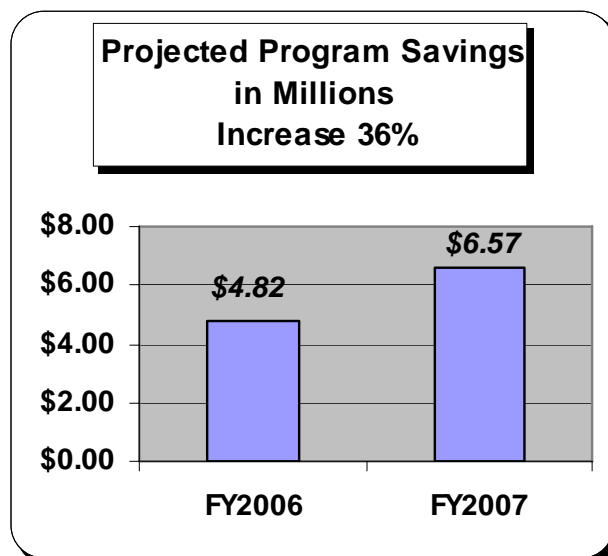
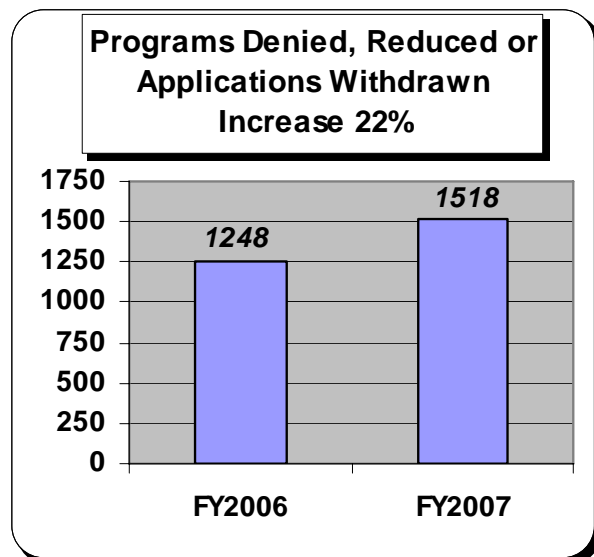
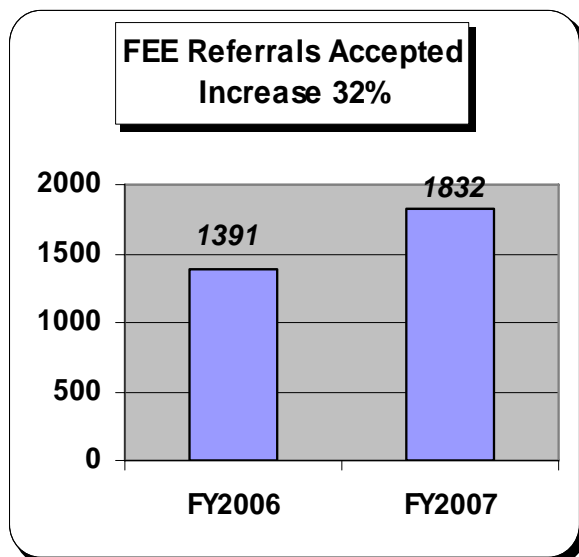
## **Former Wayne County DHS Employee Sentenced**

An OIG Agent investigated a fraud case involving an employee who entered a plea of guilty to one count of "False Pretenses over \$20,000," a ten year felony. The employee had established CDC cases for active FIP and/or FAP clients who were not otherwise eligible for CDC and then registered co-conspirators as the providers in the cases. The employee and the co-conspirators would split the money. The employee would suppress eligibility notices to the clients or tell them to ignore the notices. The subject was sentenced to 120 days in jail, five years probation plus restitution of \$272,580.

A co-conspirator in the crime entered a plea of guilty to an added count of "False Pretenses between \$1,000 and \$20,000," a five year felony. He was sentenced to 30 days in jail, five years probation plus restitution of \$30,360. A third participant entered a plea of guilty to one count of "False Pretenses between \$1,000 and \$20,000." She was sentenced to 5 years probation plus restitution of \$47,454. Two remaining co-conspirators entered guilty pleas.

## FRONT END ELIGIBILITY (FEE)

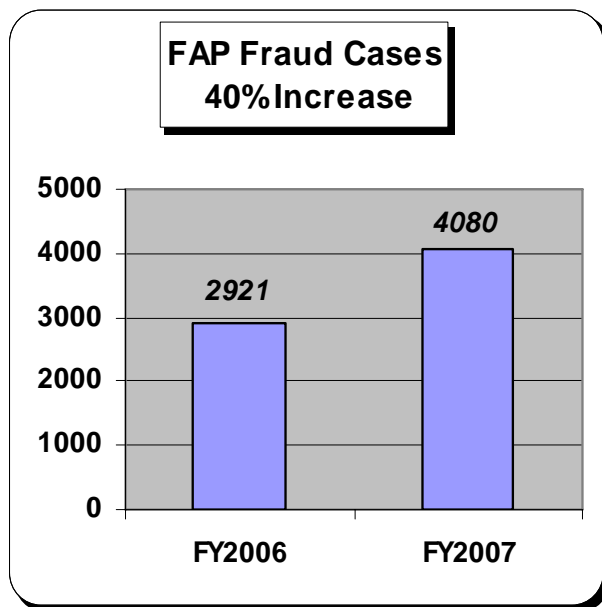
In focusing on fraud prevention, the OIG expanded the Front-End Eligibility (FEE) project in FY2006. Under the FEE project, DHS eligibility staff may request a pre-eligibility investigation by an OIG agent when applications or re-certifications for public assistance contain suspicious or error prone information. FEE has contributed to FAP, FIP, CDC and MA eligibility determination error reduction. FEE agents are located in all four Oakland County Districts, three Macomb County Districts and the Wayne County Joy/Greenfield District.



By partnering with District Managers, Supervisors and Specialists, FEE staff have made substantial progress in identifying potential fraud prior to case opening.

## **FOOD ASSISTANCE PROGRAM (FAP)**

During the past two years, the OIG had a 40 percent increase in the number of fraud cases in the Food Assistance Program. The alleged fraud found in FY2006 was \$4.6 million dollars. In FY2007, that total climbed to by 48 percent to \$6.8 million.



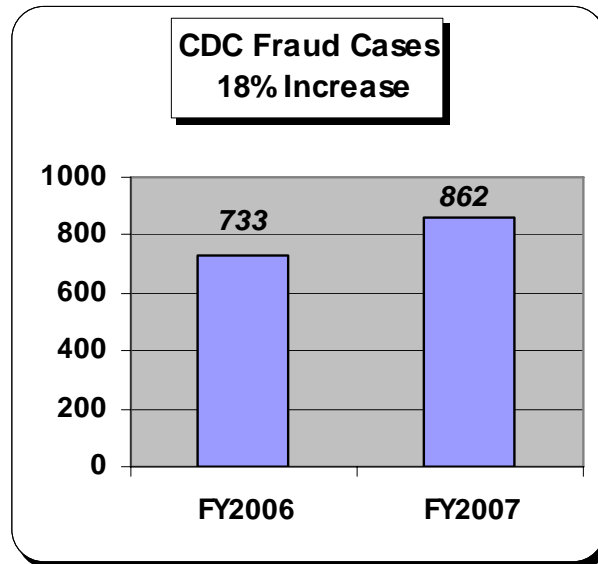
The OIG partners with the USDA-OIG and the Michigan State Police to investigate Food Assistance Program (FAP) client and retailer trafficking of EBT benefits via the Bridge Card in Michigan. Food stamp trafficking involves the buying or selling of FS benefits for cash or consideration other than eligible food. Eight stores in Wayne and Genesee Counties had search warrants executed, resulting in seizure of over \$1.2 million in cash associated with trafficking.

In addition to welfare fraud investigations, OIG identifies clients who engage in FAP transactions outside of Michigan for extended periods, suggesting they may no longer be Michigan residents. In the past two years, DHS worker action was requested on over 1,300 cases that met this profile.

The FAP Out-of-State match impacted over \$1.9 million in the Medicaid, FAP and TANF programs in attempting to reduce mispayments and promote benefit accuracy.

## **CHILD DEVELOPMENT and CARE PROGRAM (CDC)**

During the past two years, the OIG had a 40 percent increase in the number of fraud cases in the CDC program. The fraud found in FY2006 was \$7.70 million. In FY2007, that total climbed by 13 percent to \$8.78 million. As the OIG continues to focus on high-risk provider and client cases, findings are used to make recommendations for improved CDC policy and payment accuracy.



In the past two years the OIG has developed an innovative approach utilizing technology to match clients with employment earnings records maintained by the Michigan Unemployment Agency to identify potential CDC overpayments. In partnership with the Department of Information Technology (DIT), OIG implemented a first-in-the-nation Reverse Wage Match, linking day care benefits data with wages data, and establishing parameters to detect fraud in the program. OIG uses the data to correlate those clients who are receiving a high level of CDC due to “employment” but have low or no income reported. The National Association of State Chief Information Officers (NASCIO) honored Michigan’s Department of Human Services Office of Inspector General with a recognition award for the innovative use of technology for fraud detection.

In FY2006:

- OIG referred 756 child daycare cases for criminal prosecution.
- Of these cases, 55 were CDC providers.
- Criminal warrants were authorized in 458 cases.
- Criminal convictions were handed down on 320 cases.

## **EMPLOYEE INFORMATION and ACKNOWLEDGMENTS**

OIG has been allocated 106 FTE positions in the Human Services line item appropriations for the past two years. There are 95 FTE positions filled, with approvals pending to fill up to the allocated level. OIG has 10 Regulation Managers and 76 Regulation Agents located in 20 county and 8 district offices across the state. The most recent hiring of additional staff occurred in July 2006, when 11 regulation agent positions were filled.

### **OIG Regulation Agent Position Description**

*“To identify and determine if public assistance recipients or business entities fraudulently received (or were issued) entitlement program funds administered by the DHS; ascertain the nature of offenses committed; determine and initiate appropriate criminal, civil and administrative actions to resolve fraud allegations for recovery of misspent program funds. Develop recommendations for reduction of risk upon identification of program laws, regulations, policies and procedures vulnerable to fraud.”*

### **Employee Engagement**

The OIG showed impressive gains in the results of the 2006 Employee Engagement Survey. OIG staff reported a Total Engagement score of 71 percent to surpass the DHS combined score of 63 percent.

### **Oakland County, Walled Lake District Manager**

“We have heard nothing but positive feedback about the OIG Front End Eligibility (FEE) program and the agents. I think the results that you are tracking have borne out that it is a very useful tool for our staff. We have always had a number of clients whose household expenses exceeded their reported income. We did not have any good way to address these cases before FEE was introduced here.”

### **Certificates of Appreciation Awarded**

Oakland County Saginaw Street District Manager presented FEE Agents with a Certificate of Appreciation. The District Manager thanked the FEE Team for making a positive difference in his district’s payment accuracy statistics.

### **Oakland County, Madison Heights District Manager**

“Your FEE Agents have done more for the morale of my staff than anything else in a long time. They no longer feel totally powerless when dealing with clients who, they suspect, are attempting to defraud the department.”