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.*