



Washington State Auditor's Office

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

Joint Legislative Audit and Review Committee
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Background

- The Office of Fraud and Accountability (OFA) plays a key role in DSHS oversight of state and federal public assistance programs.
- DSHS restructured OFA and made fraud detection a priority.
- Concerns about OFA's handling of its referral backlog prompted the Legislature to require a performance audit of OFA.

Investigation Referrals

- State law requires OFA to assess every referral.
- Referrals can come from a variety of sources including the public, law enforcement and other agencies. The majority of referrals come from caseworkers.
- To act on referrals, OFA conducts two main types of investigations:
 1. Early Detection Investigations
 2. Overpayment Investigations

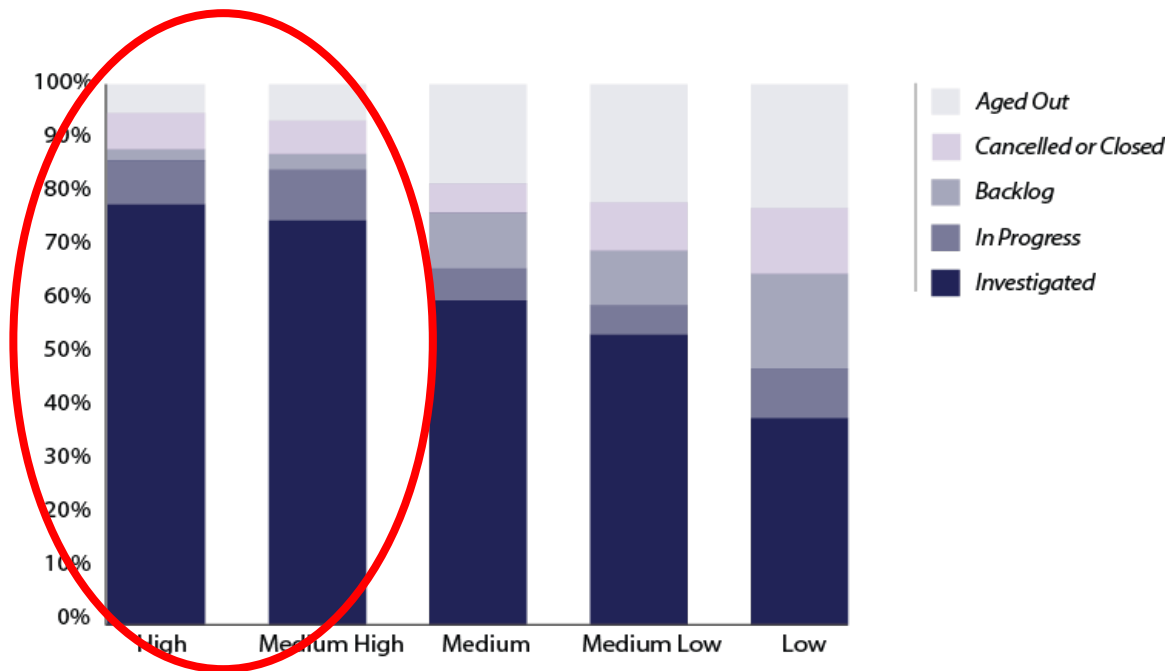
Audit Question



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

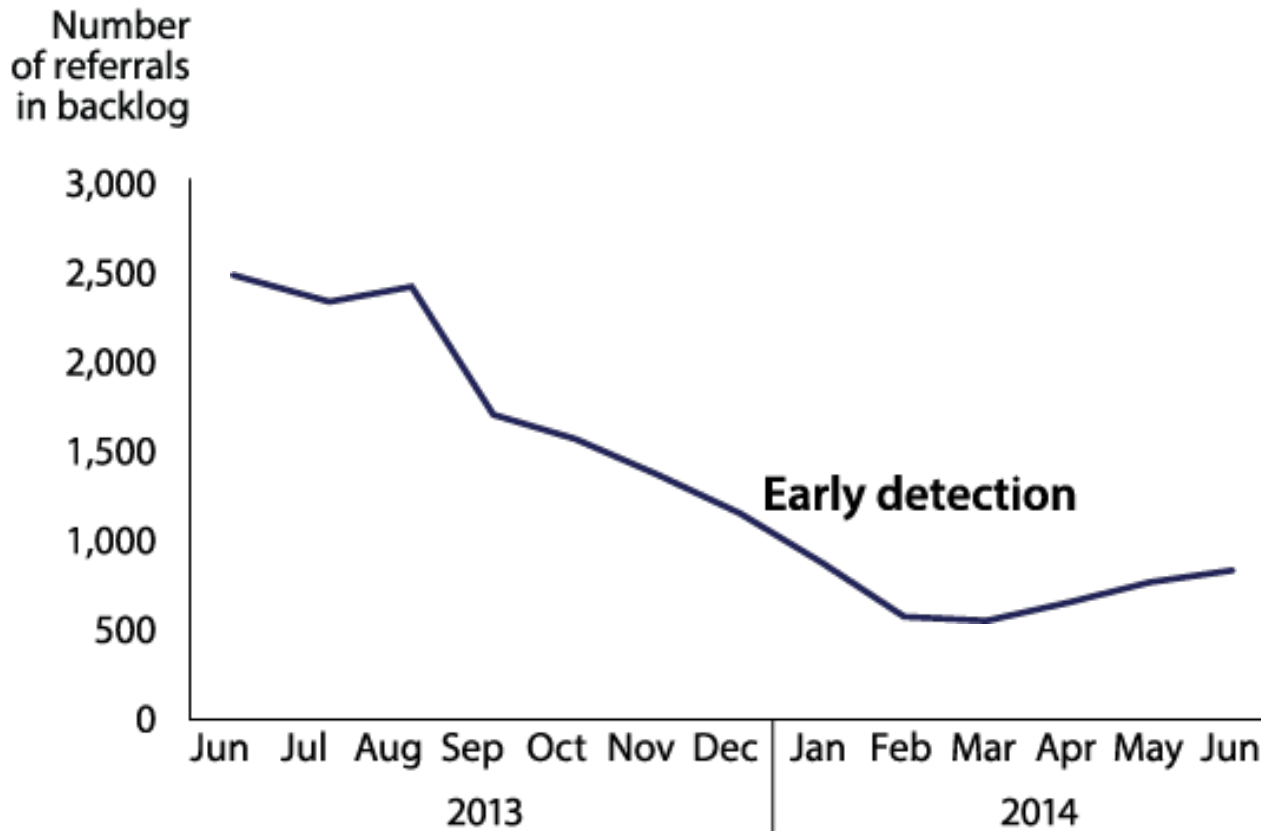
High priority cases are investigated

The Early Detection Investigation referral tool appropriately prioritizes cases based on high dollar amounts and the likelihood of fraud.



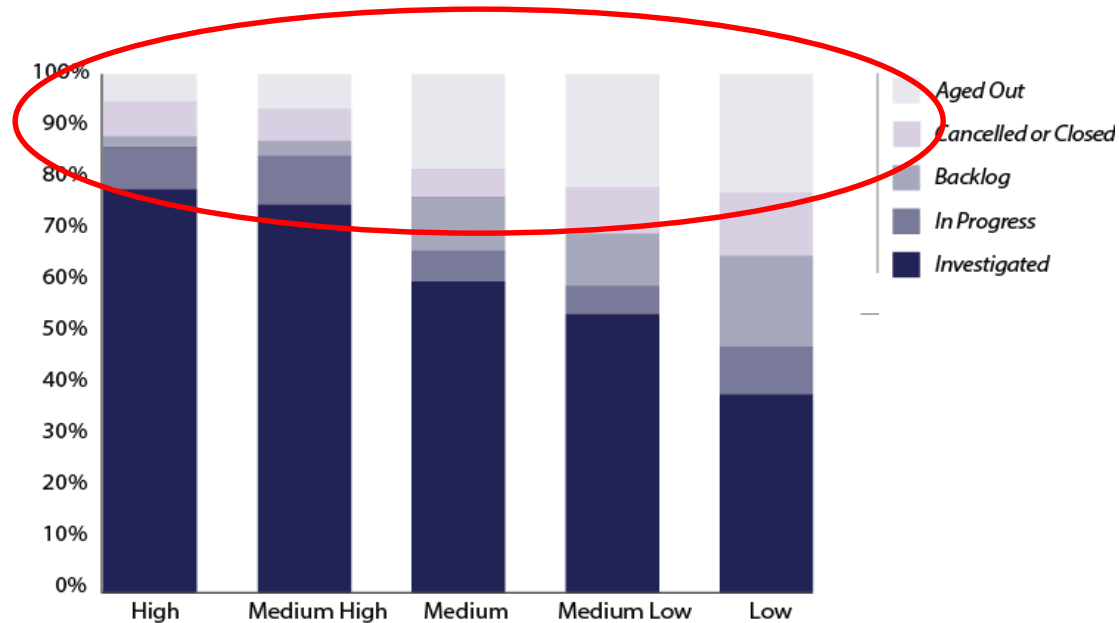
The backlog is continuing to grow

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



OFA could hire more investigators

Early detection referral outcomes



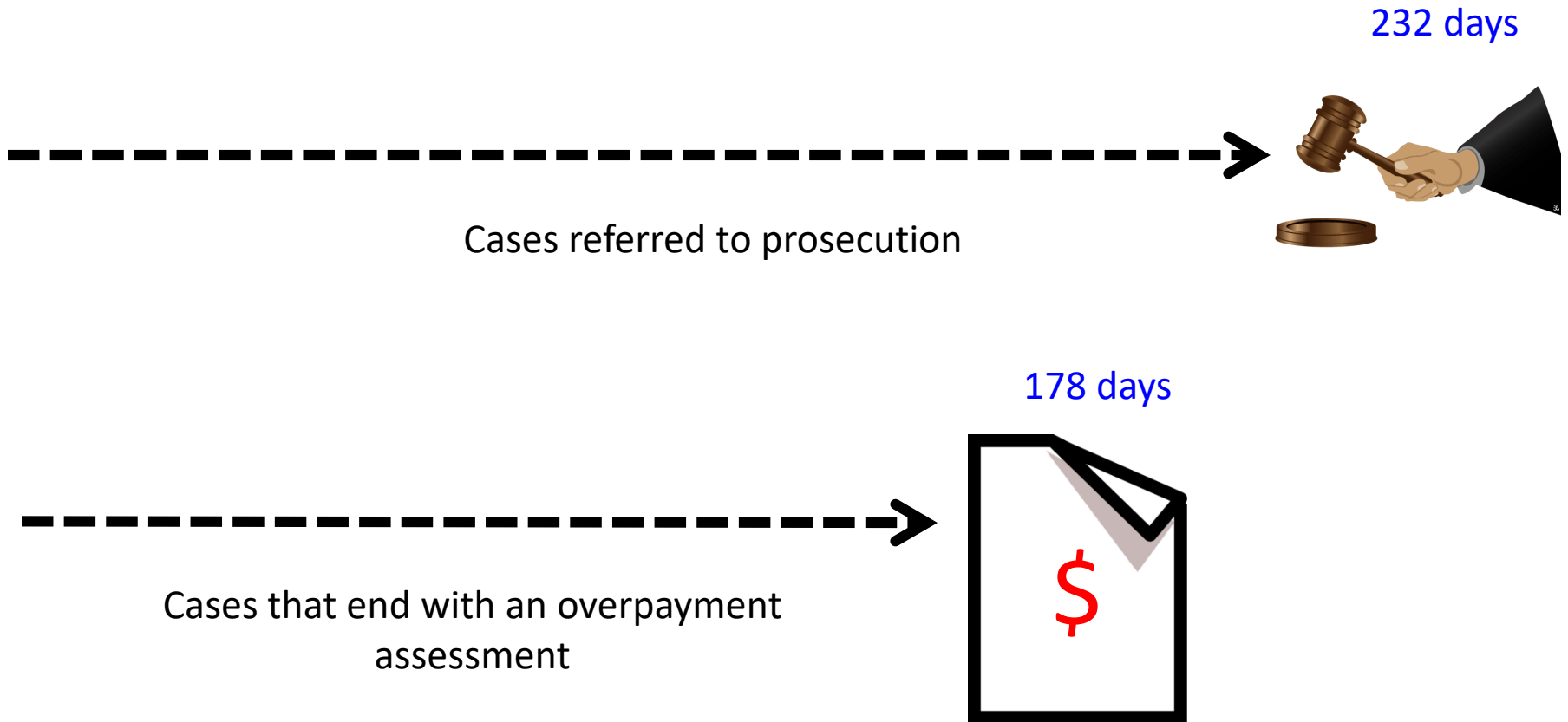
- 29 percent are eventually re-referred.
- DSHS could avoid \$1.62 to \$2.43 in inappropriate benefits for every \$1.00 spent on more investigators

OFA needs better performance measures

- Overpayment investigations can result in:
 - referral for prosecution
 - an administrative hearing
 - an overpayment assessment
- However, OFA does not track the number of hours investigators spend working on each case.
- We could not compare the average cost-benefit ratio for completing an overpayment investigation using each of the three approaches.

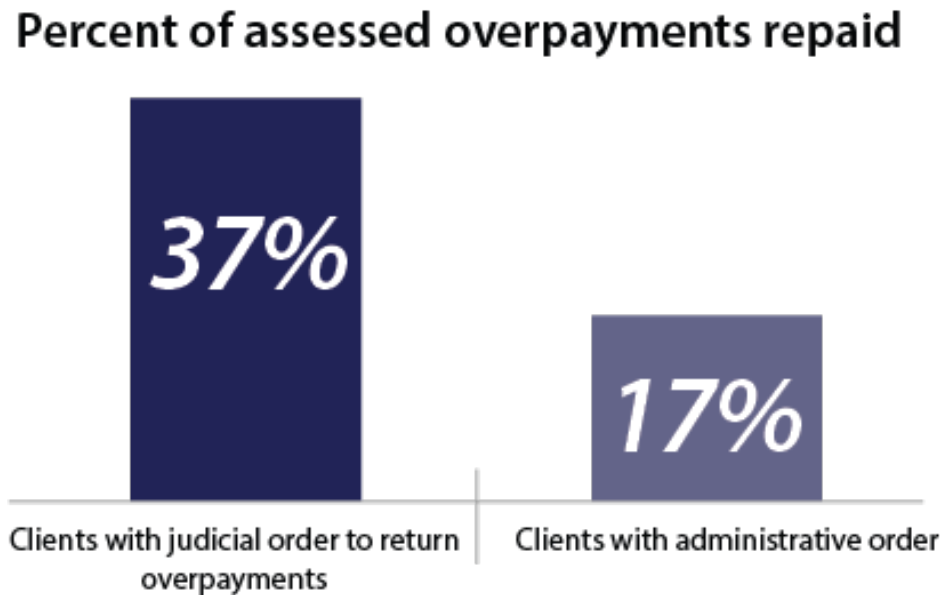
Prosecutions take longer

Evidence suggests that assessing overpayments is much quicker and less costly than preparing a case for prosecution



Benefits of overpayment investigation approaches vary

- Clients who are successfully prosecuted and ordered by a judge to pay back their overpayments are more likely to make payments.



- Overpayments for successfully prosecuted cases and cases resolved through a hearing can be assessed over a longer period of time than those that are not.

Overpayment investigations costs and benefits

- Without tracking time, OFA cannot determine the relative costs and benefits of overpayment investigations.
- We cannot determine whether or not any added benefits were enough to make up for any added costs.
- However, the evidence gathered suggests that assessing overpayments is much quicker and less costly than preparing a case for prosecution.

Measures could help OFA allocate workload

OFA could use cost-benefit measures to balance workload between early detection and overpayment investigations.

Early Detection Investigations → Cost Avoidance

Overpayment Investigations → Cost Recovery

Measures could help OFA allocate workload

- Overpayment investigations produce \$1.00 in benefits for every \$1.00 spent assuming the entire overpayment is collected.



- While more could still come in, a random sample showed only 32 percent of the total amount established during fiscal year 2014 had been collected.



Measures could help OFA allocate workload

If OFA hired additional early detection investigators, DSHS could avoid up to \$2.43 in inappropriate benefits for each dollar spent.



Some of OFA's reported performance measures were inaccurate

- We found some figures reported to the Legislature and DSHS Secretary were inaccurate.
- Some queries used to determine the figures were not calculating the intended measures appropriately.
- Other figures were estimates and not based on source data.

Recommendations

- 🔍 Track costs, conduct ongoing analysis and pursue more cost-effective approaches
- 🔍 Seek additional funding to hire more early detection investigators
- 🔍 Continue to evaluate the effectiveness of the overpayment investigation analysis tool
- 🔍 Revise the administrative code to allow larger overpayment assessments without a court proceeding
- 🔍 Document, track and report the reasons for closing referrals without investigation
- 🔍 Ensure reported performance measures data is accurate and consistent

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