

2010-2011 Annual Report



pennsylvania

OFFICE OF INSPECTOR GENERAL



COMMONWEALTH OF PENNSYLVANIA
OFFICE OF THE GOVERNOR



GREETINGS:

In my inaugural address, I pledged that my Administration would work diligently to restore transparency, accountability and fiscal discipline within state government. I firmly believe Pennsylvania must lead the way in creating a government which understands that, just as families have found a way to live within their means, it too must budget in a way that is responsible and honest.

I am proud to report that the Office of Inspector General is one of the agencies leading the way in achieving this mission by finding and preventing fraud, waste and abuse in the Commonwealth's programs, operations and contracts. This critical office works hard to ensure that those who commit fraud in taxpayer-funded welfare programs are held accountable. Through its welfare fraud prevention and prosecution efforts, the Office of Inspector General has saved and collected more than \$119 million in the past fiscal year alone. Such fiscal oversight of the Commonwealth's limited resources ensures that benefits go to Pennsylvania's needy and most vulnerable citizens.

I commend the Office of Inspector General for its continued dedication to providing accountability and integrity to taxpayers by preventing fraud, waste and abuse in state government.

A handwritten signature in black ink that reads "Tom Corbett".

TOM CORBETT
Governor

Message from the Inspector General



I am honored to present the Office of Inspector General's Annual Report for Fiscal Year 2010-2011. The Office of Inspector General's mission is to ensure integrity, accountability and public confidence in Pennsylvania government by preventing, investigating and eliminating fraud, waste, abuse and misconduct within all agencies under the jurisdiction of the Governor. Likewise, the Office of Inspector General strives to ensure that taxpayers' money is being spent wisely and frugally, especially in these difficult economic times. Pennsylvanians demand fiscal responsibility of their government, and the Office of Inspector General makes every effort to provide that accountability to the citizens.

This annual report details our investigative activities for the past fiscal year. Since my appointment in January 2011, I have continued to build on the past success of the Office of Inspector General, and I am pleased to share that the Office of Inspector General has increased its investigative activity in Fiscal Year 2010-2011, while utilizing less staff than in previous years.

To help the Office of Inspector General build upon the success of 2010-2011, I appointed Michael R. Regan as Deputy Inspector General on Oct. 3, 2011. Deputy Inspector General Regan will oversee the Office of Inspector General's operational and administrative areas, including the Bureau of Special Investigations, Bureau of Fraud Prevention and Prosecution, Bureau of Administrative Services, and the Bureau of Information Systems. He will coordinate our fraud fighting efforts with federal, state, and local law enforcement entities and ensure that the Office of Inspector General meets its objectives as defined in our updated mission statement. With Deputy Inspector General Regan's assistance we will continue to work hard for the government and Pennsylvania's citizens.

In closing, I would like to thank Governor Corbett for his support of the Office of Inspector General's mission and the public for its support as well. I look forward to leading the Office of Inspector General into another successful year, maintaining the stellar level of investigative service expected of the Office of Inspector General, and ensuring that the Office of Inspector General operates efficiently, effectively, and ethically.

Sincerely,

A handwritten signature in cursive script that reads "Kenya Mann Faulkner". The ink is dark and the signature is fluid and legible.

Kenya Mann Faulkner
Inspector General

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Fiscal Year (FY) 2010-2011 Results

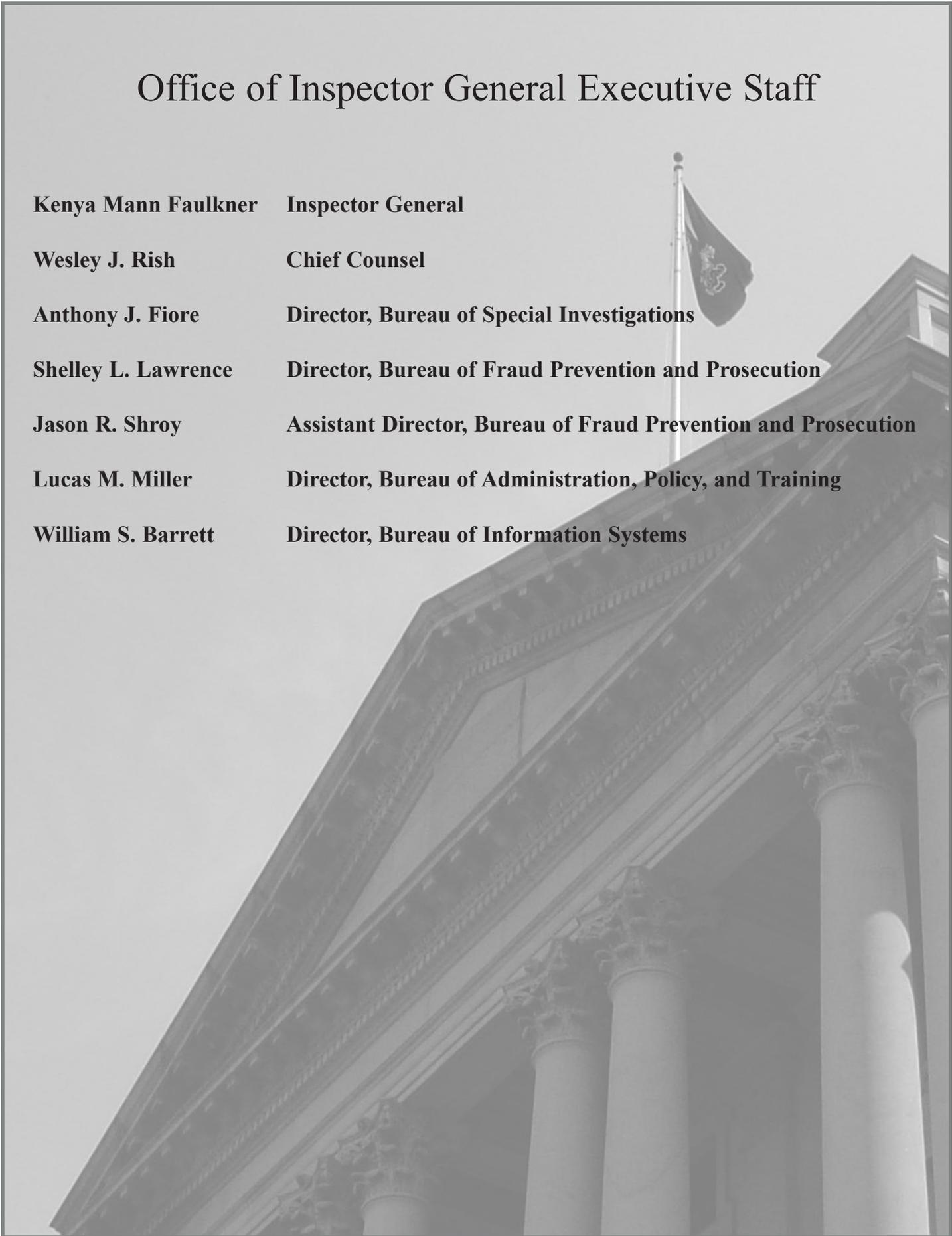
During FY 2010-2011, the Office of Inspector General (OIG) saved and collected more than:

- **\$66.5 million** through its welfare fraud prevention activities by investigating **27,373** applications for benefits;
- **\$45 million** in reimbursement and restitution;
- **\$2.5 million** through the disqualification of future benefits for **1,584** recipients prosecuted for fraud and administrative disqualification hearings;
- **\$3.7 million** by filing **1,150** criminal complaints, charging defendants with welfare fraud for unlawfully obtaining benefits; and
- **\$14.62** recovered or saved for every dollar spent on operations.

In FY 2010-2011, the OIG also:

- Aided Pennsylvania's executive agencies under the Governor's jurisdiction by making recommendations to address problems and provide solutions to operate their programs more efficiently.
- Investigated misconduct allegations against Commonwealth employees.
- Worked to ensure that contractor integrity provisions were upheld by those doing business with the state.

Office of Inspector General Executive Staff



Kenya Mann Faulkner **Inspector General**

Wesley J. Rish **Chief Counsel**

Anthony J. Fiore **Director, Bureau of Special Investigations**

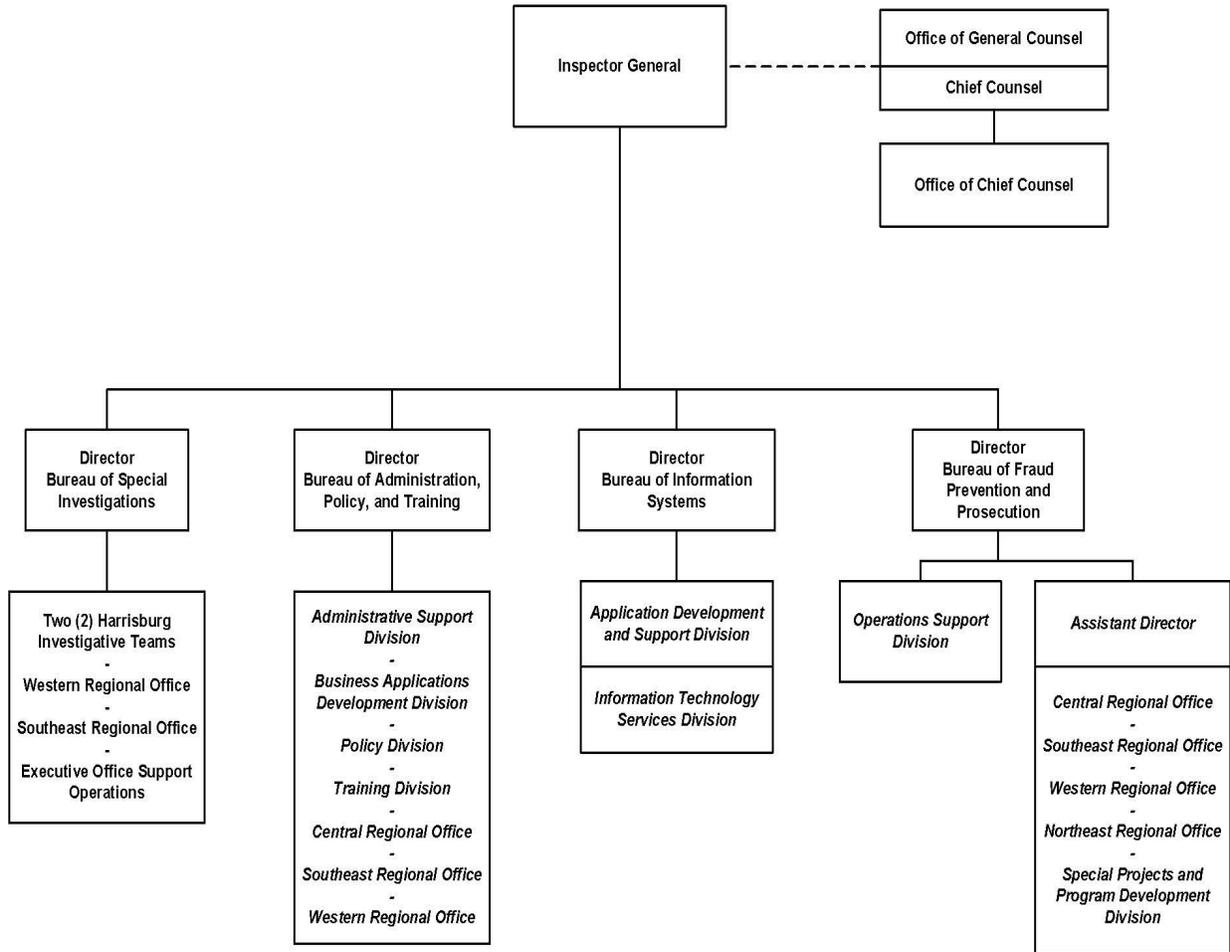
Shelley L. Lawrence **Director, Bureau of Fraud Prevention and Prosecution**

Jason R. Shroy **Assistant Director, Bureau of Fraud Prevention and Prosecution**

Lucas M. Miller **Director, Bureau of Administration, Policy, and Training**

William S. Barrett **Director, Bureau of Information Systems**

OFFICE OF INSPECTOR GENERAL



ORGANIZATION CHART - FY 2010-2011

The Pennsylvania Office of Inspector General

The Pennsylvania Office of Inspector General (OIG) was first established by Executive Order in 1979 within the Pennsylvania Department of Transportation, making it the first state Inspector General's office in the nation. To further protect the state's interest, Executive Order 1987-7 was issued to create a state-wide OIG within the Executive Office of the Governor and possesses authority which encompasses all executive agencies. The Pennsylvania Inspector General is a cabinet-level official who is appointed by, and reports to, the Governor.

The OIG is responsible for investigating fraud, waste, abuse, and misconduct in executive agencies. Staff in the Harrisburg headquarters office and in regional offices in Pittsburgh and Philadelphia is tasked with this duty. Investigative reports are submitted to agency heads and to the Governor's General Counsel and recommend appropriate corrective action, including employee discipline, sanctions or remedial actions for contractors, and policies for agencies. When appropriate, the OIG recommends cases for referral by the Governor's General Counsel to the Office of Attorney General, or to another appropriate agency for criminal prosecution, or to the State Ethics Commission for ethics violations. The OIG also assists federal, state, and local law enforcement agencies that investigate and prosecute fraud against the Commonwealth. Additionally, the OIG conducts investigations regarding independent state agencies upon the request and cooperation of the independent agency.

The OIG is also responsible for investigating and prosecuting welfare fraud and for conducting collection activities for Department of Public Welfare (DPW) administered public assistance programs and has done this work since 1994. The OIG employees who perform the welfare fraud detection and prevention initiatives and collection activities have a statewide presence; however, the OIG is headquartered in Harrisburg and operates regional offices in Harrisburg, Pittsburgh, Philadelphia, and Wilkes-Barre. Partnering with DPW, the OIG works to ensure that those who rightfully deserve benefits receive them. When appropriate, the OIG works with local district attorneys to prosecute those who received benefits fraudulently. These initiatives are designed to maintain the integrity of the public assistance programs.

Mission Statement

To ensure integrity, accountability and public confidence in Pennsylvania government by preventing, investigating and eliminating fraud, waste, abuse and misconduct within all agencies under the jurisdiction of the Governor.

Building Agency Partnerships

Since her appointment, Inspector General Faulkner has initiated an extensive outreach program to build and strengthen relationships between the OIG and other state and federal agencies. Inspector General Faulkner had the opportunity to meet with officials from the New Jersey State Comptroller's Office and the New York State Inspector General. They discussed methods for preventing and combating fraud, waste and abuse and shared information regarding investigative tools. During Fiscal Year 2010-2011, Inspector General Faulkner and OIG executive staff met with the Pennsylvania State Ethics Commission to talk about the ongoing partnership between the OIG and the Commission.

The Inspector General and Bureau of Fraud Prevention and Prosecution staff met with multiple county assistance offices and local district attorneys to continue to build on the strong partnerships already in place with regard to welfare fraud investigations and prosecutions. Additionally, during this past fiscal year, Inspector General Faulkner and Bureau of Special Investigations staff made presentations to state agencies regarding OIG services. Presentations were not limited to informing agencies of OIG services but also fostering the creation of an environment to work with the OIG to help agencies review and analyze their operations to not only prevent fraud and abuse, but to improve the efficiency of their operations.

Inspector General Faulkner will continue this outreach into the next fiscal year and beyond as it plays an important and critical role in allowing the OIG to fulfill its mission and to aide other agencies in operating efficiently, effectively, and ethically.

Special Investigations

The Bureau of Special Investigations (BSI) investigates allegations of fraud, waste, misconduct and abuse in Commonwealth agencies under the Governor's jurisdiction, and in non-executive agencies when invited or requested. BSI achieves its responsibilities by working to prevent and eradicate problems and deficiencies caused by:

- Mismanagement of funds
- Employee misconduct
- Contract fraud and irregularities

The OIG receives complaints and referrals from:

- Whistleblowers
- Complaint Line calls
- Electronic forms from the OIG website
- Written correspondence
- Agency heads
- Law enforcement authorities

The OIG is charged with conducting program reviews ensuring that those who do business with the Commonwealth provide contracted items and services. BSI ensures this by investigation of:

- Contractor procurement practices
- Quality control and billing practices
- Employee misconduct including abuse of work hours, misuse of equipment, and theft
- Conducting pre-employment background investigations

Through its investigative activities, BSI plays an important role in increasing the effectiveness in the way that the Commonwealth does business and provides agencies with direction and assistance in implementing program changes to enhance their operations so that they meet their objectives in an efficient and effective manner.

Because of OIG investigations and program reviews, individuals have faced discipline, prosecution, and removal from Commonwealth employment. When the OIG completes an investigation, the Inspector General issues confidential investigative reports detailing its findings and making recommendations. Changes made as a result of these recommendations lead to increased accountability and the prevention of future problems, and deter potential misconduct. The OIG regularly conducts follow-up inquiries to provide further assistance and assurance that corrective action has been taken.

In cases where criminal violations are found, the matter is referred to the appropriate law enforcement agency or the investigation may result in a referral to the State Ethics Commission for appropriate action.

During Fiscal Year 2010-2011, the OIG reviewed 542 complaints alleging fraud, waste, misconduct and abuse.

In Fiscal Year 2010-2011, BSI conducted 204 employment-related background investigations, including investigations of those individuals being considered for high-level appointments.

Types of Investigative Cases Received Fiscal Year 2010-2011

Employee Misconduct	49
Employee Arrest	3
Abuse of Work Hours	15
Misuse of Equipment/Supplies/Facilities/Vehicles	9
Conflict of Interest/Adverse Interest Act Violations	2
Contract/Grant Procurement/Performance Irregularities	13
Pre-employment Background Investigations	204
Harassment/Discrimination	1
Bribes and Gratuities	3
False Statements/Falsification of Records	5
Workers' Compensation Fraud	1
Inmate Abuse/Neglect/Other	11
Misappropriation of Funds	8

Case Highlights

Though governed by strict confidentiality policies and rarely able to publicly disseminate investigative reports and recommendations, the following are examples of how the OIG served the Commonwealth this past fiscal year:

- The OIG initiated an investigation after receiving a complaint alleging “illegal gambling pool(s) being run on the State computer system and on State time...” After preliminary review of the allegations, the OIG determined the pool’s coordinator and referred the matter to a law enforcement agency. The agency investigated the allegations and filed a criminal complaint against the coordinator. Following the criminal investigation of the coordinator, the OIG continued its investigation and found that 40 Commonwealth employees were involved in the sporting/lottery pools through the use of Commonwealth facilities and equipment. The OIG reported its findings to the employee’s respective agencies and recommended that the agencies take appropriate action against the employees.

Case Highlights-Continued

- ❑ The OIG investigated a department that had paid duplicate invoices totaling \$223,000. After reviewing manuals, directives, policies and procedures, and problematic invoices, OIG investigators determined that the department renewed its contract despite repeated failures to meet contractual obligations. The OIG recommended better oversight of its programs to avoid duplicate invoices in the future.
- ❑ The OIG received an allegation that an employee of an executive agency issued benefits to an individual who was not eligible to receive those benefits. During the course of the investigation, additional case files were located in which the employee issued questionable benefits. The matter was referred to the appropriate authorities and based upon the OIG's recommendations; the agency is developing safeguards to prevent reoccurrence.
- ❑ The OIG initiated a state-wide program review of an agency's use of the Commonwealth's Purchasing Card (P-Card), which has a transaction limit of \$5,000. During the review, the OIG identified four \$4,999 transactions. The OIG initiated an investigation into these four transactions and found that an employee within the agency improperly engaged in "split-purchasing" to evade transaction limits of the P-Card Program. These findings were referred to the agency for further action.

Welfare Fraud Prevention and Prosecution

The Bureau of Fraud Prevention and Prosecution (BFPP) is responsible for the investigation and prosecution of welfare fraud and for the collection of overpaid benefits from welfare recipients.

BFPP performs these activities through a three pronged approach.

- Welfare fraud prevention - ensuring that only eligible recipients receive benefits.
- Fraud prosecution - focusing on individuals who wrongfully obtain benefits through misleading their caseworkers.
- Collection - working to recover overpaid benefits through numerous methods to recover and return funds to the Commonwealth.

BFPP's four regional offices and headquarters work in partnership with the Department of Public Welfare (DPW) to help ensure that public benefits are distributed fairly and equitably, and recovered when benefits are overpaid.

During Fiscal Year 2010-2011, OIG attorneys litigated long-term care medical assistance overpayments, resulting in more than \$305,000 in collections.

In Schuylkill County, investigations uncovered the deception of four clients enrolled in the Medical Assistance Transportation Program (MATP). The clients submitted mileage reimbursement claims for travel while carpooling together. The result was the termination of all four clients from the program and a cost avoidance of more than \$1,200.

A Philadelphia County investigation uncovered the deception of a medical assistance provider who received \$34,500 in fraudulent burial payments from DPW. The provider billed the Commonwealth for cremation and burial services already paid by the City of Philadelphia. He was sentenced to six months probation, ordered to pay \$13,500 in restitution, and was suspended from the Commonwealth's Indigent Burial Program for one year.

An Allegheny County investigation uncovered that a recipient misrepresented and forged employment documentation in order to receive child care benefits, resulting in an overpayment of more than \$30,750. The recipient pleaded guilty, was sentenced to five years probation, and was ordered to pay restitution.

Field Investigations

DPW caseworkers who suspect that an application contains inaccurate, inconsistent, or incomplete information, or suspect fraud will make a referral to the OIG. Welfare fraud investigators conduct investigations on the following:

- Cash Assistance
- Medical Assistance
- Supplemental Nutrition Assistance Program (SNAP)
- Long-Term Care
- Low Income Home Energy Assistance Program (LIHEAP)
- Subsidized Child Care (SCC) Program
- Medical Assistance Transportation Program (MATP)

BFPP will provide the results of their investigation to the caseworker to authorize, reduce, or deny benefits to the applicant or recipient. In some cases, the reports will be forwarded to the referring agency for appropriate action.

BFPP's investigations provide a benefit to DPW and to taxpayers by giving caseworkers and eligibility specialists the necessary information to accurately determine eligibility for benefits.

Cost avoidance from these activities amount to more than:

- \$66.5 million by investigating 27,373 applications for benefits

Fraud Prosecution

DPW caseworkers and eligibility specialists who determine that a fraudulent overpayment and receipt of benefit has occurred will refer the case to the OIG for investigation, prosecution, and recovery of the funds. The OIG investigates and prosecutes fraud in the following programs:

- Cash Assistance
- Supplemental Nutrition Assistance Program (SNAP)
- Medical Assistance
- Long-Term Care
- Low Income Home Energy Assistance Program (LIHEAP)
- Subsidized Child Care (SCC) Program

When fraud is established, the OIG works with the respective district attorney to file a private criminal complaint with the local magisterial district judge or municipal judge. The prosecution of welfare fraud serves the taxpayers and the Commonwealth by ensuring that people who commit these acts are held accountable and that restitution of fraudulently received benefits is obtained and additional cost savings are realized when the defendant is disqualified from receiving future benefits.

Fraud Prosecution-Continued

Restitution and cost savings from these activities amount to more than:

- \$2.5 million through disqualification of future benefits
- \$3.7 million in restitution from 1,150 criminal complaints

In Fiscal Year 2010-2011, the OIG filed 56 criminal complaints in Lehigh County resulting in a total restitution amount of \$435,161.

In Fiscal Year 2010-2011, the OIG filed 159 criminal complaints in Philadelphia County resulting in a total restitution amount of \$407,008.

In Fiscal Year 2010-2011, the OIG filed 105 criminal complaints in Allegheny County and 55 criminal complaints in Berks County resulting in total restitution amounts of:

- Allegheny County - \$315,992
- Berks County - \$205,409

Report Fraud: Welfare Fraud Tipline: 1-800-932-0582 or www.oig.state.pa.us

A Schuylkill County investigation uncovered a recipient who fraudulently received more than \$42,900 in child care and SNAP benefits. The woman failed to report that the father of her children resided within her residence and that he was employed. She pleaded guilty, received 48 months probation, and was ordered to pay court costs, fines, and full restitution.

The OIG and the U.S. Department of Agriculture, Food and Nutrition Services (FNS), conducted a joint trafficking sweep covering a selected area of the City of Philadelphia. Over 100 interviews were conducted by OIG agents resulting in permanent disqualifications for nine stores.

During Fiscal Year 2010-2011, the OIG investigated 584 recipients for SNAP trafficking as a result of FNS permanently disqualifying 178 stores in Pennsylvania.

Supplemental Nutrition Assistance Program Trafficking Unit

BFPP's Operations Support Division (OSD) provides investigative services to the Food and Nutrition Services (FNS) and to the Office of Inspector General of the U.S. Department of Agriculture by conducting SNAP Electronic Benefits Transfer Card Trafficking investigations on stores and recipients. Fraud occurs when SNAP benefits are improperly exchanged for cash, services, or anything other than food. For example, a store owner may purchase an individual's SNAP benefits at a discount. The store owner will then redeem the benefits at full value from the U.S. Department of Agriculture, FNS. Store owners will be disqualified from participating as a SNAP approved vendor and clients who are found to have trafficked their SNAP benefits must repay those benefits and are disqualified from receiving SNAP benefits.

Administrative Disqualification Hearings

When an OIG investigation determines that an individual intentionally or fraudulently received benefits and criminal prosecution is not the most appropriate avenue to pursue, the OIG initiates civil proceedings at Administrative Disqualification Hearings. This cost-effective, expedient proceeding is designed to disqualify recipients from receiving benefits if they are found to have committed fraud in the Cash Assistance Program or SNAP or intentionally violate program eligibility rules in the Cash Assistance Program, SNAP, or Subsidized Child Care Program. Restitution is ordered to be paid and costs savings are realized when disqualification penalties are imposed.

Report Fraud: Welfare Fraud Tipline: 1-800-932-0582 or www.oig.state.pa.us

Collections

In addition to investigating welfare fraud, the OIG serves the taxpayer by collecting public assistance benefits that must be repaid to the Commonwealth. The OIG uses a variety of methods to identify assets and to ensure the Commonwealth recovers any money it is owed. Individuals who are eligible to receive benefits are required to reimburse the Commonwealth if they acquire resources during the period that they were eligible for and received cash assistance. Resources may include Supplemental Security Income (SSI), unemployment compensation (UC), inheritance payments, workers' compensation, or veterans' benefits. Recipients who were overpaid assistance benefits are required to make restitution to the Commonwealth through direct payment; recoupment, which is a reduction of a current recipient's assistance payments; or the interception of SSI, UC, Internal Revenue Service, or other refunds and government payments.

Collection from these activities amount to more than:

- \$45 million in reimbursement and restitution

A tip and subsequent investigation led to felony welfare charges being filed against a Montgomery County client for illegally obtaining more than \$43,900 in medical assistance benefits. The client allegedly failed to report her spouse residing within her household and their combined earned income.

Welfare Fraud Tipline

The BFPP-OSD operates a toll-free Welfare Fraud Tipline, which is an avenue for citizens to call to report suspected welfare fraud abuse. Frequently, tipsters report friends or relatives who are collecting benefits for children no longer residing in the Commonwealth, individuals receiving benefits and not reporting income or resources, and household composition cases where reportedly absent spouses and parents of children are employed and residing in the household. These circumstances may affect eligibility for welfare benefits. Each tip is reviewed and investigated by BFPP staff. When information provided indicates activity where eligibility may be affected, the information is sent to DPW. The OIG also receives welfare fraud tips via an online reporting system, through the U.S. mail, and via facsimile. These tips are also investigated and forwarded to DPW, if appropriate.

Fiscal Year 2010-2011 Tips Received

Collection Assistance Line Calls	15,780
Welfare Fraud Tipline Calls	25,914
Electronic Alerts (online system)	3,871
Mail/Facsimile Alerts	501

Employment Opportunities

Non-civil service investigative positions requiring the utmost confidentiality are available statewide. Interested applicants should send a resume, cover letter, and completed Commonwealth of Pennsylvania Personal Data Sheet to the Bureau of Administration, Policy, and Training, 555 Walnut Street, Forum Place, 7th Floor, Harrisburg, Pennsylvania, 17101. The Personal Data Sheet is available on the OIG's website at www.oig.state.pa.us, under the "Employment" section. Those interested in non-civil service investigative positions may also apply online at www.employment.pa.gov. Pennsylvania is proud to be an equal opportunity employer supporting diversity in the workforce.

CONTACT INFORMATION

Commonwealth of Pennsylvania
Office of Inspector General
555 Walnut Street, Forum Place
Harrisburg, PA 17101

OIG Complaint Line: 1-877-888-7927
Welfare Fraud Tipline: 1-800-932-0582
www.oig.state.pa.us



pennsylvania

OFFICE OF INSPECTOR GENERAL

Help End Government Waste

YOU CAN REPORT

- **Misconduct of Government Employees**
(e.g., accepting money for providing licenses, permits, or other government services)
- **Misuse of Government Equipment**
(e.g., state vehicles)
- **Abuse of Government Contracts**
(e.g., use of substandard materials)
- **Waste of Taxpayers' Money**
(e.g., theft of government property or services)
- **Or Any Other Fraud, Waste, Abuse, or Serious Misconduct**

Commonwealth employees who, in good faith, give information or assistance to the Office of Inspector General are subject to protection by the Act of December 12, 1986, Number 169, known as the Whistleblower Law.

All Calls and Correspondence are Confidential

Write:
Office of Inspector General
555 Walnut Street
Harrisburg, PA 17101
www.OIG.state.pa.us OR Call: 1-877-888-7927

Tom Corbett, Governor
Kenya Mann Faulkner, Inspector General