

**OFFICE OF STATE INSPECTOR GENERAL  
REVISED WRITTEN REMARKS**





Dear Mr. Chairman and Honorable Members of the Committee:

Thanks to the bipartisan effort of the General Assembly and the Governor, this is the first year under Act 29 for the new Office of State Inspector General (OSIG). Act 29 provides the OSIG with new law enforcement authority by granting the Office power to investigate and enforce certain public welfare fraud related statutes. This new law enforcement authority has resulted in the OSIG being designated by the Attorney General as a Criminal Justice Agency.

This is the first year the Office of State Inspector General has the privilege of appearing before this Committee to present a law enforcement appropriation request. It is my honor to address you as a representative of the employees of OSIG and on behalf of the citizens of the Commonwealth we serve. We are grateful for your help in reinventing our Office and allowing us to do more for the people. We respectfully request your help in this budget year to make the most out of those tools you have given us.

As you know, OSIG has the primary responsibility in the Commonwealth to deter, detect, prevent, and eradicate fraud, waste, misconduct, and abuse in the programs, operations, and contracting of executive agencies.

OSIG is also charged with the investigation and prosecution of welfare fraud in Pennsylvania and conducts collections on behalf of the Pennsylvania Department of Human Services and the United States Department of Agriculture.

It is the mission of the Office to aggressively pursue and disrupt public benefits fraud and waste and abuse of government resources. As our ability to accomplish that objective has been enhanced by Act 29, the demands on our resources have increased. In 2017-2018, our Office has a total state appropriation of \$15,349,000. That represents less than half of a hundredth of one percent of last year's Commonwealth budget.<sup>1</sup>

### **COMBATING WELFARE FRAUD**

Welfare fraud is an issue of paramount concern to citizens across our Commonwealth. The fair and proper administration and distribution of public benefits protects the recipient and increases satisfaction by the taxpayer that due attention is being paid to enforcement.

In the last fiscal year, the Bureau of Fraud Prevention and Prosecution (BFPP), the bureau within OSIG responsible for welfare fraud cases, conducted 24,801 field investigations. During the same period BFPP conducted 5,884 fraud investigations. BFPP polices the following benefits programs: Temporary Assistance for Needy Families (TANF), Medical Assistance (Medicaid), Supplemental Nutrition Assistance Program (SNAP), Subsidized Child Care, Medical Assistance Transportation Program, Low Income Home Energy Assistance Program (LIHEAP), and Special Allowance Programs. Our investigators work to prevent taxpayer money from going out the door

---

<sup>1</sup> See attached table marked "OSIG-1."



by working in each of the 67 counties with County Assistance Offices and Subsidized Child Care Offices to identify fraudulent applications. Agents also work across Pennsylvania to investigate and prosecute fraudulent receipt of benefits. Our fraud investigators must travel extensively, conduct interviews, and analyze documents and data to build the cases that we file.

I am proud to report the work they do is exemplary. In the last fiscal year BFPP saved taxpayers more than \$100 Million. A significant percentage of those collections and savings stayed right here in Pennsylvania.<sup>2</sup> In fact, OSIG collections and savings for the Commonwealth in fiscal year 2016-17 exceeded the state appropriation for welfare fraud.<sup>3</sup>

All this was accomplished with a complement of 106 investigative staff. OSIG resources are strained to meet demand and to adequately process the tens of thousands of tips we receive annually from concerned citizens and legislators. By way of comparison, in 2002 the Office employed 184 investigators.

We are very grateful that the General Assembly and Governor enhanced our ability to police these benefit programs by enacting Act 29. That Act allows OSIG to charge welfare fraud crimes directly by police criminal complaint, rather than relying on private complaints as was necessary in the past. With the new investigative powers provided under the Act, we have already begun partnering with local law enforcement across Pennsylvania to increase meaningful enforcement and share the burden of investigation and prosecution with our local partners.

The labor of transforming OSIG from an administrative office to a law enforcement agency is substantial and complex. OSIG has, of course, increased costs associated with training and equipping a professional agent corps to carry out this new mission. The Office has worked with local educational institutions to develop a cost effective and comprehensive law enforcement training program. This program teaches our agents the practical skills they need to implement Act 29 as well as the underlying principles of responsible law enforcement.

The most important consideration in this transformation is the safety of our employees. In the field, our agents travel to some of the most distressed and isolated areas of the Commonwealth. In the past, our agents were obliged to go to those places, identify themselves as government agents, and do their jobs with no defensive capability at all. Act 29 enables us, for the first time, to provide the defensive equipment which protects their safety while they serve Pennsylvania. In the past, our agents were obliged to rely on publicly available records to assess risks in the field. Now, our status as a criminal justice agency enables agents to access real-time information from law enforcement databases, just as a patrol police officer would, to aid them in the performance of their duties. In law enforcement, the right training, information, and equipment can enhance

---

<sup>2</sup> See attached table marked "OSIG-2."

<sup>3</sup> See attached table marked "OSIG-3"



investigations and protect personnel. The General Assembly and the Governor have made these essential protections possible through Act 29 and we are grateful for them.

The need is heightened as our agents now have arrest powers which will place them in harm's way more often. In the last year, our agents filed 768 criminal complaints and that number will climb in the coming years. Our employees are proud to serve our Commonwealth and make our communities safer by enforcing those laws committed to our jurisdiction. The tools and techniques we give them will help them to carry out that mission.

### **REINVENTING ENFORCEMENT**

OSIG is taking the lead in combating trafficking in SNAP [formerly food stamp] benefits by targeting the criminal merchants who deal in SNAP benefits. These merchants, who should be helping to feed the hungry, instead prey on them. By buying or exchanging benefits for pennies on the dollar these individuals literally take food from hungry children and inject cash into the market for illegal drugs, including opioids. Our ability to combat this kind of trafficking is greatly enhanced by the new tools available under Act 29.<sup>4</sup>

Our investigators can now utilize subpoenas and seek search warrants in aid of their investigations. These essential law enforcement tools for gathering information will help us to detect and deter trafficking and other criminal activity.

We are already forming productive partnerships with other law enforcement agencies across Pennsylvania. The access to law enforcement databases such as CLEAN that Act 29 grants us allows us to share information and coordinate investigations. These collaborative investigations will change the way SNAP trafficking is investigated and prosecuted in Pennsylvania. The investigations themselves will change, too. With the new tools available to OSIG, our investigators can conduct undercover operations and use other methods, such as covert surveillance and developing confidential informants, which were not possible for OSIG before Act 29.

At the moment, OSIG has three dedicated SNAP trafficking investigators with responsibility for the entire Commonwealth. As we seek to augment that effort from existing investigative staff we necessarily take investigative personnel away from other duties. Just a few additional dedicated trafficking investigators will make a tremendous difference in disrupting the illegal market for these SNAP cards and the collateral criminal conduct that market supports.

### **PROTECTING PENNSYLVANIA ASSETS**

But OSIG's mission is not limited to welfare fraud, and our Office looks forward to working with you to eliminate waste, fraud, and abuse in all those areas over which we have jurisdiction. The situation on the ground for investigators in the Bureau of Special Investigations, who handle

---

<sup>4</sup> See attached table marked "OSIG-4"



government services investigations and perform critical background checks for agencies throughout PA government, is also strained.

In fiscal year 2016-17, BSI conducted 146 investigations and 264 background checks were performed. I believe there is an evolving role for OSIG in investigating and reporting on matters of public interest concerning our core mission of detecting and deterring government waste fraud and abuse. I look forward to discussing that role with you at the upcoming hearings. But all the work already done was accomplished by a state-wide BSI compliment of just 16. Those staff fulfill OSIG's role as an aggressive watchdog for taxpayer dollars.

### **SUPPORTING A COMPLEX MISSION**

OSIG's Bureau of Administration, Policy and Training (BAPT) is also evolving to meet the needs of the Office. To responsibly and effectively implement Act 29 requires new and comprehensive training and logistical programs. BAPT is partnering with local educational institutions to train new hires and current employees. From criminal justice to advanced investigative techniques, employees will receive additional training on enhanced investigative techniques and how to interact with the public respectfully. Providing training, budget, policy, logistical, and human resources support, the BAPT team has only 14 employees, down from an historic high of 27 in 2005. Like all our divisions, BAPT needs your help to function at its best and continue to innovate and economize within OSIG.

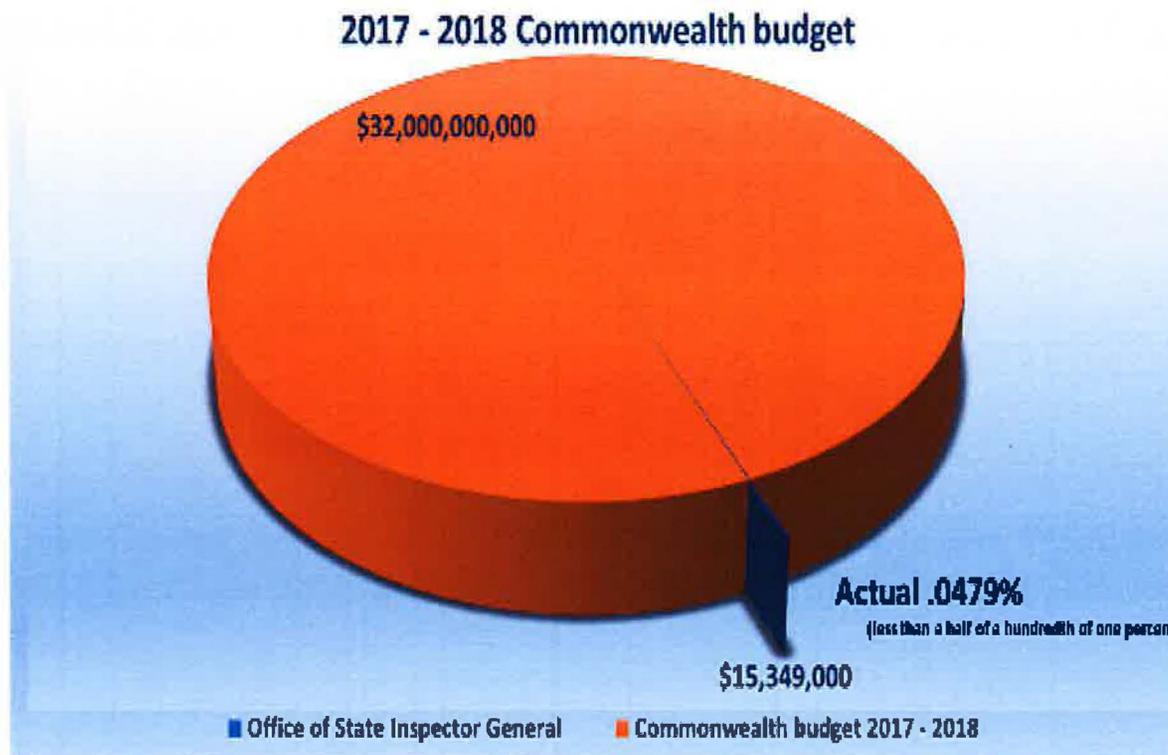
### **AN ALLY IN REINVENTING GOVERNMENT SERVICES**

I share Governor Wolf and the General Assembly's interest in reinventing government services for a government that truly works for the people and not itself. OSIG has a vital role to play in realizing that vision. I emphasize - our request – which comes during a time of prudent austerity and economy in government, is meaningful. Each dollar will pay dividends in Pennsylvania money collected and saved and in peace of mind for citizen taxpayers that their concerns come first here in our Office.

I thank each of you for the privilege of appearing before you and respectfully ask for your help in fulfilling the vision for our agency I know we share.

OSIG-1

2017 - 2018 Office of State Inspector General  
Gross appropriation to Commonwealth budget  
- Amount represents <.05% of total budget -



OSIG-2

# Pennsylvania Value: Collections and Savings State vs Federal

<b>COLLECTIONS</b>	Total Collections		State		Federal
SNAP - Supplemental Nutrition Assistance Program	\$12,164,658.50	20.00%	\$2,432,931.70	80.00%	\$9,731,726.80
SNAP SPAL - Special Allowance	\$6,558.41	50.00%	\$3,279.21	50.00%	\$3,279.21
TANF - Temporary Assistance for Needy Families cash	\$1,541,287.51		\$0.00	100.00%	\$1,541,287.51 *
GA - General Assistance cash	\$233,822.24	100.00%	\$233,822.24		\$0.00
LIHEAP - Low Income Home Energy Assistance Program	\$48,110.40		\$0.00	100.00%	\$48,110.40 *
SCC - Subsidized Child Care	\$495,744.86		\$0.00	100.00%	\$495,744.86 *
MA - Medical Assistance	\$12,361,085.23	48.21%	\$5,959,279.19	51.79%	\$6,401,806.04
<b>TOTALS</b>	<b>\$26,851,267.15</b>		<b>\$8,629,312.33</b> **		<b>\$18,221,954.82</b>

<b>FIELD INVESTIGATIONS</b>	Total Annualized Savings		State		Federal
SNAP - Supplemental Nutrition Assistance Program	\$19,049,018.00	20.00%	\$3,809,803.60	80.00%	\$15,239,214.40
SNAP SPAL - Special Allowance	\$5,388.00	50.00%	\$2,694.00	50.00%	\$2,694.00
TANF - Temporary Assistance for Needy Families cash	\$2,503,230.00		\$0.00	100.00%	\$2,503,230.00 *
LIHEAP - Low Income Home Energy Assistance Program	\$249,138.00		\$0.00	100.00%	\$249,138.00 *
SCC - Subsidized Child Care	\$1,118,636.00		\$0.00	100.00%	\$1,118,636.00 *
MA - Medical Assistance	\$53,279,699.00	48.21%	\$25,686,142.89	51.79%	\$27,593,556.11
<b>TOTALS</b>	<b>\$76,205,109.00</b>		<b>\$29,498,640.49</b> **		<b>\$46,706,468.51</b>

\* Funds recovered (or saved) are reinvested into the program at the state level to serve eligible clients who may receive additional benefits, or who may otherwise not have received benefits.

\*\* Percentage of Savings and Total Collections retained for the Commonwealth - 32.14%

OSIG-3

### OSIG Value Delivered: Annual Collections and Savings Exceed Appropriation



■ FY2016-17 Welfare Fraud Fund State Appropriation

■ FY 2016-17 State Cost Avoidance and Collection

OSIG-4

## Pennsylvania Office of State Inspector General ACT 29 enactment comparison

<b>Office of Inspector General</b>	<b>Office of State Inspector General</b>
<ul style="list-style-type: none"> <li>• Private Criminal Complaints</li> </ul>	<ul style="list-style-type: none"> <li>• Police Criminal Complaints</li> </ul>
<ul style="list-style-type: none"> <li>• No access to CLEAN or NCIC</li> </ul>	<ul style="list-style-type: none"> <li>• Access to CLEAN and NCIC information for real-time, nationwide criminal justice information</li> </ul>
<ul style="list-style-type: none"> <li>• No ability to have arrest warrants served</li> </ul>	<ul style="list-style-type: none"> <li>• Arrest warrants can be entered into CLEAN and served by OSIG or another law enforcement agency</li> </ul>
<ul style="list-style-type: none"> <li>• No compulsory process or warrant authority</li> </ul>	<ul style="list-style-type: none"> <li>• Ability to issue subpoenas and seek search warrants as Criminal Justice Agency</li> </ul>
<ul style="list-style-type: none"> <li>• Unable to communicate/share information with other law enforcement agencies</li> </ul>	<ul style="list-style-type: none"> <li>• Ability to share information with fellow law enforcement agencies and cooperate/coordinate investigations</li> </ul>
<ul style="list-style-type: none"> <li>• No defensive capability for field personnel</li> </ul>	<ul style="list-style-type: none"> <li>• Defensive training and equipment</li> </ul>

**OFFICE OF STATE INSPECTOR GENERAL  
FISCAL YEAR 2018-19 BUDGET PRESENTATION**

**Office of State Inspector General  
Fiscal Year 2018-19 Budget Presentation**

**Table of Contents**

**Office of State Inspector General**

Summary of Financial Data.....	A-1
Detail by Major Object.....	A-1-2
History of Lapses.....	A-2
Complement Information.....	A-2
Derivation of Request.....	A-2
Explanation of Changes.....	A-3
Program Statement.....	A-3-4

**EXECUTIVE OFFICES 2018-19 BUDGET PRESENTATION**

Page # of Governor's Executive Budget:

Pp. E2-1 to E2-3, E2-5, E2-7 to E2-8, E2-15 to E2-16, 13

Office of State Inspector General

10595, 10600, 70369, 70370, 70372, 71373

**I. SUMMARY FINANCIAL DATA**

(\$ Amounts in Thousands)

	2016-17 Actual	2017-18 Available	2018-19 Budgeted
State Funds	\$16,602	\$15,231	\$15,629
Office of State Inspector General (10595)	\$4,334	\$4,042	\$3,900
OSIG/ Office of Welfare Fraud (10600)	\$12,268	\$11,189 <sup>(a)</sup>	\$11,729
Federal Funds Total	\$13,605	\$14,405	\$14,905
Food Stamps- Program Accountability (70369)	\$7,000	\$7,000	\$7,000
Med Assistance- Program Accountability (70370)	\$4,200	\$5,000	\$5,500
TANFBG- Program Accountability (70372)	\$1,500	\$1,500	\$1,500
Subsidized Day Care (70373)	\$905	\$905	\$905
Other Funds	\$1,111	\$1,111	\$1,111
Other Funds Itemized			
Reimbursements for Special Fund Investigation	\$1,111	\$1,111	\$1,111
<b>Total</b>	<b>\$31,318</b>	<b>\$30,747</b>	<b>\$31,645</b>

(a) Reflects recommended appropriation reduction of \$118,000

**II. DETAIL BY MAJOR OBJECT**

	2016-17 Actual	2017-18 Available	2018-19 Budgeted	Budgeted vs. Available	Percent Change
<b>PERSONNEL</b>					
State Funds	\$13,623	\$12,993	\$12,539	(\$454)	-3.49%
OSIG (10595)	\$3,239	\$3,538	\$3,837	\$299	8.45%
OSIG Welfare (10600)	\$10,384	\$9,455	\$8,702	(\$753)	-7.96%
Federal Funds	\$6,744	\$9,275	\$8,361	(\$914)	-9.85%
Food Stamps (70369)	\$3,245	\$4,383	\$4,264	(\$119)	-2.72%
Med Asst (70370)	\$2,865	\$3,410	\$2,592	(\$818)	-23.99%
TANFBG (70372)	\$423	\$936	\$920	(\$16)	-1.71%
Subsrd Day (70373)	\$211	\$546	\$585	\$39	7.14%
Other Funds - OSIG (10595)	\$910	\$980	\$980	\$0	0.00%
<b>Total Personnel</b>	<b>\$21,277</b>	<b>\$23,248</b>	<b>\$21,880</b>	<b>(\$1,368)</b>	<b>-5.88%</b>
<b>OPERATING</b>					
State Funds	\$1,851	\$2,228	\$3,090	\$862	38.69%
OSIG (10595)	\$754	\$494	\$63	(\$431)	-87.25%
OSIG Welfare (10600)	\$1,097	\$1,734	<b>\$3,027</b>	\$1,293	74.57%
Federal Funds	\$2,754	\$5,130	\$3,694	(\$1,436)	-27.99%
Food Stamps (70369)	\$1,325	\$2,617	\$1,884	(\$733)	-28.01%
Med Asst (70370)	\$1,170	\$1,590	\$1,145	(\$445)	-27.99%
TANFBG (70372)	\$173	\$564	\$406	(\$158)	-28.01%
Subsrd Day (70373)	\$86	\$359	\$259	(\$100)	-27.86%
Other Funds - OSIG (10595)	\$201	\$131	\$131	\$0	0.00%
<b>Total Operating</b>	<b>\$4,806</b>	<b>\$7,489</b>	<b>\$6,915</b>	<b>(\$574)</b>	<b>-7.66%</b>
<b>BUDGETARY RESERVE</b>					
State Funds	\$1,128	\$10	\$0	(\$10)	-100.00%
OSIG (10595)	\$341	\$10	\$0	(\$10)	-100.00%
OSIG Welfare (10600)	\$787	\$0	\$0	\$0	0.00%
Federal Funds	\$4,107	\$0	\$2,850	\$2,850	N/A
Food Stamps (70369)	\$2,430	\$0	\$852	\$852	N/A
Med Asst (70370)	\$165	\$0	\$1,763	\$1,763	N/A
TANFBG (70372)	\$904	\$0	\$174	\$174	N/A
Subsrd Day (70373)	\$608	\$0	\$61	\$61	N/A
Subtotal	\$4,107	\$0	\$2,850	\$2,850	N/A
Other Funds				\$0	0.00%
<b>Total Budgetary Reserve</b>	<b>\$5,235</b>	<b>\$10</b>	<b>\$2,850</b>	<b>\$2,840</b>	<b>28400.00%</b>

**EXECUTIVE OFFICES 2018-19 BUDGET PRESENTATION**

**Page # of Governor's Executive Budget:**

Pp. E2-1 to E2-3, E2-5, E2-7 to E2-8, E2-15 to E2-16, I3

**Office of State Inspector General**

10595, 10600, 70369, 70370, 70372, 71373

**TOTAL FUNDS**

State Funds	\$16,602	\$15,231	\$15,629	\$398	2.61%
Federal Funds	\$13,605	\$14,405	\$14,905	\$500	3.47%
Other Funds	\$1,111	\$1,111	\$1,111	\$0	0.00%

Total Funds	\$31,318	\$30,747	\$31,645	\$898	2.92%
-------------	----------	----------	----------	-------	-------

**III. HISTORY OF LAPSES**

(\$ Amounts in Thousands)

	<u>2015-16</u>	<u>2016-17</u>	<u>Estimated 2017-18</u>
State Funds	\$0	\$0	\$0
Federal Funds	\$3,652	\$4,107	\$0

**IV. COMPLEMENT INFORMATION**

		<u>12/31/2016</u>	<u>12/31/2017</u>	<u>2018-19 Budgeted</u>
Benefit Factor				
OSIG (10595)		67.75%	67.43%	67.90%
OSIG Welfare (10600)		80.27%	80.35%	80.20%
State Funded				
OSIG (10595)	- Authorized	34	38	38
	- Filled	34	33	NA
OSIG Welfare (10600)	- Authorized	219	185	185
	- Filled	182	153	NA

**V. DERIVATION OF REQUEST**

Derivation of Request

(A) Personnel

All personnel costs were prepared on the complement planning layouts in the BPC system using instructions and factors provided by the Office of the Budget.

(B) Operating Expenses

Operating Funds will be used for continuing activities.

Legislative Citations: Act of July 20, 2017, P.L. 328, No. 29 [Act 29] C1. 71

Additional Information

(1) 2016-17 Obligations rolled forward to 2017-18  
(\$ Amounts in Thousands)

Total	\$0
-------	-----

(2) 2017-18 Supplemental appropriation needs  
(\$ Amounts in Thousands)

\$0

Date current appropriation will be exhausted:

N/A

(3) Prior FY appropriations waived pursuant to Act 146 of 1980, used to support the 2017-18 appropriation.  
(\$ Amounts in Thousands)

State Funds	
1060000000 (BP2015)	\$35
1059500000 (BP2016)	\$431
1060000000 (BP2016)	\$1,178
<b>Total</b>	<b>\$1,644</b>

**EXECUTIVE OFFICES 2018-19 BUDGET PRESENTATION**

Page # of Governor's Executive Budget:

Pp. E2-1 to E2-3, E2-5, E2-7 to E2-8, E2-15 to E2-16, I3

**Office of State Inspector General**

10595, 10600, 70369, 70370, 70372, 71373

**VI. EXPLANATION OF CHANGES**

	State \$	Federal \$	Other \$	Total \$
<b>PERSONNEL</b>				
A. Personnel - reduction due to change in funding for filled versus vacant positions and elimination of wage funding	(\$454)	\$0	\$0	(\$454)
B. Change in federal cost distribution methodology	\$0	(\$914)	\$0	(\$914)
Subtotal Personnel	(\$454)	(\$914)	\$0	(\$1,368)
<b>OPERATING</b>				
A. Increases in recurring and non-recurring costs	\$862	\$0	\$0	\$862
B. Change in federal cost distribution methodology	\$0	(\$1,436)	\$0	(\$1,436)
Subtotal Operating	\$862	(\$1,436)	\$0	(\$574)
<b>BUDGETARY RESERVE</b>				
A. Budgetary Reserve	(\$10)	\$0	\$0	(\$10)
B. Change in federal cost distribution methodology	\$0	\$2,350	\$0	\$2,350
C. Increase Med Assistance Cap due to higher volume of MA overpayments	\$0	\$500	\$0	\$500
Subtotal Budgetary Reserve	(\$10)	\$2,850	\$0	\$2,840
<b>TOTAL</b>	<b>\$398</b>	<b>\$500</b>	<b>\$0</b>	<b>\$898</b>

**VII. PROGRAM STATEMENT**

The Office of Inspector General was created by Executive Order 1987-7. Act 29 of 2017 subsequently created the Office of State Inspector General. The mission of the Office of State Inspector General is:

- To initiate, supervise, and coordinate investigative activities relating to fraud, waste, misconduct, or abuse in executive agencies, and when invited, in independent agencies.
- To investigate allegations of American Recovery and Reinvestment Act fraud.
- To recommend policies for and to conduct, supervise, and coordinate activities designed to deter, detect, prevent, and eradicate fraud, waste, misconduct, and abuse in executive agencies.
- To refer violations of criminal law or matters requiring civil actions by the Commonwealth involving executive agencies to the General Counsel.
- To cooperate with federal, state, and local law enforcement agencies in the prosecution of criminal violations of federal and state benefit programs.
- To prevent, detect, and deter fraud prior to authorization of program benefits.
- To recover overpaid program benefits.
- To promote public awareness of effective government.
- To ensure proper distribution of benefits to citizens in need.

The Office of State Inspector General is responsible for conducting welfare fraud investigations and performing collection activities for programs administered by the Department of Human Services. The Office of State Inspector General is responsible for ensuring accountability and integrity in these programs including Temporary Assistance for Needy Families, Medical Assistance, Supplemental Nutrition Assistance Program, and Subsidized Day Care programs.

The Office of State Inspector General's investigative and collection activities generate revenues that are used to reduce state fund appropriations and also help prevent unnecessary revenue expenditures through a fraud prevention program.

**EXECUTIVE OFFICES 2018-19 BUDGET PRESENTATION**

**Page # of Governor's Executive Budget:**

Pp. E2-1 to E2-3, E2-5, E2-7 to E2-8, E2-15 to E2-16, I3

**Office of State Inspector General**

10595, 10600, 70369, 70370, 70372, 71373

The Office of State Inspector General's welfare fraud investigation programs include field investigations and fraud investigations:

- **Field Investigations** - The Department of Human Services submits applicant and recipient referrals to the Office of State Inspector General for investigation when there is suspected fraud or inaccurate, incomplete, or inconsistent information relating to an application for benefits. Based on the Office of State Inspector General's investigative findings, the Department of Human Services is able to make an informed and more accurate determination of eligibility for benefits. Findings of fraud result in cost savings to the Commonwealth by preventing ineligible applicants from receiving benefits and helps prevent unnecessary revenue expenditures by closing benefits for ineligible recipients and reducing benefits for partially ineligible recipients
- **Fraud Investigations** - The Office of State Inspector General investigates Department of Human Services overpayment referrals to determine if benefits were received fraudulently. Based on the Office of State Inspector General's investigative findings, overpayments are prosecuted through the criminal court system, processed through the administrative disqualification hearing system, or processed through the collection program. Criminal findings of fraud and administrative disqualification hearing findings of intentional program violations result in cost savings through disqualification from benefits. Revenue is generated through court-ordered restitution of overpaid benefits, through Bureau of Hearings and Appeals' decisions ordering repayment of benefits, and through other collection methods.

The Office of State Inspector General's means of collections include reimbursement, restitution, recoupment, and federal treasury offsets:

- **Reimbursement** is obtained from recipients who were eligible to receive benefits but later acquired resources to repay the Commonwealth for those benefits. The Office of State Inspector General receives reimbursement from delayed resources, such as Supplemental Security Income, unemployment compensation, tort recoveries, inheritance, and other sources.
- **Restitution** is obtained from active or inactive recipients who have been overpaid benefits. The Office of State Inspector General receives restitution through court-ordered payments, installment payments, and other methods.
- **Recoupment** is obtained by reducing the monthly benefit allotment of active recipients who have been overpaid benefits. Recoupment can be court-ordered, federally or state mandated, or voluntary.
- **Federal treasury offsets** are intercepts of available federal payments to repay delinquent food stamp overpayments for inactive recipients.

The 2018-19 Budget incorporates the most recent program and financial data available and represents the best planning efforts of the Office of State Inspector General in order to maintain the current level of services while incorporating agency changes that resulted from the passing of Act 29.

**PROGRAM PERFORMANCE**

Under Appropriation 600, the Office of State Inspector General estimates the following program performance for Fiscal Years 2018-19 and 2019-20:

	<b>FY 2018-19</b>	<b>FY 2019-20</b>
<b>Collections</b>	\$26,800,000	\$26,800,000
<b>Fraud Investigations*</b>	6,000	6,000
<b>Field Investigations**</b>	25,000	25,000
<b>Average Cost Savings per Welfare Fraud Investigator</b>	\$1,240,500	\$1,240,500
<b>The Ratio of Cost-Savings and Collections to Investigative Expenditures*</b>	\$10.30	\$10.30

\* Includes all intentional program violation investigations of overpayments.

\*\* Referrals from the Department of Human Services on applicants and recipients.

The Office of State Inspector General generates cost-savings for the Commonwealth based on intentional program violation disqualifications and ineligibility determinations as a result of its investigative findings. The Office of State Inspector General generates revenues for the Commonwealth based on the various means used to collect benefit overpayments. For each dollar spent on investigative and collection activities, the Office of State Inspector General projects that it will realize a cost-benefit of \$10.30.

# Office of State Inspector General

March 7, 2018

*Bruce R. Beemer, State Inspector General* - appointed by Governor Wolf on July 25, 2016.

(in thousands \$)

General Fund Appropriations:	2016-17	2017-18 Act 1A	2017-18 BR	2018-19 Governor's Request	INC/DEC- \$	INC/DEC %	2018-19 \$ +/- after 17- 18 BR	2018-19 % +/- after 17- 18 BR
Office of Inspector General	\$4,334	\$ 4,042		\$ 3,900	\$ (142)	-3.51%	\$ (142)	-3.51%
Inspector General - Welfare Fraud	\$12,268	\$ 11,307	\$118	\$ 11,729	\$ 422	3.73%	\$ 540	4.78%

Executive Order 1987-7 created the Office of Inspector General to ensure integrity, accountability and public confidence in Pennsylvania government by conducting inquiries, investigations, and program reviews that deter, detect, prevent, and eradicate fraud, waste, misconduct, and abuse in the programs, operations and contracting of executive agencies.

In FY 1994-95, responsibility of welfare fraud investigations was moved from the Department of Public Welfare to the Office of Inspector General. As part of the transfer, front-end investigations for screening of new applicants before benefits were paid was specifically added to the responsibilities of the Office of Inspector General.

Act 29 of 2017, enacted July 20, 2017, statutorily established the Office of State Inspector General and gave the Office law enforcement powers, including the ability to issue subpoenas and search warrants, file criminal complaints, access criminal justice databases and work with other law enforcement agencies.

Positions at 12/31	OIG	OIG-WF
<b>2016</b>		
<b>Filled</b>	34	182
<b>Vacant</b>	7	34
<b>2017</b>		
<b>Filled</b>	32	153
<b>Vacant</b>	6	25

### Allocation of OIG Collections

	State	Federal	
SNAP	20.00%	80.00%	**
TANF	0.00%	100.00%	*
LIHEAP		100.00%	*
Subsidized Day Care (SDC) - SNAP	50.00%	50.00%	
SDC - TANF Working	0.00%	100.00%	*
SDC - TANF Training	100.00%		*
SDC - TANF MOE	100.00%		*
SDC - TANF Work Support	100.00%		*
SDC - Former TANF Dependent		100.00%	*
SDC - Low Income Subsidy		100.00%	*
Medical Assistance	48.21%	51.79%	**

\* Funds recovered are reinvested into the program.

\*\*Effective rate of current collections. For SNAP, actual rates are:

35% state share on cases of intentional fraud

20% state share on cases of inadvertent applicant error

## Suggested Questions for State Inspector General

1. Please tell the committee how Act 29 will give your office more tools to identify and prosecute possible waste, fraud, abuse or misconduct of state agencies.
2. Since the enactment of Act 29 your office has been designated as a criminal justice agency BY THE Office of Attorney General. What does this mean in terms of activities, staff, and training needs for your office?
  - Will your office incur new costs for required training or security measures for your staff?
  - Will the change in your office's designation to a criminal justice agency result in any change in the classification of positions? For example, will a fraud investigator now be eligible for Age 55 retirement?
3. When funds are recovered from improperly paid welfare benefits, the Commonwealth does not get to keep all the funds recovered. Can you please tell the committee the amount of recovered funds the Commonwealth gets to retain? *(NOTE: Please refer to chart provided)*
  - Can the Commonwealth do anything to increase the portion of recovered funds your office retains?
4. Your office is reimbursed by the federal government for personnel and operating costs incurred for welfare fraud investigation and filing of criminal complaints. I believe the reimbursement rate is approximately 49%. Does your office receive reimbursement for fraud prevention? In other words, if your investigators are able to prevent the payment of benefits based on the submission of inaccurate or incomplete information, will the federal government still pay a reimbursement to the Commonwealth for personnel costs?
  - Do your investigators keep time reports to ensure the Commonwealth is getting fully reimbursed by the federal government for welfare fraud prevention and investigation?
  - While fraud is wrong and should not be permitted, is it acceptable for Commonwealth taxpayers to shoulder 51% of the cost of SNAP investigations when the Commonwealth only gets to retain 20% of the recovered funds? Shouldn't the federal government be reimbursing the Commonwealth at higher levels?
5. The Office of Inspector General – Welfare Fraud has had a fairly high number of vacant positions over the past five to six years. Vacancies have ranged from a low of 25 this past December to a high of 39 at the end of December 2014. Do you have any insight as to why there are so many vacancies? *(NOTE: Do not let him tell you the Office of Inspector General – Welfare Fraud has not had sufficient funds to fill vacancies. Even when funding has been increased the office still has at least 25 vacancies.)*

6. How does your office find out about fraud and abuse involving government funds or programs?
7. Yesterday the Secretary of the Department of Human Services, Theresa Miller, told the committee that her department is heavily involved in front-end fraud prevention. When DHS suspects fraud or abuse they pass information to your office. Please tell me the average number of investigations that are annually referred to the Office of State Inspector General by the Department of Human Services?
  - o Do you think the referral system is working as effectively as it should?
  - o Are there any improvements that can be made to prevent welfare fraud and abuse on the front-end?
8. With regard to welfare fraud, I have heard and read news reports of arrests of individuals fraudulently receiving benefits such as SNAP and child care assistance. While all fraud and abuse involving government funds needs to be stopped, your office could potentially recover much more from providers who are defrauding the Commonwealth than individuals. With the Act 29 changes can your office go after service providers who are improperly billing the Commonwealth for services? Why or why not?
  - o What, if any, additional statutory changes are needed in order for your office to have the power to investigate and seek arrests for provider fraud?
9. Has the opioid epidemic increased the amount of welfare fraud your office is seeing? Is it possible to recover funds from an individual that is addicted to drugs?
10. Can you please tell us where the welfare fraud cases your office investigates and stops are prosecuted? If a county district attorney is unwilling to prosecute the cases your office uncovers in the county, what happens?
11. You have stated previously that you would like the Office of State Inspector General to be more transparent; therefore, your office will release reports that do not involve private information. When can we expect to start seeing reports?
  - o If requested, will you release the report you issued to the Governor's Office on the expenses and operation of the Lt. Governor's home and office?
12. General Beemer, when you appeared before the Senate Appropriations Committee you stated that your office performs performance audits for many different executive branch agencies. The Auditor General's Office also performs performance audits. Does your office interface with the Auditor General's Office to make sure there is not a duplication of effort and expense, or do you wait for referrals from the Auditor General about potential criminal activities?

13. The Office of State Inspector General is also charged with the responsibility of conducting background checks.

- What individuals are the subject of background checks by your office?
- What percentage of your staff's time is spent conducting background checks?
- Does your office receive any payment or reimbursement from other agencies for conducting the background checks?

14. When we talk about the Office of State Inspector General there tends to be a great deal of focus on welfare fraud and abuse, but the mission of your office is also to detect, deter and eradicate fraud and waste of state resources by state employees and programs. Is that correct?

- How often does your office get involved with investigating vendor or contractor fraud that is not welfare-related?
- What does it take for your office to review a specific contract?
- Have you looked at the Financing Agreement, dated January 30, 2018, entered into by and between the Commonwealth, acting through the Department of General Services, and Municipal Real Estate Funding, LLC?

This is a first-of-its kind agreement, and since it's something different from past practice we have been asking questions about it during a number of the agency budget hearings.

- Would your office be able to investigate the contracting involved with the Financing Agreement to see if laws were properly followed and no waste of state resources occurred?