

**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

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<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

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<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

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<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**

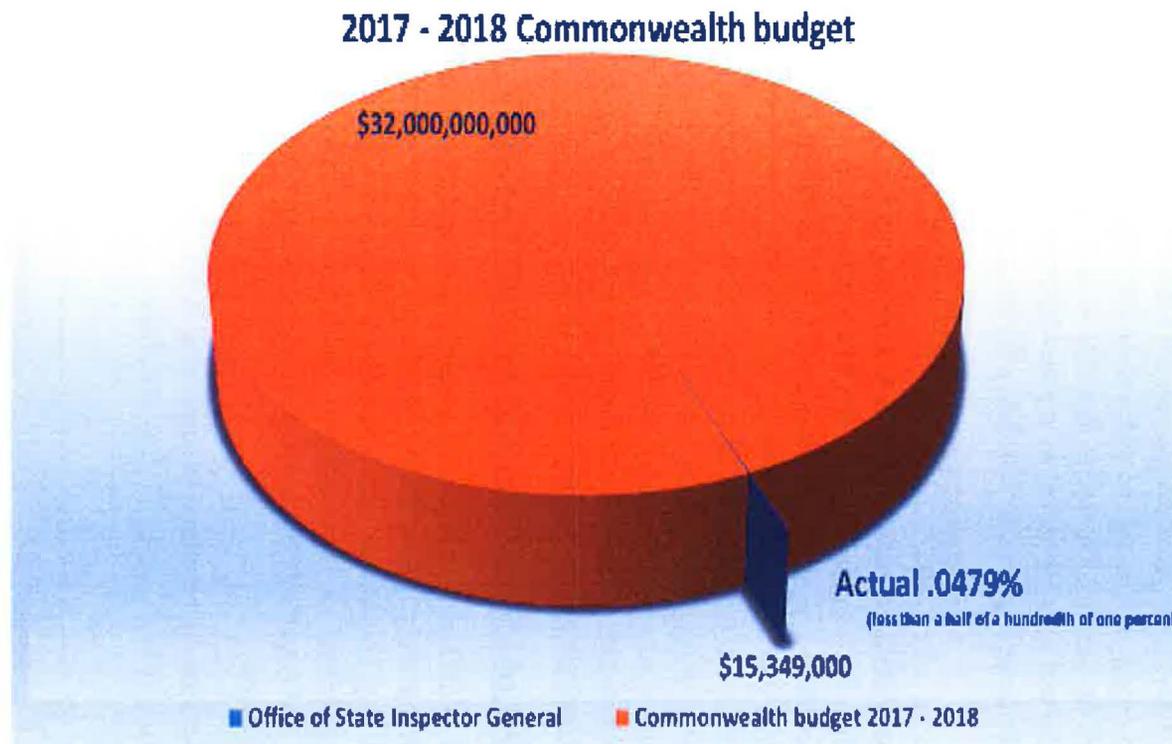
OSIG's Bureau of Administration, Policy and Training (BAPT) is also evolving to meet the needs of the Office. To responsibly and effectively implement Act 29 requires new and comprehensive training and logistical programs. BAPT is partnering with local educational institutions to train new hires and 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.

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>

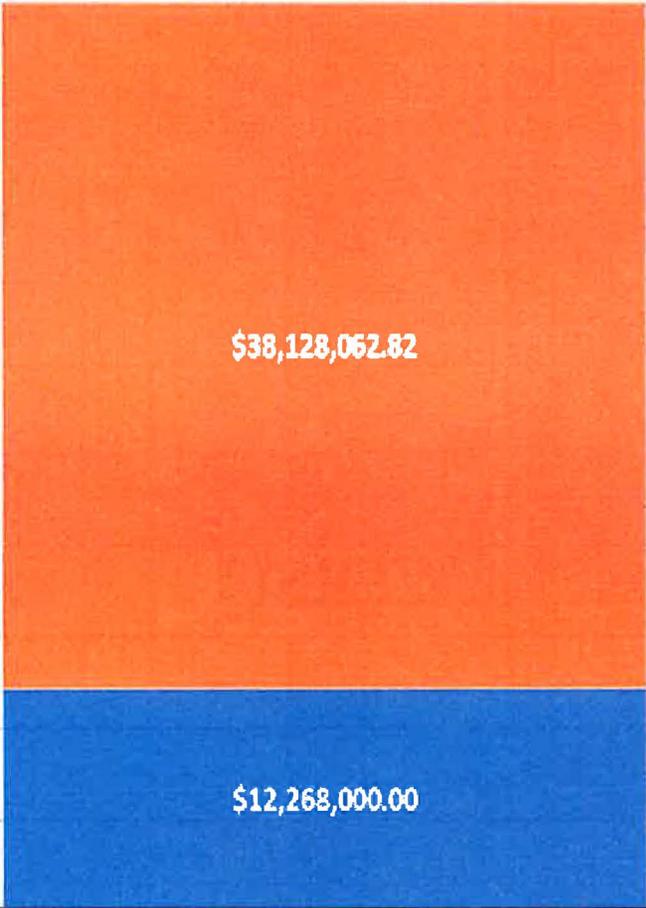
<b>FIELD INVESTIGATIONS</b>	Total Annualized Savings		State		Federal
SNAP - Supplemental Nutrition Assistance Program	\$19,049,018.00	20.00%	\$3,809,803.60	80.00%	\$15,239,214.40
SNAP SPAL - Special Allowance	\$5,388.00	50.00%	\$2,694.00	50.00%	\$2,694.00
TANF - Temporary Assistance for Needy Families 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

Office of Inspector General	Office of State Inspector General
<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>

