



**Written Testimony for the House Republican Policy Committee on Stopping and Preventing Fraud and Abuse in Department of Public Welfare Programs**

**Harriet Dichter, Secretary**  
**June 2, 2010**

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Thank you Chairman Saylor for the opportunity to submit written testimony regarding the Department of Public Welfare's ongoing efforts to prevent and stop fraud and abuse in Department programs. Unfortunately, given the late notice of your invitation, we are unable to have a representative of the Department be there in person, but want to make sure you are aware of some of the work we have done in these areas.

**The Accountability Continuum**

The mission of the Department of Public Welfare (DPW) is to protect and serve Pennsylvania's most vulnerable citizens, to promote, improve and sustain the quality of family life, and to break the cycle of dependency, while managing our resources effectively and promoting respect for employees. DPW's mission is broad and brings with it a large set of responsibilities, and a large budget. Much of what we do is supported with federal investment and subject to federal requirements and direction. These are signature federal programs like Medicaid, Temporary Assistance to Needy Families (TANF) and food stamps (now known as SNAP), however there is no program called "welfare" operated by DPW. The size of our budget often attracts critics who claim the agency must not be managed properly. DPW has what I refer to as an Accountability Continuum in place to ensure we are being the best stewards of the state and federal tax dollars we are charged with administering for Pennsylvania's citizens. The Accountability Continuum starts at DPW's front door, when we determine a citizen's eligibility for our programs, and continues right through our process for paying our providers and into the many levels of internal and external audits which provide additional oversight.

I want to present to you not just the various parts of the continuum, but also to highlight the way in which each year we have improved our processes, adding new approaches to our quest to make sure the dollars are going only where they should.

## **Ensuring Only Eligible Individuals Receive Benefits**

The Department has extensive processes using all available technology to prevent fraud and abuse, beginning when an application is submitted. Each pending application undergoes more than a dozen different electronic checks to make sure that only those meeting all requirements are approved for benefits.

As mandated by state and federal law, only U.S. citizens and lawfully admitted immigrants are eligible for benefits. Those applying must provide proof that they are a citizen of the United States or have lawful immigration status. In most cases, that proof is in the form of a birth certificate; however, the federal government has established a list of acceptable documents and we follow that list to the letter. Applicants must also prove their identity, typically by producing a Pennsylvania drivers' license, and a Social Security number.

Next, we check client information against in-state, out-of-state and national databases. We are using the best available data matching tools to determine if the person applying for benefits has other sources of income in Pennsylvania or in other states. We complete basic checks to make sure that individuals are not applying under a deceased person's name or are not involved with the criminal justice system. I would like to enter the list of the standard crosschecks an applicant must pass before receiving benefits into the record.

1. Wages as reported to Pennsylvania's Department of Labor and Industry;
2. Wages as reported to the federal Internal Revenue Service (IRS);
3. Employment in another state through the National New Hires database;
4. Public benefits collected in other states and the Veterans Administration through the Public Assistance Reporting Information System (PARIS);
5. Supplemental Security Income (SSI) from the federal government including payments to aged, blind and disabled people;
6. Other government benefits including Social Security disability benefits;
7. Unemployment Compensation claims filed with the Pennsylvania Department of Labor and Industry;
8. Unearned income such as dividends and capital gains reported to the IRS;
9. Verification of Medicare buy-in benefits from the federal government;

10. Crosscheck with the federal deceased persons database to catch applications made in the name of persons no longer living;
11. Criminal justice databases including commonwealth Judicial Inquiry System and National Fleeing Felon information from the FBI;
12. PA Lottery winnings;
13. National New Hires database (to check if applicants are reporting income in other states);
14. Systematic Alien Verification for Entitlements Program (verifies immigration status of all immigrants who apply for cash assistance, food stamps or medical assistance).

While some have suggested it is easy to fraudulently sign up for public benefits, that is simply not the case. Many of us have probably received tax refunds from the IRS with far less scrutiny and electronic oversight than a single mother goes through to receive vital assistance for her children's most basic needs.

As technology advances we continuously improve our data matching capability. Since 2003, we have implemented three improvements in this process. In 2009, for example, we were able to improve our ability to identify an individual's increase in income when the employer remains the same and we added electronic social security number verification for the LIHEAP Program to ensure our identity checks are sound. In 2008 we implemented a management "dashboard" that improved CAO supervisors' ability to monitor the work of their staff, ensuring that changes in eligibility information are acted on immediately. As our controls tightened, the rates at which we rejected applications have increased.

DPW is receiving national recognition for how we are using technology to make our operations more effective. In 2008, DPW won the Excellence in Human Services Technology award for its Workload Dashboard from an affiliate of the American Public Human Services Association. The dashboard makes it easier for managers and supervisors at the county, regional and headquarters levels to monitor the application process through a series of detailed management reports. DPW also implemented a comprehensive automated supervisory review process. Every caseworker has several randomly selected cases reviewed in their entirety each month and that data is entered into a database that allows management to review and analyze errors and to take actions to correct and prevent similar errors from occurring. Based on the

findings from the review, managers target specific policy related cases for correctness, completeness and reinforcement of process.

The Department also conducts Quality Control reviews in accordance with federal requirements. Every year, Quality Control randomly selects and reviews a minimum of 7,925 cases, including:

- 2,400 Medicaid
- 2,000 Food Stamps
- 3,000 Cash – Temporary Assistance for Needy Families
- 525 Cash – General Assistance

The information gathered from these reviews is used to develop corrective actions and staff development plans to continually improve program integrity. The Department's strategy is to give caseworkers the tools they need, while maintaining an effective monitoring and corrective action plan.

In order to see how our system stacked up against other states, DPW hired a forensic accounting firm to review our internal controls for Medical Assistance and Cash Assistance. The team that completed the analysis had significant experience evaluating internal controls and included Certified Public Accountants, Certified Information Security Professionals, and a Certified Information Security Manager. At the end of their review, the forensic accountants concluded that "the Commonwealth and the Department of Public Welfare have in place numerous complementary controls ... so that a sound control environment exists appropriate for the purpose of reducing to a minimum and acceptable risk the likelihood that financial assistance is granted to ineligible recipients through either unintentional errors or fraudulent acts against Medical and Cash Assistance."

### **Paying Only for Necessary Services**

The next piece of the accountability process is ensuring we only pay for appropriate necessary services. One area in which we have made improvements concerns the "Special Allowances" (SPAL) program which provides key supports like child care, uniforms and work clothes, transportation and books and tools to cash and SNAP recipients who are moving towards a job. We began making improvements to the system in 2006 by moving payment for child care

services from the CAOs to the Child Care Information Services system, which had specialized expertise to manage this program, and began making child care payments directly to the vendor, after services were rendered. In 2007 we implemented a similar change regarding payment for work-related clothing. We replaced cash payments to individuals with vouchers that can only be redeemed at our clothing vendor.

Last year the Auditor General released an audit of the Special Allowances program completed for FY06-07 that contained important recommendations to improve program accountability. We agreed with, and have implemented, many of the recommendations for further improvements to the program. For example, in 2009 we implemented a new set of policies clarifying the mandate on verification showing both that the item is required for participation in work or training and that the dollars were spent appropriately. We are now formalizing these policies as well as some additional enhancements through a regulatory package that has been submitted for legislative review. We have also implemented a comprehensive multi-tiered management review of the SPAL program to ensure that all of the changes we have made are being implemented correctly.

### **Working with OIG to Investigate and Prosecute Potential Fraud**

Throughout the application and benefits management process DPW works hand in hand with the Office of Inspector General (OIG). DPW refers all cases of suspected fraud to the OIG for investigation. If the OIG verifies evidence of fraud by a recipient, OIG may file a private criminal complaint or may refer the case to the District Attorney in the appropriate county. Additionally, DPW requires as a condition of funding that all of its grantees and subcontractors refer any cases of suspected fraud to the OIG.

Recipient fraud is down over the past decade. The Philadelphia Inquirer recently quoted the assistant chief of the government fraud unit in the Philadelphia District Attorney's Office describing the amount of welfare fraud among Philadelphia's recipients as "minute." The article cited the number of prosecutions for welfare fraud in the city each year as being only 200-400 cases—which represents three tenths of a percent of the cash assistance recipients, or eight hundredths of a percent of those on MA in Philadelphia—and noted that prosecutions are “down 50 percent since 2002 because of better enforcement and fewer recipients.” While any instance of fraud is unacceptable, we are proud of the downward trend.

### Federal Awards for High Performance

Since 2003 DPW's work effectively administering federal programs has been recognized year after year by the federal government, and has qualified Pennsylvania for additional federal resources. In addition to the awards summarized below, in 2009 the federal government recognized our SNAP program as the best of the large states with a population of at least one million people and our child support program became the first state in the nation to exceed all five federal performance standards.

### TANF Cash Assistance

Year	PA TANF Work Participation	Reason
FFY2002	\$8.1 million	High Performance Bonus for Job entry
2003	\$4.6 million	Maintaining medical coverage for clients who transition from TANF. PA was rated # 1 in the country.
2004	\$4.7 million	Maintaining medical coverage for clients who transition from TANF. PA was rated # 1 in the country.
Total	\$17.4 million	

### SNAP

Year	PA SNAP Bonus	Reason
2003-04	\$5.1 million	Among the top 7 states for overall program accuracy
2005-06	\$3.7 million	Among the third lowest negative error rate among all states in the nation
2006-07	\$4.6 million	Achieving both a payment error rate and a negative error rate below the national average
2008-09	--	Achieving a 75% participation rate while maintaining a low error rate
Total	\$13.4 million	

### Child Support

Year	PA Child Support Enforcement	Reason
FFY 2003	\$29.5 million	Exceeding federal performance standards
FFY 2004	\$26.5 million	Exceeding federal performance standards

FFY 2005	\$25.4 million	Exceeding federal performance standards
FFY 2006	\$25.6 million	Exceeding federal performance standards
FFY 2007	\$25.7 million	Exceeding federal performance standards
FFY 2008	\$25.3 million	Exceeding federal performance standards
Total	\$158 million	

### **Preventing Recipient Fraud**

#### **Internal and External Audits Essential**

The final section of the accountability continuum includes the many levels of internal and external audits that regularly examine our programs and make recommendations that are critical to our program improvement process. Numerous entities currently audit our Income Maintenance and Medical Assistance Programs. We view all of these audits as an important part of the accountability process and we welcome recommendations that will help further strengthen the program. Which is not to say, however, that we are not even happier when we have audits with no recommendation.

#### **34 Audits from the Auditor General Since 2007 with No Findings**

We are pleased to report that, as a result of the work we have done, the Auditor General was able to issue 34 County Assistance Office audits with no findings in the past two years. All of the accountability work we do is to ensure that we are spending tax dollars wisely, so that they are available where they are most needed. We have made improvements and advances each year since 2003 which, together with our ongoing efforts, have resulted in substantial cost savings and cost avoidance for the commonwealth.

#### **Stopping Provider Fraud and Abuse in the Medical Assistance**

There are two other systems within the Department dedicated to preventing fraud and abuse in the Medical Assistance program and, if a problem is identified, going after and recovering taxpayer dollars. DPW's Bureau of Program Integrity monitors provider fraud and abuse and is on track to collect over \$28 million this year -- the highest amount ever. In

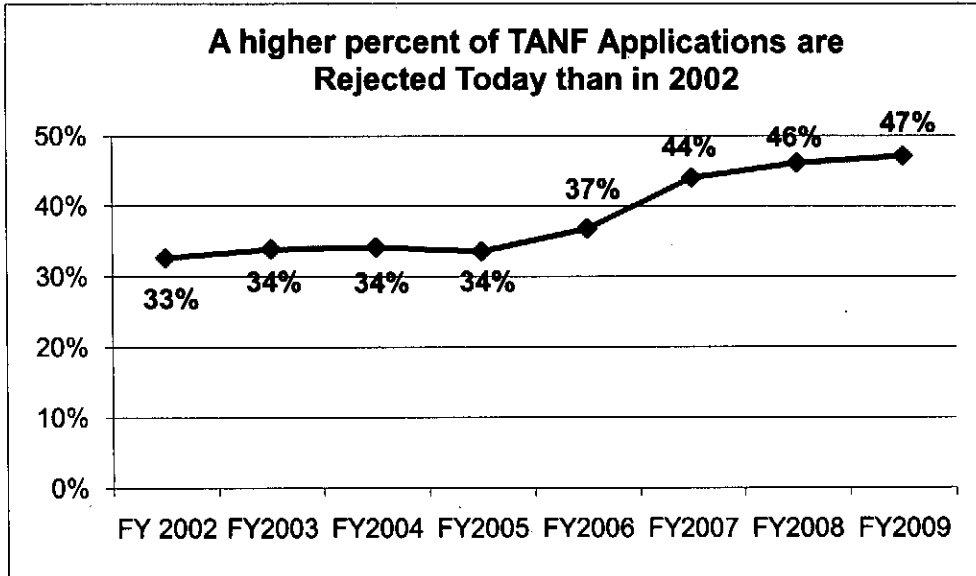
addition, with one of the county's top ten Third Party Liability agencies in the country, the Department collects approximately \$110 million in erroneous Medical Assistance payments and on the front end avoids paying over \$600 million on an annual basis.

## **CONCLUSION**

I would like to conclude by responding to critics of the Department who assert that DPW does not care about fraud. Nothing could be further from the truth.

Think for a moment about what has been described here. I have outlined our Accountability Continuum including dozens of checks that we make on every application, as well as the multiple reforms we have made to the system as a whole. Each one of these changes required a planning process, implementation meetings, policy changes, system upgrades, and in most cases, continuous assessment and fine tuning to get it right. If DPW did not understand the need to determine and address fraud and abuse, we would not have gone to the trouble to implement these reforms. There has been and continues to be a push at every level of the Department and we are proactive and not complacent about accountability.

This is captured by the data. If it were true that DPW has a lax attitude about eligibility requirements, you would expect to see that we are rejecting fewer applications than in prior years. Exactly the opposite has occurred. The figure below shows the percentage of TANF applications that were rejected was stable for the first four years of the administration at about 34 percent and then has risen since fiscal year 2005 to about 47 percent. The fact that a higher percent of TANF application are rejected today than in 2002 is not consistent with the notion that there is a culture that tolerates fraud at DPW.



Thank you for this opportunity to submit these comments and should you have any question or need anything further, please contact Brendan Harris, Acting Director, in the DPW Office of Legislative Affairs at 717-783-2554.