

Innovative Fraud Detection in Michigan

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Fraud detection

- ◆ Critical to program integrity and reliability
- ◆ Department of Human Services (DHS) - Office of Inspector General (OIG)
 - Uses data consolidated from multiple agencies in the Michigan warehouse
- ◆ Abilities based on integrated toolset
 - Allows subject matter experts—without sophisticated technical skills—to explore the capabilities of the data



Child Development and Care (CDC)



Day care fraud

- ◆ OIG implemented a CDC Reverse Wage Match, linking day care benefits with wages and client demographics and established parameters to detect potential fraud in the CDC program; a national concern
- ◆ Program Savings: Greater than \$12.5 million in the report's first two years
- ◆ Analysis utilized in Business Objects

Example one

An OIG agent conducted a CDC Reverse wage investigation on a client who allegedly worked at a daycare center. The owner (the children's care provider) turned out to be the Grandmother. The client's eight children were the only ones at the center. It was determined that the Grandmother had "hired" her Daughter to care for her own children, allegedly paying wages of \$1,600, monthly. A total of \$43,000 was referred for prosecution in this case.



Example two

*For four years, a client's "employer" diligently supplied employment verification to DHS upon request. **Unfortunately, the client herself was pretending to be the employer in a non-existing business.** The CDC Reverse Wage Match identified her case for investigation due to no income being reported to Michigan Treasury. A total of \$107,000 was referred for prosecution in this case.*



Example three

*An OIG agent conducted a CDC Reverse Wage investigation which was prosecuted in September 2004. The agent determined that a DHS client, **while receiving Child Day Care and Food Assistance Benefits for seven children between October of 2000 and September of 2004**, was employed at three different places for **less than 30 days** over that same time period. A total of \$94,000 was referred for prosecution in this case.*



Anti-trafficking

- ◆ The DHS-OIG is using the data warehouse and Business Objects to defend against fraud in the Food Assistance (Food Stamp) program.
- ◆ Multiple “data universes” including the DHS electronic benefits transfer (EBT), client demographics, and USDA-FNS database.
- ◆ Analysts produce retailer matrix reports, individual recipient reports, and individual retailer reports.



Anti-trafficking example

In one case that OIG analysts turned over to law enforcement officials, investigators ultimately found almost \$50,000 in a paper bag under the counter of the convenience store, whose manager was paying cash, at a 30% discount, to DHS clients in exchange for their food assistance benefits (the store was then reimbursed for the food assistance benefit at the 100% rate). Food Assistance trafficking at this store is estimated to have exceeded \$300,000.



Out-of-state food stamp use

- ◆ Short out-of-state food stamp purchases permitted...
 - But not if they have moved
- ◆ Out-of-state use of food stamps
 - Produces savings in FS, TANF and MA
 - Average report run saves Michigan \$1.6 million



DHS analysts



- ◆ OIG analysts match those recipients who have been out-of-state exclusively for extended periods
- ◆ May indicate fraudulent activities across state lines
 - “Double dipping” and collecting FAP benefits from Michigan and another state
 - Person has moved out of Michigan, thereby disqualifying them from receiving DHS benefits

Special stuff

- ◆ In addition to statistical analyses, OIG analysts are implementing geocoding to gain a graphical depiction of store locations
- ◆ In many cases, when a recipient is traveling a long distance to a store—particularly if there are several stores between home and the store in question—fraud is likely
- ◆ Plans to use Business Objects and ESRI Toolkit



Direct savings

- ◆ Day Care
 - **2005 ... \$9.2 million**
 - **2004 ... \$3.3 million**

- ◆ Food Stamps
 - **\$3.2 million each year**



Indirect savings



- ◆ **Future program dollars** - When fraud is stopped through the “sentinel” effect that puts both clients and retailers on notice that the State has advanced fraud-fighting capability
- ◆ **Investigation time** - Since analysts and investigators are pulling data from one central source, time spent investigating is reduced
- ◆ **Reducing time and money spent by partners** - Agencies spend less time and money (for example, the Michigan State Police) by filtering out “bad” trafficking referrals in the food and cash assistance programs

Why it worked

- ◆ Empowering State employees with
 - Subject matter knowledge
 - Access to integrated data in a warehouse environment
 - Effective analytic tools
- ◆ Supported by State and contracted technical staff



For more information

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