

State of Minnesota

Department of Human Services



Program Integrity Efforts: Preventing and Eliminating Welfare Fraud

NASCIO 2007 Recognition Awards

Category:

“Data, Information, and Knowledge Management”

2007 NASCIO Awards Nomination: Data, Information, and Knowledge Management Program Integrity Efforts: Preventing and Eliminating Welfare Fraud

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I. Executive Summary

Long considered a leader in the quality and administration of its Human Services programs, the State of Minnesota recognizes how critical it is for taxpayers to continue to trust in the overall honesty and integrity of public assistance programs for the State's neediest citizens. Minnesota's Family Investment Program (MFIP) is the State's primary vehicle for helping low-income families with children make the transition from poverty into the workplace. In 2006, state spending for MFIP cash and state food assistance was \$55 million and federal spending was \$224 million (with \$117 million of this for food assistance). Some 37,000 Minnesota families used MFIP in an average month during 2006.

Such a broad-based program requires sophisticated program integrity efforts to ensure that Minnesota taxpayers are receiving the best return on their investment, and that cash and food assistance funding is available for those who truly need it. **Minnesota has developed one of the most comprehensive fraud-fighting efforts in the country – a three-step process that involves front-end analysis, criminal investigations, and collections.** Known as the **Program Integrity Network (PIN)**, it is designed to improve the accuracy of public assistance eligibility determinations, and to help prevent, control, recover, and evaluate public assistance program payments made to ineligible persons.

Relying on a Business Intelligence (BI)/enterprise data warehouse as their informational and knowledge backbone, the PIN system was originally designed for use by welfare fraud investigators, and it has expanded its base over the last few years to serve more than 300 people from several different professional categories (117 fraud investigators, 51 collectors, 42 quality control reviewers, and 61 supervisors make up the bulk of these). The front-end process, the Fraud Prevention Investigation (FPI) program, involves state and county staff members working collaboratively to prevent and control recipient fraud in Minnesota's child care, health care, and food programs.

Because the BI/data warehouse links data from a variety of disparate sources (welfare eligibility system, medical eligibility, child support, wage and employer data, auto registrations, and more), investigators are quickly able to build economic, demographic, and behavioral profiles with complaints that have been filed against individuals to determine if further investigation is warranted. Moreover, the BI/data warehouse enables investigators to construct queries using their own knowledge and to drill down intuitively, as opposed to the more onerous process that was once in place using mainframe-based data.

The results have been dramatic. For example, most recently, in 2006, investigators: completed more than **7,400 front-end investigations**; stopped or reduced benefits in 45 percent of them; found and corrected case file information discrepancies in 70 percent of the investigations; identified more than **\$12.2 million in cost-avoidance** (benefits not paid) and overpayments; and **stopped disbursement, or identified for collection, \$4.46 for every \$1.00 spent on program administrative costs.**

Once the front-end process is completed, some welfare fraud cases may rise to felony theft levels and require the involvement of the criminal justice system. In 2006, criminal investigators completed nearly 2,500 criminal investigations (in *60 percent* of them, investigators proved benefits had been illegally obtained, and, at a minimum, overpayments were assessed), and identified \$5.2 million in overpayments. In the final Collections phase, the Treasury Offset Program intercepts federal payments and tax returns to recover Food Support debt. **Total collections since the program's inception in 1999 are \$21.3 million.**

By using the BI/data warehouse to link disparate data for meaningful analysis, investigators have developed sophisticated and targeted approaches to fighting welfare fraud in Minnesota, saving taxpayers millions of dollars, discouraging others from engaging in fraudulent behavior, and preserving funding for Minnesotans most in need.

II. Justification of Nomination

A. **Title:** Program Integrity Efforts: Preventing and Eliminating Welfare Fraud

B. **Description of Project: Business Problem and Solution**

Minnesota's economic support programs help families and individuals work toward economic stability. The Minnesota Family Investment Program (MFIP) is the State's primary program that assists low-income families with children move out of poverty and into the workplace. MFIP employment services are mandatory. Parents must follow their employment plans or face financial sanctions. Assistance for most families is limited to 60 months. Short-term education is provided in some cases if it meets criteria in state law. A few years ago, counties began the Diversionary Work Program, a short-term, work-focused program for new applicants that helps families move immediately to employment rather than go on welfare.

In 2006, state spending for MFIP cash and state food assistance was \$55 million and federal spending was \$224 million (with \$117 million of this for food assistance). Families participating in MFIP receive child care help and employment services, and generally qualify for Medical Assistance and other health programs. Some 37,000 Minnesota families used MFIP in an average month during 2006, with about two-thirds of the cases located in the 11-county Twin Cities metropolitan area.

The numbers are important, because such a broad-based program requires sophisticated program integrity efforts to ensure that Minnesota taxpayers are receiving the best return on their investment, and that cash and food assistance funding is available for those who truly need it. Minnesota has developed one of the most comprehensive program integrity fraud-fighting efforts in the country, known as the Program Integrity Network (PIN), designed to improve the accuracy of public assistance eligibility determinations, and to help prevent, control, recover, and evaluate public assistance programs payments made to ineligible persons. The PIN approach consists of the following three-step process:

- A tightly focused “**front-end**” **process**, the Fraud Prevention Investigation (FPI) program, to identify fraud quickly and prevent overpayments by denying, terminating, or reducing benefits to ineligible applicants and recipients
- Traditional **criminal procedures** for addressing welfare fraud as a crime of theft, through the state's civil or criminal justice systems
- A **collections program** that uses various means to recover money from recipients who were ineligible for benefits.

Relying on a Business Intelligence/enterprise data warehouse as their informational and knowledge backbone, the PIN system was originally designed for use by welfare fraud investigators, and it has expanded its base over the last few years to serve more than 300 people from several different professional categories (see next section). Current fraud operations are conducted by county Human Services agency investigators, sworn law enforcement personnel, County Attorney's Office investigators, private investigative firms, and state investigators. The front-end process, the Fraud Prevention Investigation (FPI) program, involves state and county staff members from 56 counties, and criminal investigative personnel from 87 counties, working collaboratively to prevent and control recipient fraud in Minnesota's child care, health care, and food programs (the welfare assistance programs in Minnesota are state- and federally-funded, state-supervised, and county-administered).

Because the BI/data warehouse links data from a variety of disparate sources (see next section), investigators are quickly able to build economic, demographic, and behavioral profiles with complaints that have been filed against individuals to determine if further investigation is warranted. Moreover, the BI/data warehouse enables investigators to construct queries using their own knowledge and to drill down intuitively, as opposed to the more onerous process that was once in place using mainframe-based data.

As additional data was added to the BI/data warehouse, and investigators became more familiar with the solution, usage has increased dramatically. During the first full year of calendar operation (2001), there were just over 8,900 sessions – in 2006, there were more than 43,000 sessions, a clear measure of the system's

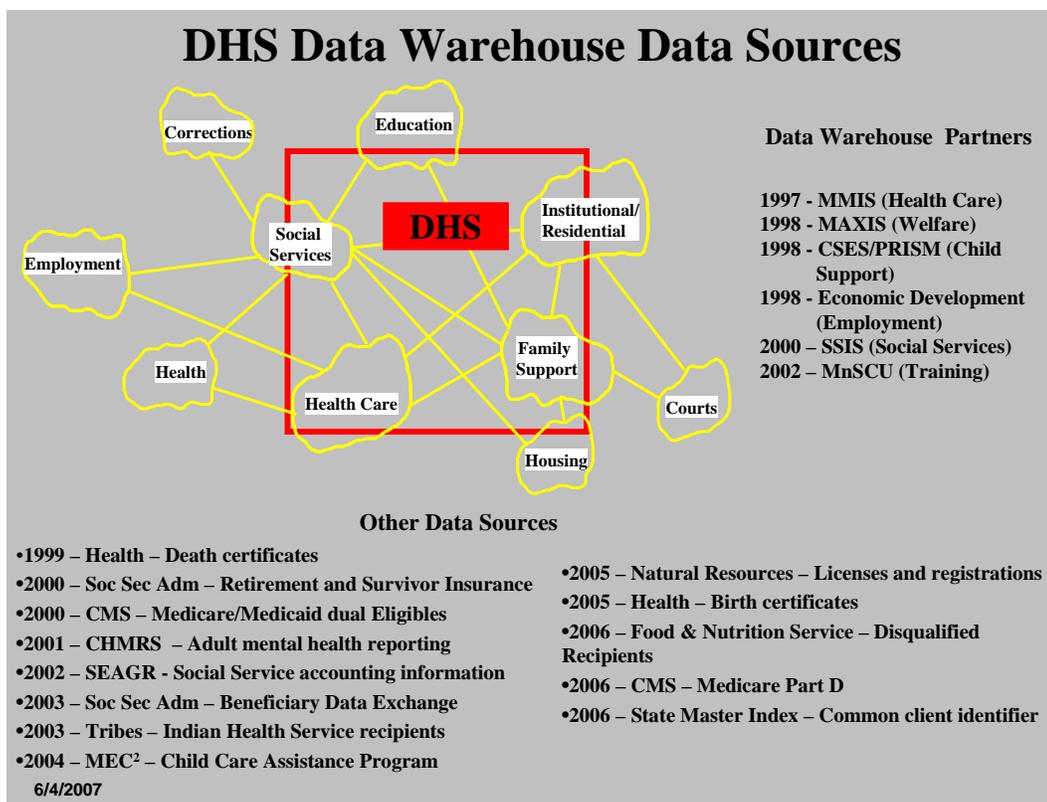
usefulness in the fraud-fighting effort. Between 1999 (the program's inception) and May 31, 2007, there have been more than 193,000 sessions run. Each session will have multiple queries (an average of 50), meaning there have been nearly 10 million queries since the program's inception.

C. Significance to the Improved Operation of Government

Minnesota officials believe the PIN system has been universally hailed as a critical tool in controlling fraud within the Public Assistance System. PIN has aided investigators by providing them with easily obtained, reliable data from a wide variety of sources. Rather than accessing many different databases – some which may not have been accessible through individual county systems, for example – investigators now have a one-source, wide-array information retrieval opportunity.

The data sources included in the one-stop BI/data warehouse include:

- Assistance eligibility system (TANF, food stamps)
- Federal Medicaid and state medical payments, fee-for-service, capitation payments, and premiums
- Child support
- Wage and employer detail (Department of Employment and Economic Development)
- State new hire data
- Electronic benefit transfer (EBT) data
- National Federal Food Stamp Fraud Disqualification data (DRS)
- Credit Bureau and Social Security verifications (system logs on to outside Web site)
- Drivers and Vehicles Services (DVS) (system logs on to outside Web site)
- Department of Natural Resources (DNR) (system logs on to outside Web site)
- Investigative case management applications



Minnesota also expects to add law enforcement records, Department of Labor and Industry records, and incorporate additional Department of Natural Resources data warehouse access (files stored in the data warehouse, but queries have yet to be developed for the PIN system). **The accompanying diagram is a visual depiction of the BI/data warehouse, noting DHS sources and other data sources as well.**

Indeed, the true value of the PIN system is that in many, perhaps most, instances, investigators now

routinely check many databases they would not – or could not – have examined before. This only helps the fraud-fighting efforts.

Beyond the availability of data sources to help with investigations, the PIN system now ensures that all users are working from the same clean, high quality data sources. Again, what began as a system designed exclusively for welfare fraud investigators (and still used primarily by them) has expanded to serve more than 330 people from many professional categories. The Minnesota system now consists of the following users:

• Fraud investigators	117
• Supervisors	61
• Support Staff	40
• Child Support Workers	16
• Quality Control Reviewers	42
• Collectors	51
• Other	5

TOTAL **332**

In addition to the wealth of data available for investigations, ease of use is a hallmark of Minnesota's PIN system. PIN is a sophisticated Web application designed for transmission of confidential and private welfare data for county and state human services workers. Yet, the system gives fraud investigators, collection workers, quality control, and program evaluation staff streamlined access to customized views of various sources through a single, secure portal.

PIN also houses the statewide fraud reporting application that serves as the basis for state and federal cost allocation and performance measurement reporting. The fraud statistical reporting application annually compiles results from more than 10,000 completed fraud investigations. County staff members are able to report these results live (via the Web) and also manage their investigative caseloads using this application.

Finally, one of the key features of the system is that it simplifies the security administration to various systems, yet provides more secure user authentication and audit tracking of each user's access to every report and query they run on the system – far beyond what mainframe systems can offer in the security field.

D. Public Value of the Project

The PIN results have been dramatic, visible, and quantifiable. For example, most recently, in 2006, investigators:

- Completed more than 7,400 front-end investigations; in 45 percent of them, benefits were stopped or reduced
- Found and corrected case file information discrepancies in 70 percent of the investigations (this aspect of fraud investigations contributes to fewer errors found during state and federal quality control reviews of public assistance cases)
- Identified more than \$12.2 million in cost-avoidance (benefits not paid to ineligible applicants and recipients) and overpayments
- Stopped disbursement, or identified for collection, \$4.46 for every \$1.00 spent on program administrative costs.

Once the front-end process is completed, some welfare fraud cases may rise to felony theft levels and require the involvement of the criminal justice system. Within this category, in 2006, criminal investigators:

- Completed nearly 2,500 criminal investigations (in 60 percent of them, investigators proved benefits had been illegally obtained, and, at a minimum, overpayments were assessed)
- Identified \$5.2 million in overpayments.

- In 54 cases, recipients admitted guilt prior to trial and agreed to restitution
- In 173 cases, recipients were convicted of welfare fraud after a trial.

In addition, welfare fraud cases that go on trial may receive publicity, which raises awareness of the possibility of detection and helps deter fraud.

In the final Collections phase, the **Treasury Offset Program** intercepts federal payments and tax returns to recover Food Support debt. **In 2006, state staff collected \$1.8 million, bringing total collections to \$21.3 million during the years Minnesota has participated in the program.**

Minnesota counties also pursue recovery from individuals who were overpaid program benefits. **In 2006, staff collected \$2.5 million in Food Support overpayments and \$7.8 million in MFIP and other cash assistance overpayments.**

In addition, under Minnesota state law, PIN must be “revenue positive,” meaning it must generate more in fraud recoveries than its annual operating costs (PIN receives a state appropriation and federal financial participation from benefiting federal programs such as TANF and food stamps).

Beyond the numbers, the stories of individual investigations dramatically illustrate the power of the BI/data warehouse data-sharing capabilities. Here are a few examples from the Anoka County Attorney’s Office:

- **In March 2007**, one FPI investigator conducted an investigation of an individual who was suspected of under-reporting her income and her husband’s income in order to receive unauthorized benefits. This request was referred for investigation because the individual was providing payroll receipts as proof of income, and the payroll receipts appeared to be printed on the same paper from each employer. From employment information obtained from the PIN system, the investigator was quickly able to verify – through Wages reported through the Department of Employment and Economic Development (DEED) – that the individual was inaccurately reporting income. She was confronted and admitted to generating fictitious payroll receipts. **She was charged in Anoka County Court with wrongfully obtaining \$106,310 in child care assistance benefits**
- **In July 2006**, an investigation was undertaken of a family who was receiving medical insurance through the Minnesota Care program although the family was living in a home valued at more than \$500,000. The family was claiming to be “self-employed” and claiming an annual income of less than \$30,000. Using the PIN data warehousing system, the investigator found that the family was obligated to pay a \$430,000 mortgage, with those monthly payments alone exceeding \$2,600. In addition, the investigator learned that Minnesota DHS had paid approximately \$36,200 in monthly medical insurance premiums for this family. Investigators ultimately learned that the family had a gross income of \$192,000 per year. **They were charged with theft in the amount of \$36,200 in an Anoka County court.**
- **In April 2006**, an investigator was contacted by the Anoka County Sheriff’s Office about an investigation related to child care assistance. The Sheriff’s investigator called by telephone while sitting in front of a house that was billing Anoka County approximately \$1,200 per month as a child care provider – yet there appeared to be no one at home. Through the data sharing capabilities of the PIN system, the Anoka County investigator learned that the alleged child care provider was actually employed full time by Home Depot and was not providing child care at all. **She was charged in an Anoka County Court with \$43,124 in theft from the child care assistance program, and the child care assistance grant was terminated immediately.**

The Anoka County investigator who handled these three cases said: **“We use the PIN system in all investigations related to the Department of Human Services, and it is an invaluable system for information that [otherwise] would take countless hours to obtain if we could obtain it at all. It is a time saver, and as a result, a huge money-saver.”**

- Finally, a Scott County investigator was recently assigned to verify questionable income received on an application for family assistance. She accessed the PIN system to verify reported income and new hire data in the Department of Employment and Economic Development (DEED) program. This information

revealed wages from a job that one of the applicants failed to report. The applicants had previously been disqualified from receiving cash benefits and food stamps because they failed to report to the county that they left the State of Minnesota and moved to Florida. Because of their track record of moving around the country, the investigator ran the applicant's Social Security number through the Social Security Number Trace program, which revealed a reported address in Virginia. The investigator contacted an investigator in Virginia and verified income received by the applicant in that state within the past 60 days. **Due in large part to information obtained from the PIN system, cash and food stamp overpayments have been calculated and the case is in the process of being charged out criminally by the County Attorney.**

In all of these cases, investigators are able to build their cases, and make them stronger, through cross-checking and comparing data – benefits data, Wages data, Social Security numbers data – using the PIN system, with the BI/data warehouse as its foundational underpinning.

As a next step in these investigative efforts, Minnesota is planning to increase the public value of the project by implementing additional data mining capabilities to identify cases with potential fraud.

Summary

Minnesota's Program Integrity Network, one of the leading welfare fraud-fighting efforts in the country, has combined innovation, the skills of investigators, and sophisticated Business Intelligence/data warehousing technology to help ensure the integrity of the State's public assistance programs in the eyes of recipients and taxpayers alike. In addition to increasing operational efficiency, the program has generated millions of dollars in recoveries from fraudulent activities, and likely prevented millions more in fraud, thanks to the deterrence factor of an aggressive program integrity effort.