



pennsylvania

OFFICE OF STATE
INSPECTOR GENERAL

Annual REPORT

A Year of Transformation
FISCAL YEAR 2017-2018



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A Message from Governor Tom Wolf

Ethics, accountability, and integrity are first principles of good government. They are essential to public service and they are virtues I have promoted in all the agencies under my jurisdiction as Governor. They are also the institutional values of the Office of State Inspector General.

As you will see in this Annual Report, the Office of State Inspector General (OSIG) has developed and implemented new tools to protect and promote the virtues of good government. The Office has built upon the new status it assumed after the General Assembly enacted Act 29 and I signed it into law.

The OSIG has worked with other executive agencies to make improvements in the administration of programs which benefit all Pennsylvanians. It has trained and equipped agents to protect our public benefits programs and championed legislation to ensure benefits reach those most in need.

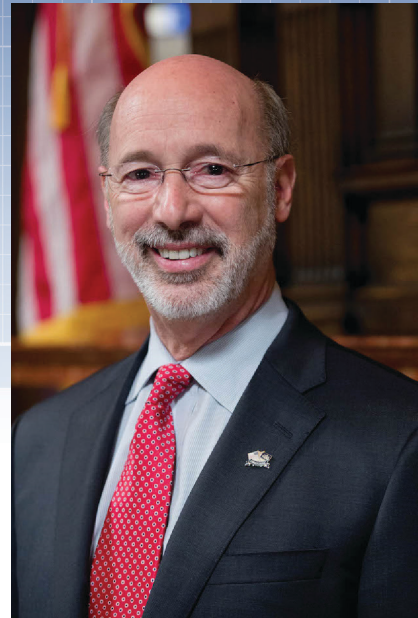
I want especially to commend the OSIG for the work it has done with my Office of Performance Through Excellence. I formed the Office of Performance Through Excellence to bring the principles of continuous improvement and performance management to state government. The OSIG enthusiastically took up that mission and has been a leader among the executive agencies in implementing process improvements that make employees' jobs easier, provide better service, and save Pennsylvanians money.

In so doing, the OSIG has demonstrated a willingness to apply its institutional expertise in the elimination of waste to its own operations.

It has truly been a year of transformation for the OSIG, and I look forward to working with the OSIG to continue to deliver a government that works for all Pennsylvanians.

A handwritten signature in black ink that reads 'Tom Wolf'.

-Governor Tom Wolf





Inspector General's Message



**State Inspector General
Bruce R. Beemer**

It is my privilege to submit this annual report on behalf of the Office of State Inspector General. This was the first full year following the passage of Act 29. That act transformed our Office and enhanced our ability to perform our mission of protecting the values of good government and the integrity of our public benefits programs.

This was truly an exciting year of change and innovation at the OSIG. We began the work of implementing the new law enforcement and investigative tools entrusted to us by the Governor and General Assembly. To make the best use of those tools for the people of Pennsylvania, our investigative staff from across the Commonwealth passed through a purpose-built training program here in Harrisburg. I am proud of the enthusiasm and diligence brought by our staff to learning the best practices necessary to make the Office successful now and in the future.

This year also saw exponential growth in our partnerships with regional criminal justice agencies. In communities like Lancaster and Lebanon, the OSIG entered into agreements with local law enforcement and district attorneys' offices to jointly investigate and prosecute public benefits fraud. These formal

agreements, made possible by Act 29, allow each agency to leverage the resources of the others' to ensure our public benefits reach our neighbors in need.

We undertook an initiative to target criminals who traffic in Supplemental Nutrition Assistance Program (SNAP) benefits. Unscrupulous merchants who seek to profit by converting or reselling the SNAP benefits of vulnerable people increase hunger and inject cash into the illicit market for drugs including opioids. This Office will target, identify, investigate, and assist in prosecuting these traffickers to the fullest extent of the law.

Our Bureau of Special Investigations has had an exemplary year, working to improve government programs and services across Pennsylvania while finding ways to refine its own processes. As noted elsewhere in this report, BSI has completely restructured the way in which it produces background reports for client agencies. By forming a dedicated background team and reimagining the background production process, turnaround time and efficiency will be greatly improved. BSI has also contributed to the Governor's promise of a government that works by identifying, describing, and making recommendations for the improvement of, major government programs and processes.

Our Office is the beneficiary of many collaborations this year which show that government can work for all Pennsylvanians across party lines and geographic boundaries to do what is right. I am grateful to Governor Wolf and the General Assembly for their guidance and support. As you will read in this report, the men and women of the OSIG have worked hard to make this transformation a success. This report is really their story of challenges realized and met. I am grateful to each of our employees and look forward to continued success in the new year.

Bruce R. Beemer

State Inspector General



Meet the Inspector General

Bruce R. Beemer was appointed Inspector General by Governor Tom Wolf on July 25, 2016. On August 30, 2016, he was unanimously confirmed by the state Senate and sworn in as Attorney General after Governor Wolf nominated him to fill a vacancy in that office. Beemer resumed his tenure as Inspector General on January 17, 2017, when newly elected Attorney General Josh Shapiro was sworn in.

Prior to joining the Office of State Inspector General, Beemer served as First Deputy in the Pennsylvania Office of the Attorney General, where he oversaw the day-to-day operations of the Criminal, Civil and Public Protection Divisions.

Beemer previously served as a Deputy District Attorney in the Allegheny County District Attorney's Office. After joining that office as an Assistant District Attorney in 1996, he worked in the Crimes Persons, Narcotics and Homicide Trial Units where he tried more than 100 jury trials and prosecuted more than 75 homicide cases. He was responsible for several gang-related prosecutions within the City of Pittsburgh involving multi-jurisdictional coordination with state and federal agencies.

In 2005, Beemer was made supervisor of the District Attorney's General Trial Unit and Summary Appeals Unit. He managed more than 30 prosecutors in the office and regularly advised city, county and municipal police departments on legal issues relating to active investigations. He trained police officers and prosecutors on behalf of the Municipal Police Officers' Training and Education Commission, the Allegheny County Police Academy and the Pennsylvania District Attorneys Association.

From 2005 to 2010 Beemer was an Adjunct Professor at the University of Pittsburgh's School of Law, where he taught trial advocacy to third-year law students. He served as a Board Member for the Center for Victims of Violent Crime from 2010 to 2013.

In 2010, Beemer left the Allegheny County District Attorney's Office to engage in a private practice focused on plaintiff environmental toxic tort cases and white-collar criminal defense. In late 2011, he was appointed Chief of Staff for the Pennsylvania Office of Attorney General and, in 2013, he was appointed Chief of Criminal Prosecutions. In 2014, he was appointed First Deputy.

Beemer graduated summa cum laude in 1992 from the University of Scranton and, in 1995, from the University of Pittsburgh School of Law. He lives just north of Pittsburgh. He and his wife, Jodi, have two children.



Introduction

The OSIG’s mission is to ensure integrity, accountability and public confidence in Pennsylvania government by preventing, investigating and eliminating fraud, waste, abuse and misconduct in all agencies under the Governor’s jurisdiction.

About the Office of State Inspector General

The Office of Inspector General was created by Executive Order 1987-7 on April 6, 1987, to “deter, detect, prevent, and eradicate fraud, waste, misconduct, and abuse in the programs, operations, and contracting of executive agencies.”

Since 1994, the OSIG also has investigated and prosecuted welfare fraud and conducted collection activities for the public benefits programs administered by the Department of Human Services (DHS).

On July 20, 2017, Governor Wolf signed Act 29, bipartisan legislation which established the OSIG under statute and gave it law enforcement powers, including the ability to issue subpoenas and search warrants, file criminal complaints, access criminal justice databases and work collaboratively with other law enforcement agencies.



Governor Wolf signs Act 29 into law as Sen. Ryan Aument, sponsor of the original bill, Rep. Jared Solomon, Inspector General Bruce Beemer and Rep. Mindy Fee, sponsor of a similar bill in the House, watch.

Lucas M. Miller
Deputy State
Inspector General

Althia O. Bennett
Chief Counsel

Clarke H. Madden
Chief of Staff

Executive Staff



Steven E. Bear
Director of
Special Investigations

Jason Shroy
Director of
Fraud Prevention
& Prosecution

Melissa K. Yerges
Director of Administration,
Policy & Training



Fiscal Year Accomplishments

In FY 2017-2018, the OSIG:

Saved the commonwealth more than \$75.2 million through its welfare fraud prevention activities by investigating 22,656 applications for public assistance benefits.

Saved the commonwealth nearly \$12.00 in cost savings and collections for every \$1.00 spent on investigative activities.

Collected for the commonwealth treasury more than \$569,712 in restitution and saved the commonwealth \$677,088 by disqualification of individuals found, through the administrative hearing process, to have committed an intentional program violation.

Collected for the commonwealth \$11.5 million in restitution for Long-Term Care (LTC) benefit overpayments and avoided another \$2.8 million in future LTC benefit costs.

Collected in total (all benefit programs) more than \$26.1 million for the commonwealth.

Received 635 complaints and investigative requests that resulted in 37 investigations into possible fraud, waste, abuse and misconduct in state agencies.

Conducted 264 pre-employment background investigations for executive-level appointments and other positions of trust in state government.

Answered 8,326 calls reporting suspected welfare fraud on the Welfare Fraud Tipline and processed 8,306 welfare fraud tips via the OSIG website and 265 tips via U.S. mail.



Notable Accomplishments

A Lean Approach to Management and Process

The OSIG is pleased to have been an early and enthusiastic partner with the Governor's Office of Performance Through Excellence (OPE) in adopting so-called lean and performance management principles.

Lean and performance management are methodologies to seek continuous improvement in business processes and then measure progress against meaningful benchmarks. OPE is helping Governor's jurisdiction agencies learn about and adopt those more efficient systems. OPE's work is consonant with the OSIG's own institutional values of waste avoidance and respect for each employee.

OSIG aggressively implemented lean and performance management principles across the agency. In BSI, the process by which background investigations are produced for prospective government employees was radically redesigned. By mapping and changing the process, the turnaround time for report production can be shortened dramatically. In BFFP, a working group with DHS was formed to similarly revisit and improve the process of referral of overpayment cases.

Small but important changes are being made, from the implementation of visual management to improvements to cost savings in office equipment. All these changes are made with an eye toward enhanced taxpayer value, service to our client agencies, and a better working environment for our employees.

Act 29 Training

The OSIG is proud to have designed and implemented a first of its kind training program for Office personnel. This program teaches best investigative practices and fundamental criminal justice principles.

In partnership with the Senator Jeffery E. Piccola Law Enforcement Center here in Harrisburg, OSIG designed an intensive four-week program to provide employees with the knowledge and skills needed to make the best use of the tools provided to the OSIG under Act 29.

All OSIG investigative staff will complete the intensive program which includes classroom and practical work. Taught by regional expert police officers and prosecutors, staff learn the academic concepts and practical skills to make them even more effective law enforcement professionals.

As of December of 2018, three of the four 'flights' of investigative staff have successfully completed the program and the fourth will begin in the new year.

Act 29 training is another example of the OSIG's willingness to innovate and create programs which ultimately benefit the people of Pennsylvania.



Notable Accomplishments

Act 160

OSIG joined with the General Assembly and the Governor to strengthen the law protecting SNAP benefits. Act 160, which passed out of the General Assembly upon broad bipartisan sponsorship and support, and which was signed into law by Governor Wolf shortly before the publication of this report, addresses the real problem of SNAP benefit trafficking in Pennsylvania. This Act distinguishes between the criminal market maker for SNAP benefits and the exploited recipient just as our law differentiates drug dealer from user. The Act also allows the Commonwealth to recover more of what is stolen from our benefits system. This law, in combination with OSIG's robust agent training and partnerships with regional law enforcement, will allow OSIG to meaningfully disrupt and deter trafficking in SNAP benefits across Pennsylvania.





Bureau Summaries

Bureau of Special Investigations

In FY 2017-18, BSI received 829 complaints and investigative requests, resulting in 37 investigations into possible fraud, waste, abuse and misconduct in state agencies.



Any commonwealth employee who, in good faith, reports instances of wrongdoing or waste to the OSIG is protected under Pennsylvania's Whistleblower Law (43 P.S. § 1423).

BSI also plays a role in increasing state government's effectiveness by conducting program reviews when problems are suspected in a work process or program. During a program review, BSI thoroughly evaluates the work process or program to improve transparency, efficient delivery of services, employee accountability and management oversight. These program reviews may originate from a related investigation or may be requested by an agency's executive-level management.

The Bureau of Special Investigations (BSI) investigates allegations of fraud, waste, abuse and misconduct in agencies under the Governor's jurisdiction. BSI's team of experienced investigators works closely with OSIG attorneys to conduct effective, independent and timely investigations to identify and eliminate mismanagement of state monies, misconduct by state employees and fraud and irregularities in state contracts and grants.

Upon completion of an investigation or program review, BSI may issue a report to the Office of General Counsel and specific agency heads, detailing BSI's findings and recommendations for the agency going forward. Investigative findings that rise to the level of criminal activity are referred to the appropriate law enforcement agency for possible prosecution. Other investigations may result in referrals to the State Ethics Commission or other administrative bodies for appropriate action.



In FY 2017-18, BSI conducted 264 pre-employment background investigations for executive-level appointments and other positions of trust in state government.

Complaints received by BSI come from private citizens, state employees and commonwealth officials. There are also instances when BSI will initiate its own investigations. Complaints can be submitted through the OSIG website, via the telephone hotline or in writing. Complaints received by BSI are reviewed to determine jurisdiction. Some complaints lead to extensive and complex BSI investigations, while others may be referred to a more appropriate state agency for follow-up. Or, after a preliminary inquiry fails to substantiate the allegations, the complaint may be closed.

BSI program reviews have generated positive changes in state programs and processes. Some BSI investigation subjects have been disciplined, removed from commonwealth employment or prosecuted. These outcomes serve as a deterrent to future employee misconduct. BSI investigations also have led to important reforms of commonwealth operations, resulting in increased accountability, transparency and effectiveness.





Bureau Summaries

BSI conducts investigations into allegations of waste, fraud, abuse and misconduct in agencies under the Governor's jurisdiction and performs pre-employment background investigations. Some of the specific categories of BSI investigation include:

- Abuse of Work Hours
- Misuse of State Government Equipment/Supplies/Facilities/Vehicles
- Conflict of Interest/Adverse Interest Violations
- Contract/Grant Administration/Procurement/Performance Irregularities
- State Employment Background Investigations
- Program Fraud/Mismanagement
- Program Reviews
- False Statements/Falsification of Records
- Misappropriation of Funds
- Other Employee Misconduct



INTEGRITY
PENNSYLVANIA



pennsylvania

OFFICE OF STATE
INSPECTOR GENERAL
BUREAU OF SPECIAL
INVESTIGATIONS

Tom Wolf
Governor

Bruce R. Beemer
State Inspector General



Bureau Summaries

BSI Significant Cases

The following cases represent a sample of the many types of cases BSI investigated during 2017-18:¹

Employee Falsifies Travel Logs to Hide Personal Business

The OSIG received a complaint from a commonwealth employee that another commonwealth employee, an agency enforcement manager, was abusing work time and often failed to appear in the office.

BSI's investigation determined that the employee in question was seriously abusing commonwealth work hours as well as misusing the commonwealth vehicle assigned to him. Specifically, the investigation revealed this employee left work early without completing the required sign out sheet. He would then falsify that sheet when he came in the next day to make it appear as though he was present for the full workday.

Additionally, surveillance revealed that this employee often treated his commonwealth assigned vehicle as a personal vehicle. He transported family to personal appointments including shopping and lunch at the Olive Garden while on commonwealth time. He would then falsify his travel logs to indicate he was on 'a road detail,' 'assisting with [agency] sales,' or otherwise signed out for job related duties. In most instances, no leave was taken by the employee for these personal activities.

The employee admitted to abusing work time and to misusing the commonwealth vehicle assigned to him for personal business.

The OSIG issued an investigative report to the agency concerned for appropriate action. The employee was terminated from commonwealth employment.

¹These summaries include cases from calendar years 2017 and 2018.

Employee Who Sent Vulgar, Threatening Messages Fired

OSIG received a tip from a commonwealth employee that another commonwealth employee was sending emails to coworkers that contained vulgar, obscene, and threatening language. The complaint indicated some of the inappropriate communications were directed to an individual who had obtained a protection from abuse order against the commonwealth employee in question.

BSI reviewed the employee's commonwealth email account and discovered abusive and threatening communications. OSIG immediately contacted the appropriate county district attorney to refer the matter for criminal prosecution.

The employee was terminated from commonwealth employment.

Agency Corrects Non-Competitive Hiring, Insists on Credentials

The OSIG received several complaints concerning potential improper utilization by a commonwealth agency of a contract between the commonwealth and a services vendor for staff augmentation. The contract in question was meant to allow the commonwealth to engage short term staffing resources. The contract also allows selection of a specific vendor without competitive bidding in circumstances where competitive bidding is impracticable or a contractor with specific skills has been preselected. The complaints alleged that this contract was being used to hire contractors for long term engagements, in excess of one year, and was,



Bureau Summaries

BSI Significant Cases continued...

The following cases represent a sample of the many types of cases BSI investigated during 2017-18:

Agency Corrects Non-Competitive Hiring, Insists on Credentials...continued

therefore, creating a noncompetitive resource selection process.

The OSIG conducted an extensive investigation during which it reviewed more than one hundred contractors selected pursuant to this special contract for short term and specialized services. BSI interviewed commonwealth employees from a number of different commonwealth agencies in connection with administration of the contract.

The OSIG concluded that more than half of the contractors hired under this special contract worked for period longer than one year. Additionally, approximately 80% of subcontractors engaged under the contract in the sample reviewed by the OSIG did not bid competitively for the work. Rather, they were ‘preselected’ under that provision of the contract meant to allow for non-competitive selection when required by exigency or where unique skills are necessary.

Additionally, the OSIG determined that the principal contractor under the contract in question, responsible for submitting résumés and credentials for bidding subcontractors, failed to meaningfully verify the information submitted in the résumés submitted by prospective subcontractors. In fact, the OSIG found endemic exaggeration, and outright fabrication, of educational and vocational credentials by applicants who appeared to tailor their résumés to the description of work published by the general contractor. This failure to verify information constituted a violation by the principal contractor of

its contract with the Commonwealth. The principal contractor failed to perform a material term of its contract with the Commonwealth. This contributed to a belief by commonwealth employees that the subcontractors who competitively bid were ‘low quality’ and it was, therefore, preferable to non-competitively select proven subcontractors under the provision of the contract allowing for ‘preselection.’

Because of the OSIG investigation, the commonwealth agency adopted the recommendations made by OSIG including: limitation of use of the non-competitive hiring methods; a clear definition of ‘short term’ engagement; and proof of credentials listed in every résumé submitted by a prospective vendor.

Cost Savings Found in State Auto Fleet

The OSIG reviewed the cost-effectiveness of executive agency automobile policies and practices. Those agencies use three primary methods to pay for employee automobile use on official business: Through a statewide car rental contract between the Pennsylvania Department of General Services (DGS) and a commercial automobile rental company; by leasing automobiles from DGS from the Commonwealth vehicle fleet [for either permanent assignment to a particular employee, or as a “pool vehicle” shared among multiple employees or offices]; and by paying employees a per-mile reimbursement rate (currently either \$0.18 or \$0.545 per mile) for the employee’s voluntary use of their own automobile [POV Rate].

The OSIG compared and contrasted the three methods under the current ground travel policies



Bureau Summaries

BSI Significant Cases continued...

The following cases represent a sample of the many types of cases BSI investigated during 2017-18:

Cost Savings Found in State Auto Fleet... continued

and procedures, to determine the relative cost-effectiveness of each. Based on its review of its own – and three other executive agencies’ – 2016 automobile travel, the OSIG has found that:

- (I.) The DGS contract with the car rental company (Rental Contract) is often a cost-efficient and cost-effective mechanism to reduce Commonwealth agency automobile per-mile travel costs for their employees’ business travel – especially when compared to the higher United States General Services Administration (GSA) per-mile reimbursement rate paid by the Commonwealth when employees use their own automobiles for trips exceeding approximately 64 total miles (and the cost of gasoline).
- (II.) Current Commonwealth automobile policies and procedures do not require, and do not necessarily strongly encourage, employees to obtain automobile travel through the most cost-effective manner for any particular trip because:

- A.) travelers do not have to pre-determine the least expensive travel method;
- B.) in many cases, only a traveler’s direct supervisor is potentially able to review the cost-effectiveness of a selected travel method before agency payment; and sometimes only after the trip has already occurred;
- C.) ground travelers can inflate the comparative cost of vehicle rentals through upcharges; often making the POV Standard Rate reimbursement appear to be more cost-effective;
- D.) since April 2012, the Department of Transportation (DOT) has paid employees for

ground travel under the higher GSA POV Standard Rate, under a policy intended to be removed in July 2012 after DGS established a statewide automobile rental contract; and

E.) in the four reviewed agencies, approximately 674 employees qualified for a DGS fleet vehicle while their agencies paid their mileage at a more expensive GSA POV Standard Rate.

The OSIG also found that in 2016, a total of 26 executive agencies paid more than \$11.1 million dollars for 20.6 million automobile miles at the higher GSA POV Standard Rate. Those dollars and miles increased in 2017.

The OSIG also found that in 2016, a total of 26 executive agencies paid more than \$11.1 million dollars for 20.6 million automobile miles at the higher GSA POV Standard Rate. Those dollars and miles increased in 2017.

The OSIG recommended that the Commonwealth revise its travel policies to require and more effectively ensure that employees use the least expensive (per mile) method of automobile travel for each official trip.

The OSIG also recommended that DGS and executive agencies more aggressively monitor their employees’ automobile usage.

DGS, along with the Office of Performance Through Excellence (OPE), is working with agency stakeholders to review the recommendations and implement steps to produce savings and make the process more efficient for employees. This will be an ongoing project for the agencies involved.



Bureau Summaries

BSI Significant Cases continued...

Employee Uses Government Account for Personal Benefit

BSI discovered that a Commonwealth employee used a Commonwealth agency tax exempt business account to purchase more than \$2,400.00 of commercial grade mechanical items for personal use.

The employee improperly made purchases with his consumer credit card utilizing the government account to avoid paying sales tax.

Following OSIG's investigation, the employee resigned and the matter was referred to the Department of Revenue for appropriate action and collection of restitution.

Employee Steals Commonwealth Property

BSI investigated a complaint that a Commonwealth employee stationed in a remote location was misappropriating Commonwealth property and failing to report for work. BSI conducted a comprehensive investigation, including surveillance, and determined that the employee often failed to report or left early. Additionally, BSI determined that the employee had stolen Commonwealth property for his own use, including outdoor furniture which was conspicuously marked as government property, and kitchen products. Further, the employee purchased items for personal use on a government business account to which he had access.

Because of BSI's investigation, the employee was terminated and charged with felony theft and other related charges. He entered a pretrial diversionary program and was ordered to pay restitution.





Bureau Summaries

Bureau of Fraud Prevention and Prosecution

The OSIG's Bureau of Fraud Prevention and Prosecution (BFPP) investigates and prosecutes welfare fraud and conducts collection activities for the Pennsylvania Department of Human Services (DHS). This partnership with DHS helps ensure that public assistance benefits are distributed fairly and equitably and that the integrity of the commonwealth's public assistance programs is maintained. BFPP investigates the following DHS programs:



- Temporary Aid to Needy Families (TANF - Cash Assistance)
- Medical Assistance (MA), including Long Term Care (LTC)
- Supplemental Nutrition Assistance Program (SNAP), including SNAP trafficking
- Subsidized Child Care (SCC)
- Medical Assistance Transportation Program (MATP)
- Low Income Home Energy Assistance Program (LIHEAP)
- Special Allowance Programs

BFPP has regional offices in Harrisburg, Philadelphia, Pittsburgh and Wilkes-Barre. BFPP staff also are stationed in or assigned to work with DHS staff in every Pennsylvania county. Additionally, BFPP staff work with Child Care Information Services (CCIS) agencies across the commonwealth to investigate potential fraud in the DHS Subsidized Child Care Program.

BFPP activities fall into five main categories:

Field Investigation program partners with DHS caseworkers and CCIS eligibility specialists to help ensure that only eligible individuals receive public assistance benefits.

Fraud Investigation program pursues individuals who wrongfully obtain public assistance benefits by providing false information or failing to report changes in their circumstances.

SNAP Trafficking investigates individuals and merchants who illegally sell or exchange SNAP benefits.

Collections works to recover overpaid public assistance benefits.

Program Integrity aids and supports the continued development and success of DHS' integrity initiatives, as well as the OSIG's own internal processes.



Bureau Summaries

Field Investigation Program

Individuals applying or re-applying for public assistance must submit truthful, complete and accurate information. When a DHS caseworker or CCIS eligibility specialist suspects an applicant or recipient has provided inaccurate, inconsistent or incomplete information, they make an investigative referral to the OSIG. Welfare Fraud Investigators then conduct an investigation to verify the circumstances of the applicant or recipient. The OSIG provides the results of the investigation to the DHS caseworker or CCIS eligibility specialist, who then uses the information to determine whether benefits should be authorized, continued, denied or reduced.

When a DHS caseworker or CCIS eligibility specialist discovers that an overpayment has occurred, they forward the information to the OSIG. BFPP staff conduct an investigation to determine whether the case contains the elements of welfare fraud. If it does, BFPP staff file police criminal complaints with the appropriate Magisterial District Judge. Once welfare fraud charges are filed, the case moves through the commonwealth's court system.

Fraud Investigation Program

BFPP's Fraud Investigation Program focuses on individuals who fraudulently received public assistance benefits to which they were not entitled. Pennsylvania law prohibits the fraudulent receipt of benefits. Individuals who commit welfare fraud face criminal charges, payment of court costs and fines, and disqualification from receiving future benefits.

In FY 2017-18, BFPP's Field Investigation Program conducted 22,656 investigations which saved the commonwealth over \$75.2 million in welfare benefits that would have been incorrectly paid.

Welfare fraud occurs when an individual:

- **Willfully makes a false statement or misrepresentation about their circumstances or fails to disclose a material fact regarding their eligibility status,**
- **Secures or attempts to secure public assistance or aids or abets another person receiving public assistance, and**
- **Has knowledge of the fraudulent act.**

Welfare fraud prosecution serves the taxpayers and the commonwealth by ensuring that people who commit these acts are held accountable and that restitution of fraudulently received benefits is obtained. Additionally, the commonwealth realizes cost savings when the OSIG successfully prosecutes a defendant for welfare fraud, as the defendant is disqualified from receiving future

benefits. Defendants can be disqualified from the TANF, SNAP and SCC programs. State and federal regulations set the duration of benefit disqualification, which depends on the program defrauded and the defendant's number of previous offenses.

In FY 2017-18, the OSIG filed 743 criminal complaints for a total restitution amount of \$3.0 million.



Bureau Summaries

Supplemental Nutrition Assistance Program — Trafficking

BFPP's Operations Support Division provides investigative services to the U.S. Department of Agriculture's (USDA) Food and Nutrition Services (FNS), local law enforcement agencies and the USDA Office of Inspector General by conducting SNAP Electronic Benefits Transfer (EBT) card-trafficking investigations of stores and SNAP recipients.

SNAP trafficking occurs when SNAP benefits are illegally exchanged for cash, services or anything other than eligible food items. For example, a store owner may give a SNAP recipient cash at a percentage of their balance in SNAP benefits, or exchange SNAP benefits for cigarettes, drugs or other non-allowable goods. The store owner will then redeem the benefits or use the EBT card to make purchases for the store owner's benefit. The OSIG will be prioritizing prosecution of these cases in the coming year.

Welfare Fraud Tipline

The OSIG is committed to identifying and eliminating fraud, waste and abuse in public assistance programs. As part of that commitment, the OSIG operates a toll-free Welfare Fraud Tipline at 1-800-932-0582. Concerned citizens can use the Tipline to report suspected welfare fraud. The OSIG also receives welfare fraud tips via an online reporting system available at www.OSIG.pa.gov, through the U.S. mail, and via fax. Tips may include information on a benefit recipient's unreported income and resources or incorrectly reported household composition, all of which may affect eligibility for public assistance. Each tip received is carefully reviewed and, if appropriate, investigated by BFPP staff. When an investigation reveals information that impacts a recipient's eligibility, the OSIG sends this information to DHS.

Administrative Disqualification Hearings

When an individual has committed an Intentional Program Violation (IPV) in the TANF, SNAP or SCC program but criminal prosecution is not an option, the OSIG can pursue the case through an Administrative Disqualification Hearing (ADH).

Individuals facing the ADH process may waive their right to a hearing, which means they accept the disqualification penalties and agree to repay improperly received benefits. Otherwise, they will have a hearing before an Administrative Law Judge who will evaluate the evidence and render a decision. Individuals found guilty of committing an IPV are ordered to pay restitution and are disqualified from receiving future benefits. The disqualification penalties imposed through the ADH process are the same as those imposed in criminal proceedings.

In FY 2017-18, the OSIG initiated 413 administrative disqualification actions that resulted in \$564,712 in restitution and saved the commonwealth \$677,088 by disqualifying individuals who committed a program violation.

During FY 2017-18, the Welfare Fraud Tipline received 8,326 calls reporting suspected welfare fraud. BFPP also processed 8,306 welfare fraud tips via the OSIG website and 265 tips via U.S. Mail.



Bureau Summaries

Long Term Care

Pennsylvania's Long Term Care (LTC) Program provides nursing home assistance and medical care for financially and medically eligible individuals. Each year, the program pays out millions of dollars to ensure that Pennsylvanians who are elderly or have disabilities receive the care they need.

When DHS discovers that an individual or their personal representative failed to report income or assets that

affect their eligibility for LTC benefits, the possible overpayment is referred to the OSIG for investigation and collection. If the investigation determines that the elements of welfare fraud exist, the OSIG will file criminal charges. If there is no fraud, the OSIG will recover by civil action the amount of the overpayment. The OSIG's legal staff will initiate civil court actions to obtain repayment, if necessary.





Bureau Summaries

Program Integrity

The Program Integrity Office (PIO) works collaboratively with DHS to eradicate abuses within public assistance programs and operations to prevent welfare fraud and waste. This unit acts as the agency's liaison to DHS and works with its Program Integrity Office and Office of Income Maintenance, oversees the PIO.

The OSIG's participation in DHS work groups and projects related to program integrity initiatives has strengthened the partnership between the two agencies. In FY 2017-18, PIO and other OSIG staff teamed up with DHS staff to review risk-management and mine SNAP recipient EBT data, which potentially can uncover trafficking trends and schemes in benefit transactions. A new collaborative process with local law enforcement has been developed to give OSIG investigators more flexibility in selecting stores to investigate and prosecuting offenders.

The OSIG and DHS have developed and implemented an electronic referral process to route DHS requests for

field investigations of applicants and recipients to the OSIG, and then return to DHS the OSIG's investigative results. These findings assist in determining eligibility for benefits. This new streamlined process allows better tracking of referrals and enhanced reporting functions for DHS, and may decrease the turnaround time of investigative results in counties where no full-time OSIG investigator is present.

The PIO is currently working on a method to fully automate all client manual overpayment notice functions to make the process more accurate and efficient.

Greater cooperation and teamwork between the OSIG and DHS are enhancing the efficiency and effectiveness of both agencies' fraud-fighting efforts and the OSIG's collection of restitution from offenders.

Collections

In FY 2017-18, total collections in all programs exceeded \$26.1 million.

Individuals who are found guilty of welfare fraud, or who have committed an Intentional Program Violation through the ADH process, are ordered to make restitution to the OSIG. However, not all collections by the OSIG involve welfare fraud or come through the ADH

process. Regulations state that all overpaid benefits, regardless of whether fraud occurred, must be repaid to the commonwealth. The OSIG collects all benefit overpayments for DHS.



Bureau Summaries

BFPP Significant Cases ¹

Man uses Deceased Girlfriend's EBT Card After her Overdose Death

A Harrisburg man was arrested by the Harrisburg Police Department in connection with the death by overdose of his girlfriend. Because of the collaboration between OSIG and the Harrisburg Police, the OSIG learned that the defendant had been using the overdose victim's electronic benefits card after her death.

OSIG charged the man with Welfare Fraud and Access Device Fraud. The Harrisburg Police charged the defendant with Involuntary Manslaughter and other related charges. The defendant entered a plea of guilty to all charges and was sentenced to an aggregate sentence of State Intermediate Punishment and ordered to pay restitution.

Restaurant Traffics in SNAP Benefits

In a case stemming from an OSIG investigation of a Harrisburg area restaurant for trafficking in SNAP benefits, including exchanging benefits for heroin and other drugs, investigators uncovered a trafficking scheme involving another retail store. Investigators learned the proprietors of an area grocery used at least eleven (11) different recipients EBT cards to purchase more than \$7,000.00 worth of supplies to stock their store. This was just in the period of April through May of 2017. When confronted by

¹These summaries include cases from calendar years 2017 and 2018.

OSIG agents, the store owners admitted to offering recipients non-food items in exchange for their cards.

The defendants are awaiting plea court.

Deli Stocks Its Shelves By Illegally Using SNAP Benefits

OSIG investigators determined that proprietors of a Harrisburg area deli were exchanging non-food items and services, such as paying a recipient's utility bill or servicing a recipient's car, for EBT cards. Investigators learned that, from March through October of 2017, the deli owners used nineteen (19) different EBT cards at an area whole sale club to purchase more than \$10,000.00 worth of supplies for their store. OSIG charged the owners with SNAP Trafficking, Conspiracy, and Access Device Fraud.

The defendants are awaiting plea court.

Restaurant Traffics in SNAP Benefits

Acting on a tip from a supermarket employee, OSIG investigators found that a Pittsburgh area man had been buying suspiciously large quantities of soda. Investigators discovered that the man was illegally acquiring EBT cards and using them to buy soda to stock vending machines he operated. For the period January 2016 to May 2017, the man used at least twenty-eight (28) different cards to buy more than \$12,000.00 worth of soda. OSIG charged the man with SNAP Trafficking and Access Device Fraud.

The Defendant is awaiting trial.



Bureau Summaries

BFPP Significant Cases

Police Officer Charged with Welfare Fraud

BFFP investigators charged a municipal police officer with fraudulently obtaining more than \$7,000.00 in SNAP and Medical Assistance (MA) benefits. According to the Criminal Complaint filed by OSIG agents, the officer applied for SNAP and MA benefits on July 3, 2017. In her application, she reported no income. She repeated that she had no income in a phone interview with a caseworker. During that interview, the officer was advised it was her responsibility to report any change in income and to provide updated and accurate income information. Based on the information she provided, the officer was approved for SNAP and MA benefits.

Investigators learned that, in August of 2017, the defendant was employed by a municipal police department as a part time patrol officer. The defendant did not report that employment or income and accepted \$4,303.00 in SNAP benefits and \$2,951.34 in MA benefits for the period August 1, 2017 through May 31, 2018. Her failure to disclose that income is a violation of 62 P.S. §481(a) and that offense is graded as a felony of the third degree.

The case was bound over to the Court of Common Pleas and is awaiting trial.

Benefits Recipient Caught Hiding Income

An Allegheny County woman failed to report to the Allegheny County Child Care Assistance Office that her husband resided with her and that he was employed. His employment made the woman and her household ineligible to receive subsidized child care assistance. The defendant continued to misrepresent

her household for over four years and as a result, was determined to have been ineligible to receive over \$33,000.00 in subsidized child care assistance.

In September 2017, she was charged with one felony count of welfare fraud and in September 2018, she pleaded guilty to the charge. She was ordered to pay restitution and was sentenced to seven years of probation. She was disqualified from receiving subsidized day care assistance for six months.

Client Altered Paystubs to Receive SNAP Benefits

In March 2017, the OSIG filed welfare fraud and forgery charges against a northeast Pennsylvania resident who submitted altered paystubs for a 2-year period to the Berks County Assistance Office to reflect a lower gross amount to establish eligibility for SNAP benefits. This caused an overpayment in the amount of \$12,733.00.

The defendant pleaded guilty to felony welfare and forgery charges in November 2017 and was ordered to make full restitution and serve 2 years' probation on the welfare charge and 3 years' probation on the forgery charge. The defendant also was disqualified from receiving SNAP benefits for 12 months.



Bureau Summaries

Chief Counsel's Office

Chief Counsel Althia O. Bennett heads the OSIG Office of Chief Counsel (OCC), which has attorneys in Harrisburg, Philadelphia and Pittsburgh. OCC provides legal advice to the Inspector General and the OSIG. Attorneys actively participate in all aspects of BSI investigations; interview witnesses; review and analyze investigative materials to identify potential civil, criminal and administrative violations; recommend investigative activity; and draft OSIG investigative reports and other investigation-related summarization documents. They represent the interests of the OSIG and client agencies in administrative hearings, and before state and federal courts.

OCC attorneys provide legal assistance to BFPP in recovering fraudulently obtained public benefits, particularly in the Long-Term Care programs.

They represent OSIG and BFPP personnel in civil lawsuits filed to recover overpayments in such benefit programs as medical assistance, cash assistance and SNAP. They also provide legal assistance to BFPP in its welfare fraud prosecution and administrative disqualification hearing initiatives.

OCC attorneys draft and review proposed agency policies, laws and regulations affecting OSIG programs. They assist with agency contracting, information technology and human resource issues; respond to informal requests for public information; assist in preparation of OSIG investigation and post-investigation hearings and assist in dealing with post-investigation legal matters.



Bureau Summaries

Bureau of Administration, Policy and Training

The Bureau of Administration, Policy and Training (BAPT) supports OSIG employees by providing supplies and equipment, negotiating contracts and services, administering all fiscal budgetary matters, overseeing personnel actions and employee relations, writing agency policies and procedures, and training new and existing staff. BAPT is comprised of five divisions: Employee Services, Budget, Claim Accounting, Policy and Training.

Employee Services Division

The Employee Services Division is responsible for coordinating all personnel management activities, which include but are not limited to recruitment, hiring, human resource policy development, labor relations, employee discipline, time-keeping and leave management.

Budget Division

The Budget Division manages the OSIG's budget and procurement processes. This includes: processing orders and purchases with contracted vendors; serving as liaison to vendors for payments and purchases; preparing the budget, including personnel and operating projections; and approving all personnel actions and purchases in accordance with the budget and available funding.

The Division also oversees facilities and vehicle management and provides support in mail and courier services, agency vehicles, building issues and leases, space allocation, equipment, supplies, and access badges.

Claim Accounting Division

The Claim Accounting Division provides accounting support by processing monies recovered from public assistance recipients who were not entitled to the benefits they received.

This includes processing paper checks and money orders received from clients who owe money, processing clerk of courts lists showing restitution made to the court, and benefit recoupment by DHS. Payments received are processed and credited to the client's overpayment claim(s) in the OSIG Avoidance and Recovery System (OARS).





Bureau Summaries

Policy Division

The Policy Division supports other OSIG bureaus and other commonwealth offices and local agencies that deliver public benefits or are involved in law enforcement. Division support includes: developing and issuing policies; creating forms, notices, handbooks and manuals for OSIG staff; responding to policy-related questions; designing and preparing statewide promotional materials; and developing processes and procedures for other commonwealth agencies' use when they deal with operations that affect the OSIG.

In FY 2017-18, the Policy Division:

- Continued updating client notices to ensure adherence to changes in regulations.
- Continued updating OSIG's internal policy manual where needed.
- Continued to work with the DHS on joint policy issues, including state and federal regulation updates.
- Created new policies and procedures under Act 29 for investigative staff.

Training Division

The Training Division offers initial orientation training to all new OSIG employees and conducts an extensive Standard Training Program (STP) for all new BFPP agents and investigators. In addition, the division provides existing staff with ongoing training as current internal OSIG policy is revised or new policy is created and implemented to meet the changing needs of the agency's mission. The division also assists other state agencies and

community partners to detect, identify and refer potential fraud, waste and abuse to the OSIG.

The Training Division promotes the agency to potential future employees at college career fairs throughout the commonwealth.

In FY 2017-18, the Training Division:

- Attended college career fairs to speak to students about the mission of the OSIG and prospective job openings/opportunities within the agency.
- Worked with DHS' Office of Income Maintenance to conduct informational sessions detailing the OSIG referral process to newly hired Income Maintenance Case Workers during their Income Maintenance Standard Training Program and Statewide Processing Center presentations.
- Conducted Act 29 training with Harrisburg Area Community College.
- Conducted outreach training on investigative best practices for other executive agencies.



Outreach and Communications

Overview

As part of its mission to ensure integrity, accountability and public confidence in Pennsylvania government, the OSIG conducts outreach to commonwealth employees in agencies under the Governor's jurisdiction, community and service organizations, and the general public.

OSIG staff give educational presentations on how to recognize and report fraud, waste and abuse in state government agencies and in public benefits programs run by DHS. The OSIG also provides commonwealth employees with strategies for adhering to ethical standards in their own conduct and in the oversight of state contracts.

To complement its outreach efforts, the OSIG distributes a variety of informational materials at educational forums and public events that explain the agency's role and how to file a complaint of wrongdoing.

Communications

The OSIG traditionally puts out monthly press releases on the number of welfare fraud cases the agency had adjudicated and the amount of restitution involved. In January of 2017, OSIG instead began reporting the number of people charged with welfare fraud and their restitution total. These numbers more accurately reflect OSIG investigators' activity on a monthly basis.

The new press releases garnered greater press attention, resulting in significantly more stories in the print and broadcast media about welfare fraud and the OSIG in the last half of FY 2017-18. Many of these stories were among the top trending stories on the websites of the media organizations that produced them.

Training

The OSIG participates in the Office of Administration (OA) Supervisor Academy Training Series. This training series is for all newly promoted supervisors within the Executive Offices. The OSIG presentation explains the agency and its mission and provides these novice supervisors with information on how to identify and report fraud, waste and abuse should they encounter it in their new positions.

Partnerships

The OSIG continued in FY 2017-18 to provide training on our processes to newly hired DHS Income Maintenance Caseworkers. This training ensures that new caseworkers understand welfare fraud and how they can make referrals to BFPP when they suspect it is occurring.



Staff Complement for Fiscal Year 2017-18

Total

Office of State Inspector General	211
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Executive and Legal	11
Bureau of Special Investigations	23
Bureau of Fraud Prevention & Prosecution	135
Bureau of Administration, Policy & Training	14

Investigative Staffing

Bureau of Special Investigations	
Management	3
Special Investigators	18
Investigative Support Staff	2

Bureau of Fraud Prevention & Prosecution	
Management	26
Welfare Fraud Investigators	63
Claims Investigations Agents	34
Investigative Support Staff	12

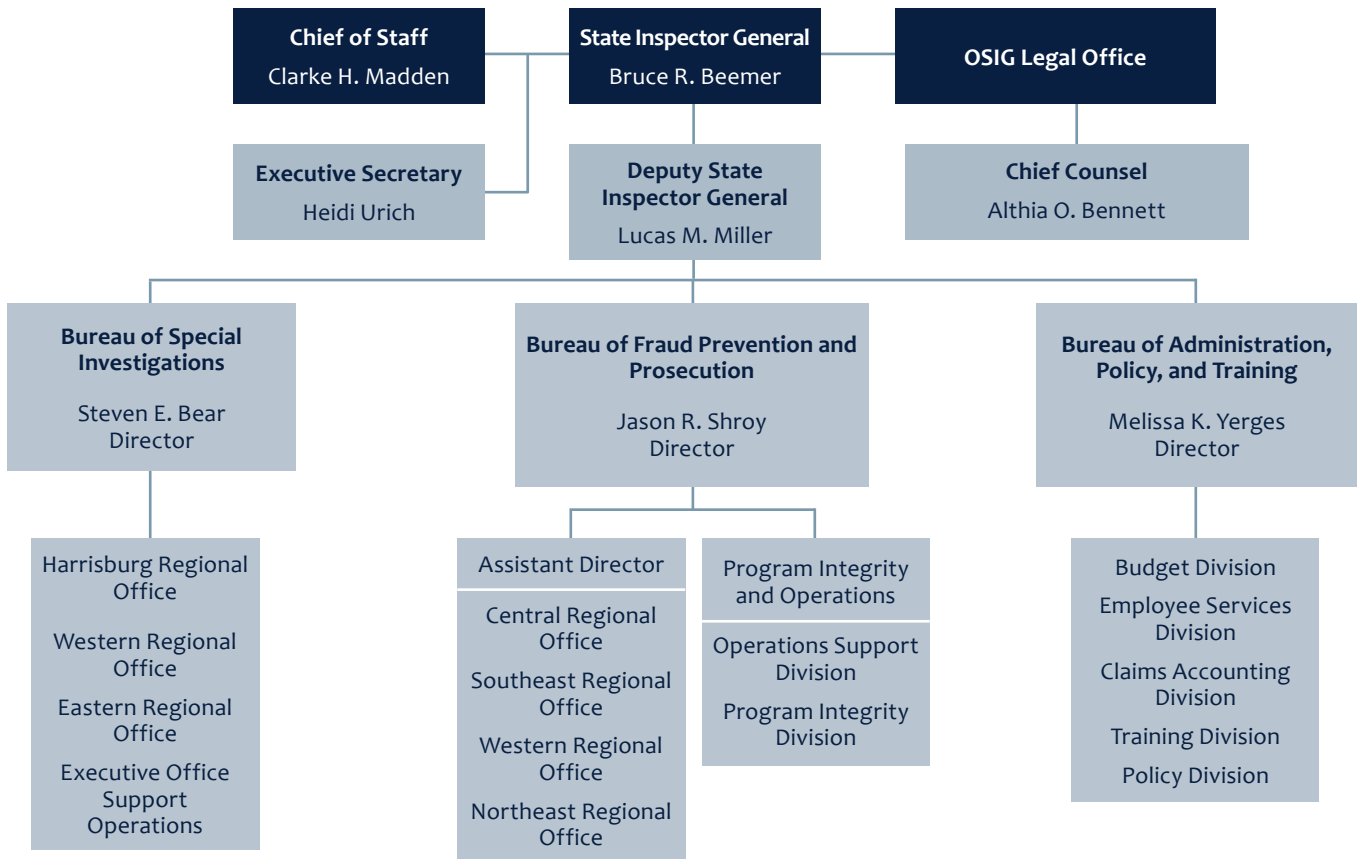
Regional Staffing

Bureau of Special Investigations	
Harrisburg Headquarters	20
Western Regional Office	2
Southeast Regional Office	1

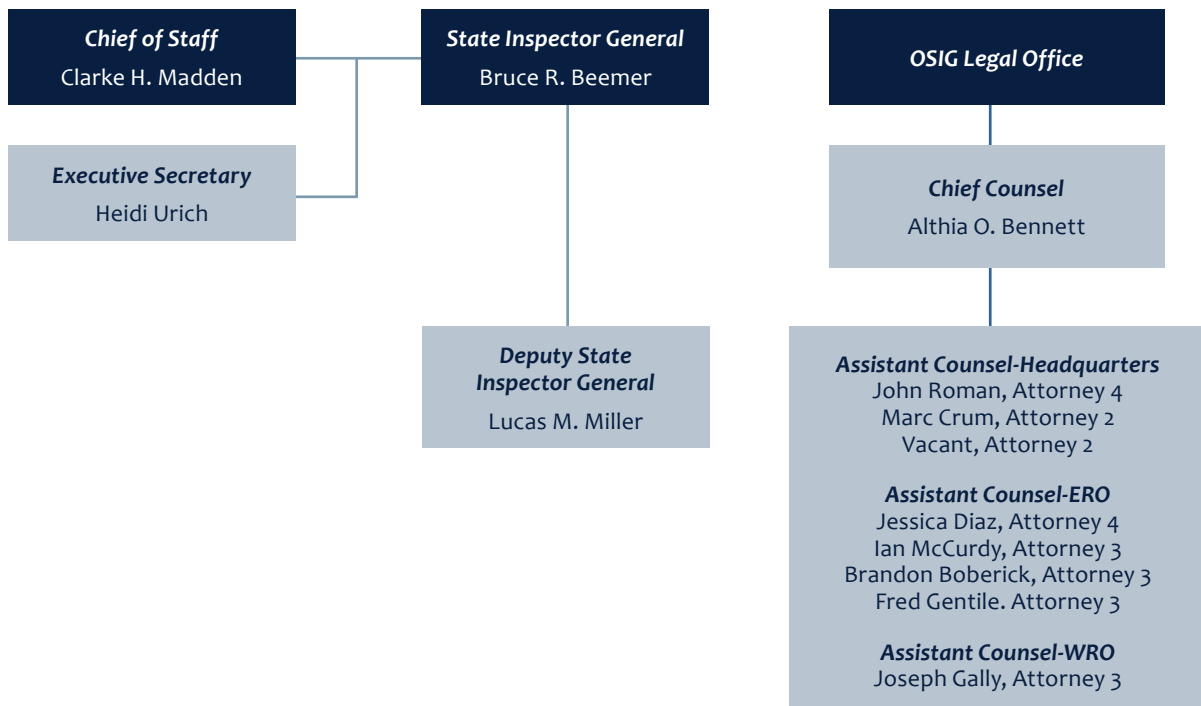
Bureau of Fraud Prevention & Prosecution	
Southeast Regional Office	26
Northeast Regional Office	27
Western Regional Office	32
Central Regional Office	33



Office of State Inspector General

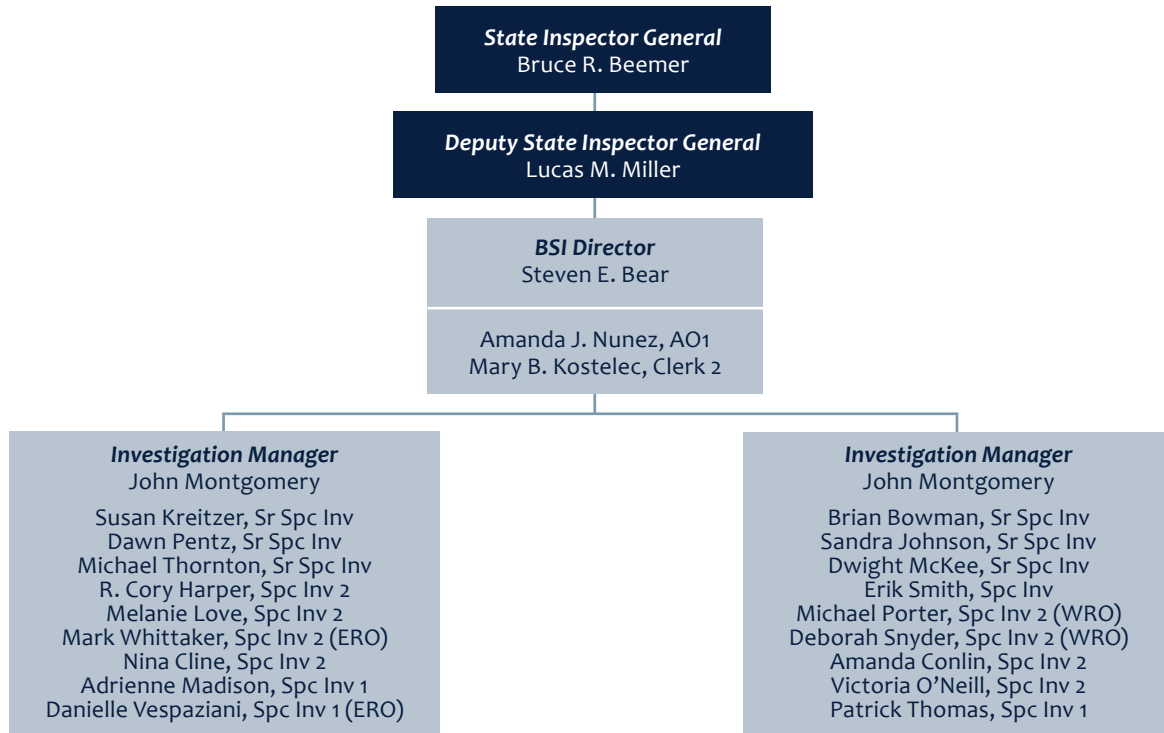


Executive Office

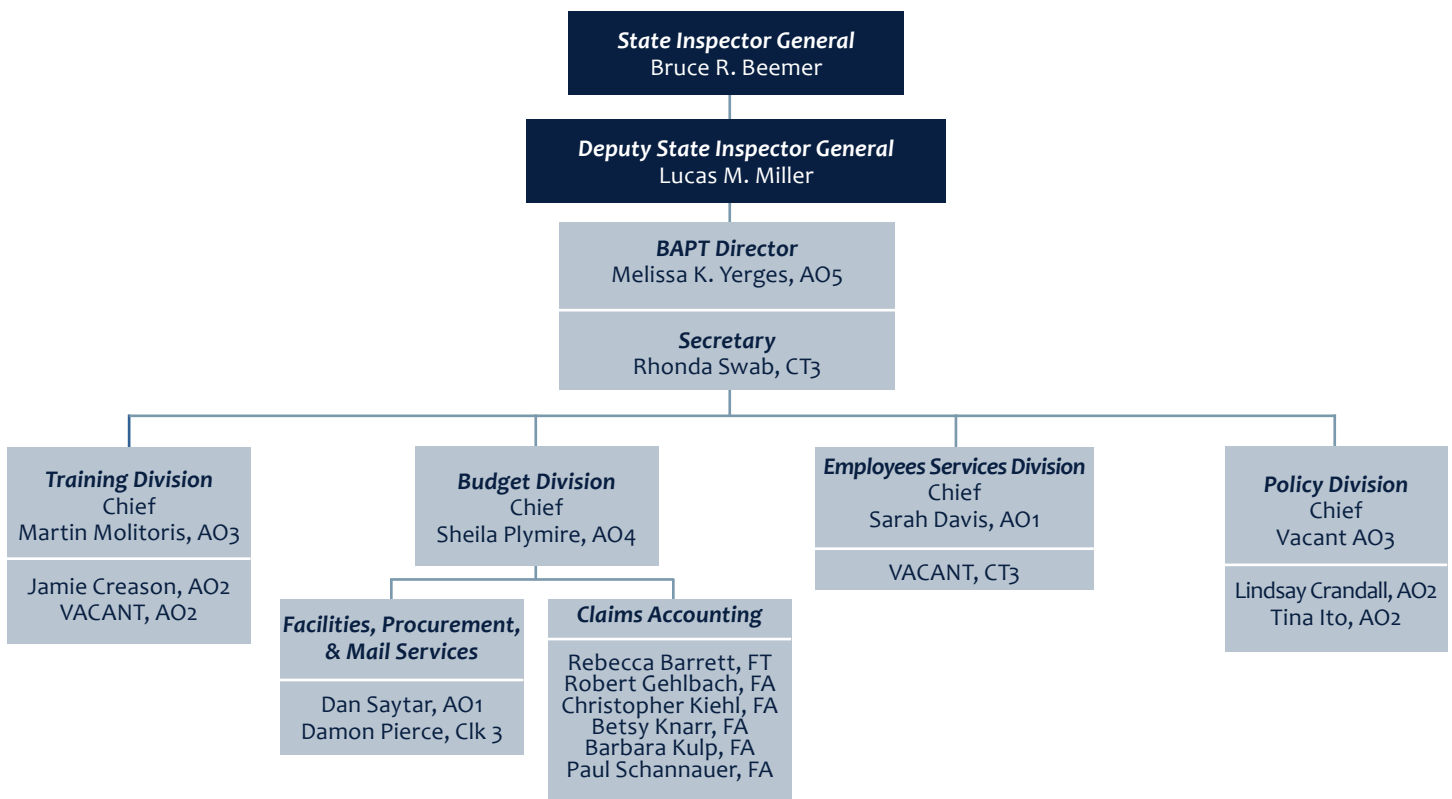




Bureau of Special Investigations

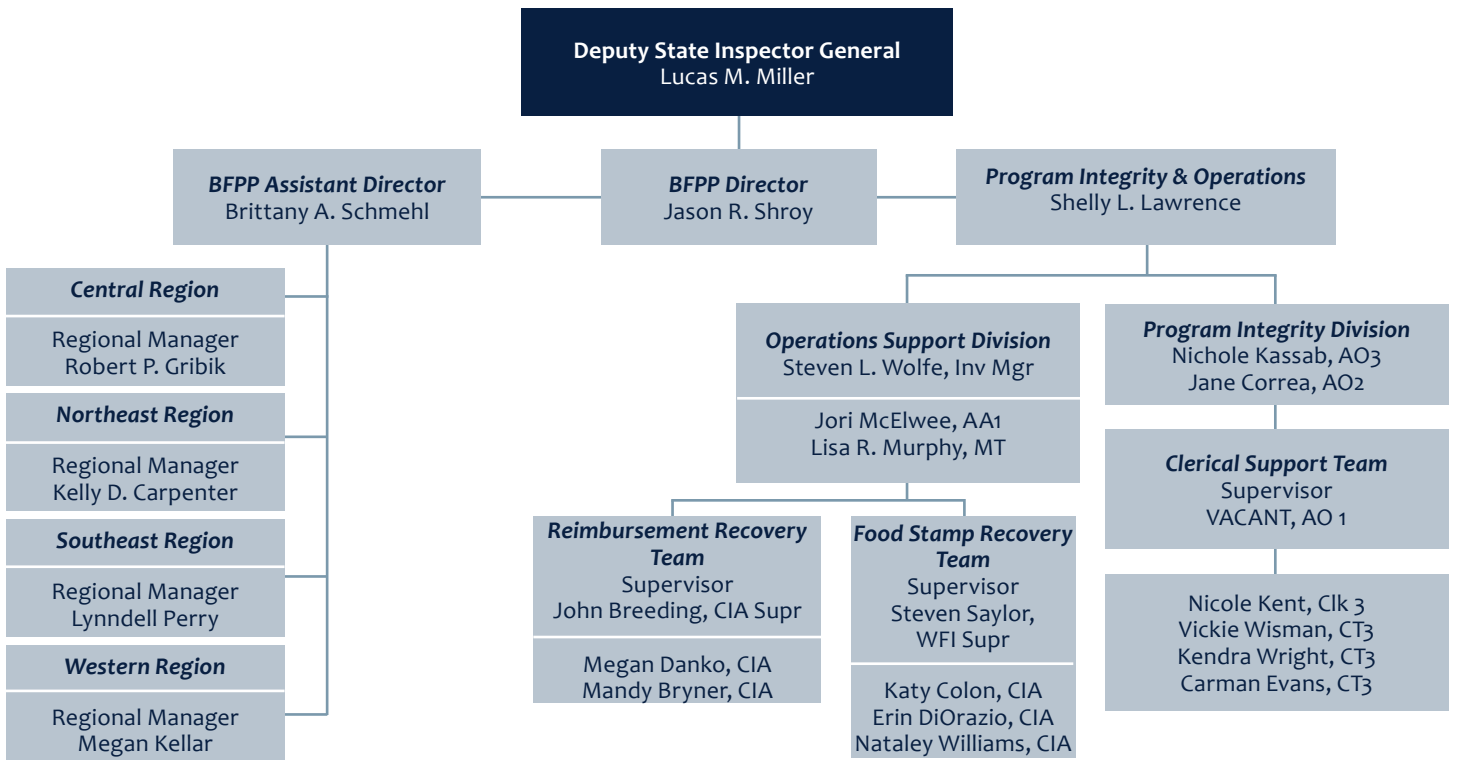


Bureau of Administration, Policy, and Training

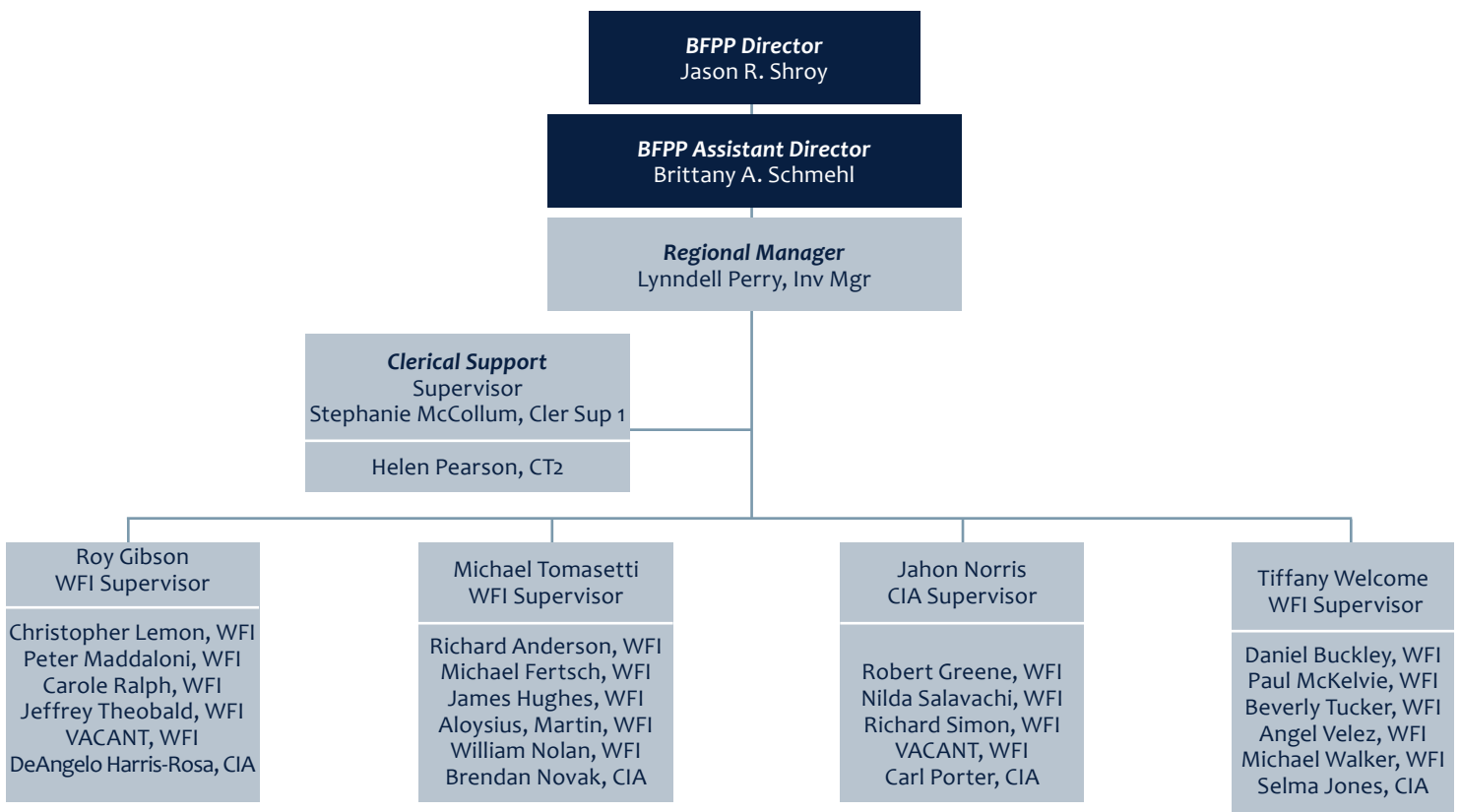




Bureau of Fraud Prevention and Prosecution

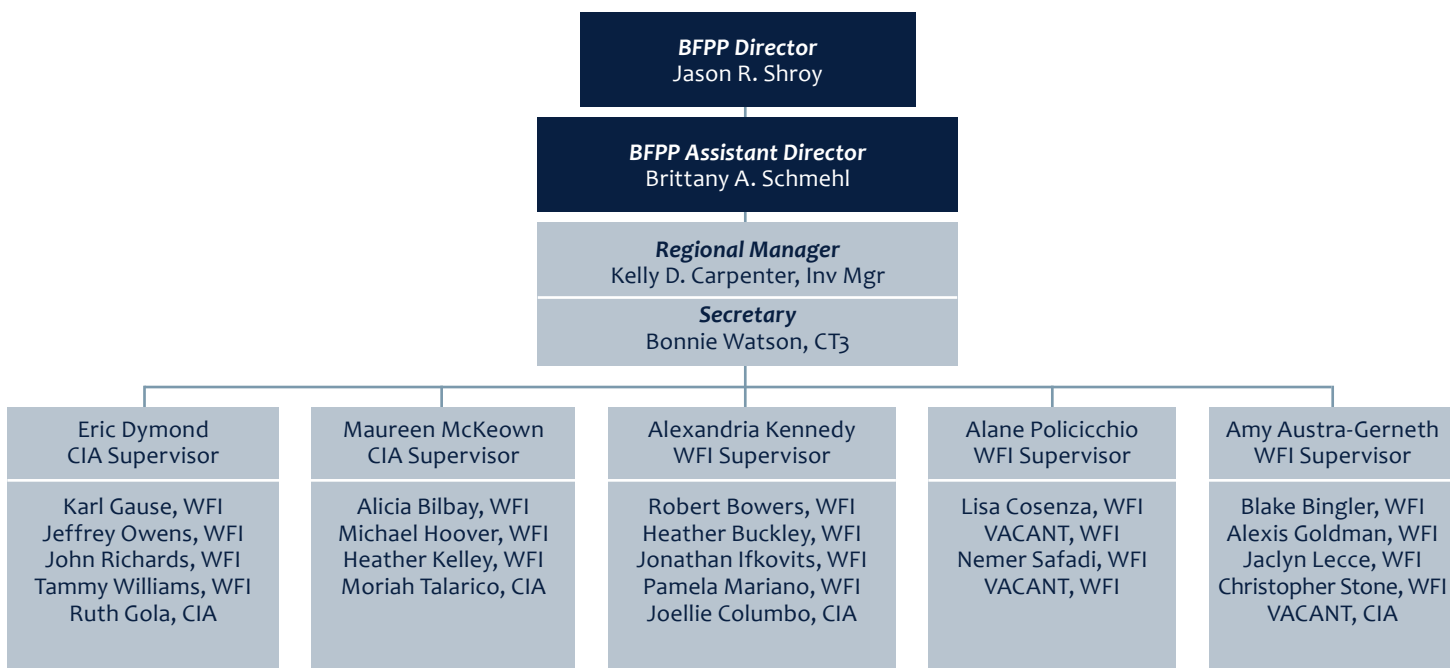


Bureau of Fraud Prevention and Prosecution Southeast Region

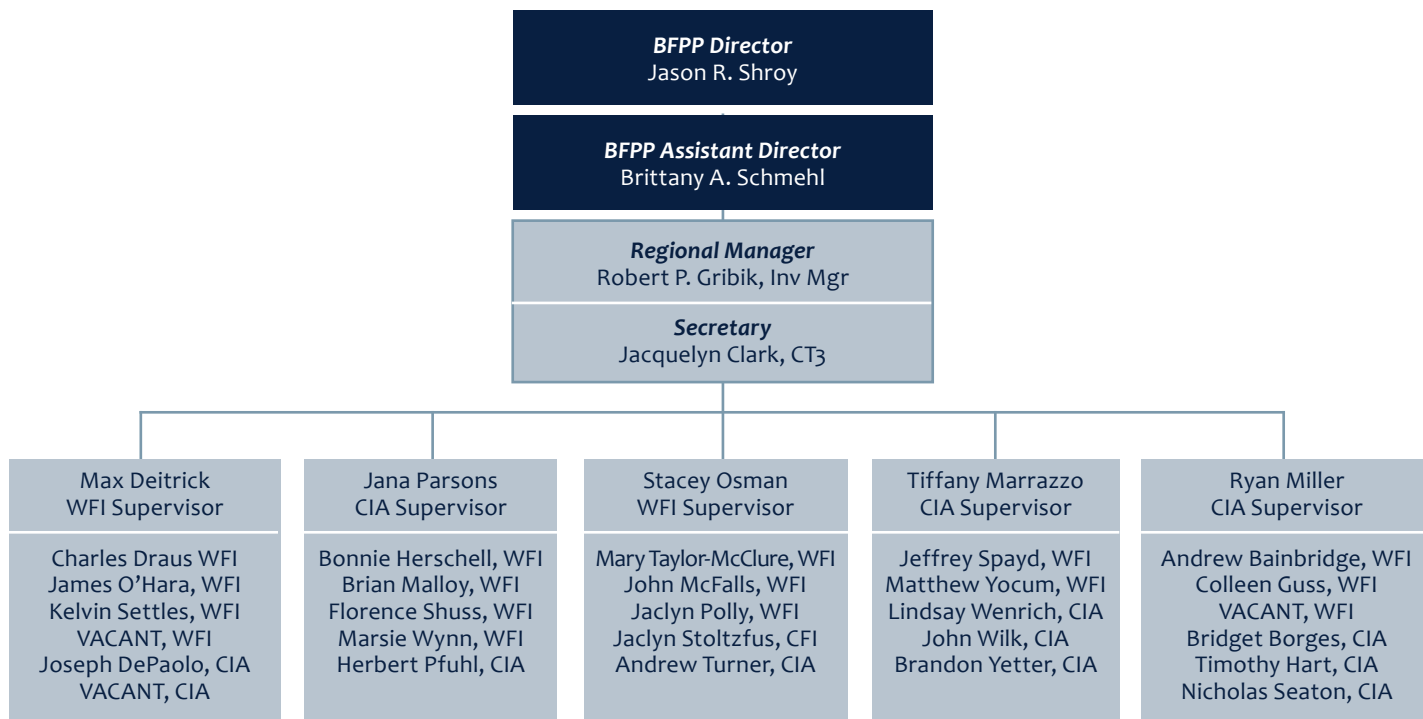




Bureau of Fraud Prevention and Prosecution Northeast Region

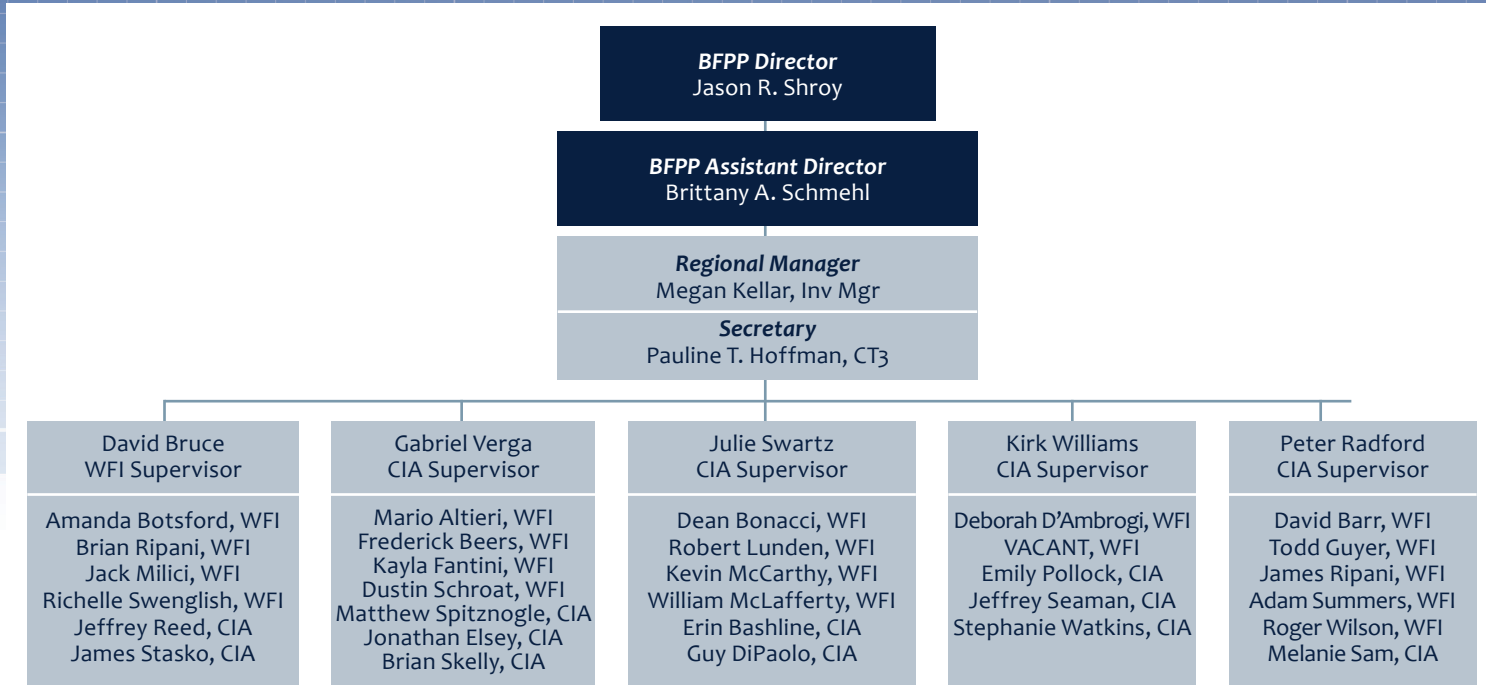


Bureau of Fraud Prevention and Prosecution Central Region





Bureau of Fraud Prevention and Prosecution Western Region



Report fraud, waste, misconduct, or abuse
in commonwealth programs, operations, or contracts
by calling toll-free:

**1-855-FRAUD-PA
(1-855-372-8372)**

Report welfare fraud against an individual
or business by calling toll-free:

1-800-932-0582

Send written information to the following addresses:

Welfare Fraud Tips
Office of State Inspector General
555 Walnut Street, 7th Floor
Harrisburg, PA 17101

Government Fraud Tips
Office of State Inspector General
555 Walnut Street, 8th Floor
Harrisburg, PA 17101

<http://www.osig.pa.gov>

All calls and correspondence are confidential



pennsylvania

OFFICE OF STATE
INSPECTOR GENERAL



OFFICE OF STATE INSPECTOR GENERAL

Providing investigative services for Pennsylvania's citizens for nearly 30 years.