

Office of Internal Audit

Fraud Detection and Prevention Activities Report

July 2017 through February 2018

BACKGROUND INFORMATION

The fraud unit was created during the Fiscal Year 2016 legislative session with the intent to address beneficiary fraud at an enterprise level, effective July 1, 2016. Fraud staff from the Department of Human Services transitioned to the Office of Internal Audit during August 2016.

In May 2017, the Office of Internal Audit enhanced the required qualifications and expertise for the 6 FTEs working in the fraud unit to attract top talent and achieve a higher return on resource investment. Additionally, the Office of Internal Audit hired a lead data analyst and an assistant data analyst to provide the fraud unit with better leads for in-depth review, to identify trends in data, and to identify patterns of behaviors.

In addition to the information presented in this report, the unit is working toward collaborating with our sister agency fraud units to implement enterprise-wide fraud prevention and detection. The State recently convened a working group consisting of members from the Office of Internal Audit, Department of Labor and Training, Division of Taxation, Secretary of State, and Department of Business Regulation to improve the current structure of the unit.

ON THE HORIZON

Previously, case load was generated solely from tips the unit received from the public. Currently, work is prioritized using data analytics. We expect this to increase the average savings generated per FTE as the program matures.

To further improve and expand the State's approach to fraud prevention and detection, data analysts will begin using information from the departments of Labor and Training, and Children, Youth and Families in addition to the data warehouse created with information from Taxation, DHS, MMIS, DOC, and Secretary of State.

REVENUE TARGET

The unit was given an \$8.5 million general revenue target in the FY 2018 budget. As of February 2018, \$498,000 has been collected with an additional \$5.7 million identified. A detailed accounting towards this target is illustrated on the following page.

FY 18 General Revenue Target		\$8,500,000
Revenue Generated to Date		\$ 498,255
Cost Avoidance to Date		305,843
Anticipated Future Collections This Fiscal Year		\$ 5,704,000
Medicaid Clawback	\$ 3,265,000	
Benefit Program Cases - Hot line/Tips	\$ 89,000	
Incarcerated File Match	\$ 1,220,000	
Enhanced SSA Identity Verification Benefit Programs	\$ 380,000	
Enhanced Income Verification Benefit Programs	\$ 750,000	
Total Estimated Revenue Generated		\$ 6,508,098
Shortfall to be achieved with future work		\$1,991,902
** All amounts presented above are general revenue funds.		

OPPORTUNITY COST SAVINGS

The benefit programs have multi-year benefit disqualification rules. This means the recipient is disqualified for multiple years after being adjudicated for the misrepresentation of eligibility information. The chart below summarizes the annual amount of cost avoidance for each of the remaining years. Future opportunity costs increase in tandem with the disqualification of benefits.

Opportunity Cost Savings			
Description	FY Identified	Annual Gross \$	Annual State Share \$
Disqualification Intentional Program Violation	2018	\$ 83,372	\$ 29,180
Out of State Residency	2018	\$ 668,160	\$ 233,856
Total Annual Carryforward Savings		\$ 751,532	\$ 263,036

CASE LOAD

The unit has experienced approximately 80% turnover since consolidation into the Office of Internal Audit. The following chart summarizes the case load inventory and number of cases currently assigned to an auditor. The unassigned cases have not yet been fully vetted or quantified.

In addition to the information below, 1,200 cases were referred to the Secretary of State Corporations Division for further vetting and enforcement. The savings associated with these 1,200 cases has not yet been quantified.

<i>Case Load Inventory</i>			
	Total Cases	Assigned	Unassigned
SNAP	1,379	52	1,327
RI Works	169	6	163
Child Care Assistance	8	4	4
Medical Assistance	2,180	-	2,180
Total	3,736	62	3,674

Case load compared to FTE:

- Authorized FTEs: 8 (1 manager, 7 auditors)
- Average Filled FTEs: 4.3
- Assigned Caseload per FTE: 15
- Total Caseload per Average Filled FTE: 869
- Total Revenue/Cost Avoidance per average FTE: \$71,120