



## Prioritizing Fraud Investigations at the Department of Social and Health Services' Office of Fraud and Accountability

The Department of Social and Health Services' (DSHS) Office of Fraud and Accountability (OFA) conducts investigations of suspected fraud or abuse in public assistance programs. Following an unfavorable outside review in 2011, OFA made improvements, including restructuring the organization and assigning new leadership, but the Office continued to attract scrutiny.

State law requires OFA to assess every referral and to fully investigate the case if it finds evidence of fraud or abuse. Referrals come from a variety of sources including the public, law enforcement and other agencies. Most are supplied by Department employees throughout the state who determine if clients are eligible for public assistance benefits.

Concerns about OFA's handling of its backlog of referrals prompted the Legislature in 2014 to request a performance audit of OFA by the State Auditor's Office.

This performance audit examined how OFA prioritizes and processes referrals and sought to answer the following question:

- Can OFA reduce its backlog of referrals by improving methods for closing cases, workload allocation, and performance reporting?

### OFA has made improvements to help investigators identify the highest priority cases

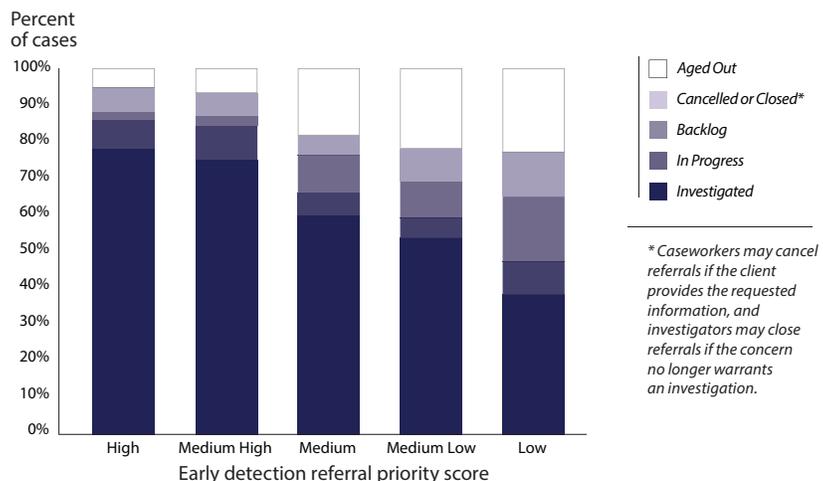
Since 2012, OFA has developed tools to help investigators prioritize referrals for both early detection and overpayment cases. We found the early detection tool appropriately prioritizes cases based on high dollar amounts and the likelihood of fraud or abuse. We also found cases with the highest scores were more likely to be investigated and less likely to remain in the backlog. The overpayment investigation prioritization tool also contains appropriate criteria, however, OFA only recently began using it and there were too few cases scored and completed for us to evaluate the results.

#### OFA conducts two types of investigations:

1. **Early Detection Investigations** – to answer questions raised about a client's current eligibility for public assistance
2. **Overpayment Investigations** – to determine if a client deliberately withheld or provided false information to collect benefits they were not entitled to receive

#### Higher priority early detection referrals are more likely to be investigated

July 1, 2011-June 30, 2014



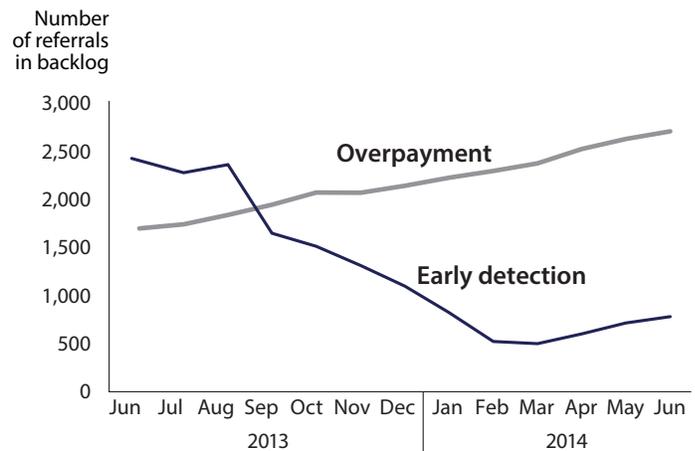
Source: Auditor analysis of information in the Fraud Case Management System.

## However, the overpayment investigation referral backlog is growing

The number of uninvestigated referrals continues to increase, with the backlog of overpayment investigation referrals growing dramatically over the last three years. Referrals have increased while the number of cases assigned to investigators has actually decreased. OFA management stated that they reduced the number of assignments to make workloads more reasonable and to ensure all assigned cases would be investigated.

The backlog of early detection referrals did drop in the last fiscal year, due in part to the “aging out” process of OFA’s Fraud Case Management System, which automatically closes early detection referrals after 90 days if they have not been assigned to an investigator. It sends these closed cases back to caseworkers.

The early detection referral backlog is decreasing, while the overpayment investigation backlog is increasing  
*Fiscal year 2014*



Source: Auditor analysis of information in the Fraud Case Management System.

## OFA needs better measures to effectively reduce the backlog

We wanted to see if OFA could reduce the backlog of referrals cost effectively while still complying with its mandate to assess all referrals. But we found that OFA’s lack of important performance measures hampers its ability to make informed decisions about how to best allocate resources. For example, OFA does not track the costs of investigations, nor outcomes specific to particular investigations.

From the data available, we determined DSHS could prevent paying as much as \$2.43 in inappropriate benefits for every \$1.00 spent on early detection investigators. Additional investigators would reduce the backlog and prevent referrals from aging out.

We found that overpayment investigations that are not referred to prosecution take fewer months to complete than those that are referred. We also found that clients who were successfully prosecuted returned more of the overpayments they received. However, we had no way to determine if those benefits offset the added costs of pursuing prosecution, because investigators do not track the time they spend on individual cases.

In addition, we determined that several of the figures in OFA’s performance measure reports were inaccurate. Some reported figures were estimates and not based on source data while others were calculated incorrectly. The measures must be accurate in order to effectively inform decisions on allocating resources.

Although the legislation requiring this audit also asked us to analyze coordination between the Department of Early Learning and OFA, we found that cases referred by Early Learning do not affect OFA’s backlog, and so we did not include an analysis of the coordination between OFA and Early Learning in our audit.

### RECOGNITIONS

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**DSHS restructured OFA and made combating fraud and abuse a priority**
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**OFA improvements ensure high priority early detection investigations are addressed first**
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**OFA’s overpayment investigation prioritization tool contains appropriate criteria to score referrals based on likelihood of fraud and size of overpayment**

### RECOMMENDATIONS

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**Track costs, conduct ongoing analysis and pursue more cost-effective approaches**
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**Seek additional funding to hire more early detection investigators**
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**Continue to evaluate the effectiveness of the overpayment investigation analysis tool**
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**Ensure reported performance measures data is accurate and consistent**