

# pennsylvania

OFFICE OF INSPECTOR GENERAL



## ANNUAL REPORT

Fiscal Year 2016 - 2017



**Integrity | Ethics | Accountability**



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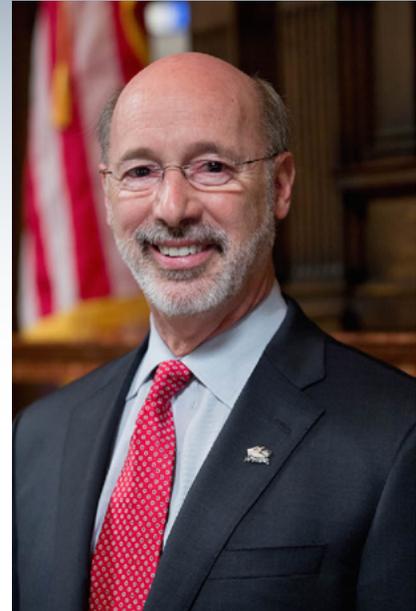
## A Message from Governor Tom Wolf

As Governor of Pennsylvania, I continue to be committed to the goal of having a “government that works” for all the citizens of our Commonwealth. Our government truly works for the people when it provides the services they need while operating with transparency, fiscal responsibility, and accountability.

The mission of the Office of Inspector General has been to ensure integrity, accountability, and public confidence in government by preventing, investigating, and eliminating fraud, waste, abuse, and misconduct in all the agencies under the Governor’s jurisdiction. The Office of Inspector General plays a unique and vital role in protecting our citizens from fraud and promoting transparent and responsible government.

This year, I am proud to have collaborated with the General Assembly to enact legislation which created the statewide Office of State Inspector General. With the new tools made available to the Office by this legislation, even more taxpayer money will be recovered and saved.

The Office of State Inspector General will, as its predecessor has, provide an invaluable service to the citizens of Pennsylvania. I commend the Office and its hard-working staff for their commitment to a government that works for all of us.



Tom Wolf

A handwritten signature in black ink that reads "Tom Wolf". The signature is fluid and cursive, with the first name "Tom" and last name "Wolf" clearly distinguishable.

Governor

## Inspector General's Message



Inspector General  
Bruce R. Beemer

This Fiscal Year 2016-17 Annual Report for the Pennsylvania Office of Inspector General (OIG) is the last annual report that will be issued under the agency's original, founding executive order (Executive Order 1987-7).

At the very end of this fiscal year, on June 14, 2017, the Pennsylvania Senate passed Senate Bill 527, which establishes the OIG under statute and gives it law enforcement authority. Shortly after the fiscal year ended, on July 9, the Pennsylvania House of Representatives passed an amended version of Senate Bill 527. The next day the Senate concurred with the amendments, and on July 20 Governor Wolf signed into law what became Act 29. You can find more information about Act 29 on page 6 of this report.

So, in Fiscal Year 2016-17, we here at the OIG have been especially mindful of both the agency's proud history and its promising future. The OIG was created in 1987 to deter, detect, prevent and eradicate fraud, waste, misconduct and abuse in the operations of all agencies under the Governor's jurisdiction. The OIG's mission is to protect the integrity and ensure the public accountability of the commonwealth's government.

In addition, since 1994, the OIG has been responsible for investigating and prosecuting welfare fraud and conducting collection activities for the public benefits programs administered by the Pennsylvania Department of Human Services.

In Fiscal Year 2016-17, the OIG received 635 complaints and investigative requests; conducted 46 investigations into possible fraud, waste, abuse or misconduct in state agencies; filed 768 criminal complaints charging defendants with welfare fraud or unlawfully obtaining benefits; and collected in total, for all public benefit programs, more than \$26.5 million for the commonwealth. Our investigators and agents saved the commonwealth nearly \$12 in cost savings and collections for every \$1 spent on investigative activities. In the future, Act 29 will give OIG investigators and agents even more tools to effectively do their jobs.

The dedication of all the OIG's staff helps ensure that the state's public assistance resources are disbursed to those Pennsylvanians who truly need them and state government operates with efficiency, accountability and integrity. As Inspector General, I am proud of all that this agency has contributed toward achieving and maintaining Governor Wolf's goal of "a government that works" for all Pennsylvanians in an era when we must maximize service with fewer resources.

I look forward to an even brighter future for the OIG under Act 29, thanks to the bipartisan efforts of the Legislature and the foresight of Governor Wolf.

Sincerely,

A handwritten signature in blue ink that reads "Bruce R. Beemer".

Bruce R. Beemer  
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 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 in Bradford Woods. He and his wife, Jodi, have two children.

## Introduction

The OIG'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 Inspector General

The OIG 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 OIG 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 Office of State Inspector General 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  
Inspector General

**Althia O. Bennett**  
Chief Counsel

**Steven E. Bear**  
Director of  
Special Investigations

## Executive Staff



**Jason Shroy**  
Director of  
Fraud Prevention  
& Prosecution

**Melissa K. Yerges**  
Director of Administration,  
Policy & Training

**William S. Barrett**  
Director of  
Information Systems



## Fiscal Year Accomplishments

### In FY 2016-2017, the OIG:

Saved the commonwealth more than \$76.1 million through its welfare fraud prevention activities by investigating 24,801 applications for public assistance benefits.

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

Saved the commonwealth \$1.4 million through the disqualification of future benefits for recipients criminally prosecuted for welfare fraud.

Collected for the commonwealth treasury more than \$797,661 in restitution and saved the commonwealth \$946,648 by disqualification of individuals found, through the administrative hearing process, to have committed an intentional program violation.

Collected for the commonwealth treasury \$3.5 million in restitution by filing 768 criminal complaints, charging defendants with welfare fraud for unlawfully obtaining benefits.

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 \$26.5 million for the commonwealth.

Received 635 complaints and investigative requests that resulted in 46 investigations into possible fraud, waste, abuse and misconduct in state agencies.

Conducted 284 pre-employment background investigations for executive-level appointments and other positions of trust in state government.

Answered 9,794 calls reporting suspected welfare fraud on the Welfare Fraud Tipline and processed 6,769 welfare fraud tips via the OIG website and 386 tips via U.S. mail.

## Bureau Summaries

### Bureau of Special Investigations

**In FY 2016-17, BSI received 635 complaints and investigative requests, resulting in 46 investigations into possible fraud, waste, abuse and misconduct in state agencies.**

**635**  
**INVESTIGATIVE**  
**REQUESTS**  
**AND**  
**COMPLAINTS**

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 OIG 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.

Complaints received by BSI come from private citizens, state employees and commonwealth officials.

**284**  
**PRE-EMPLOYMENT**  
**BACKGROUND**  
**INVESTIGATIONS**

**In FY 2016-17, BSI conducted 284 pre-employment background investigations for executive-level appointments and other positions of trust in state government.**

There are also instances when BSI will initiate its own investigations. Complaints can be submitted through the OIG 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. Any commonwealth employee who, in good faith, reports instances of wrongdoing or waste to the OIG 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.

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.

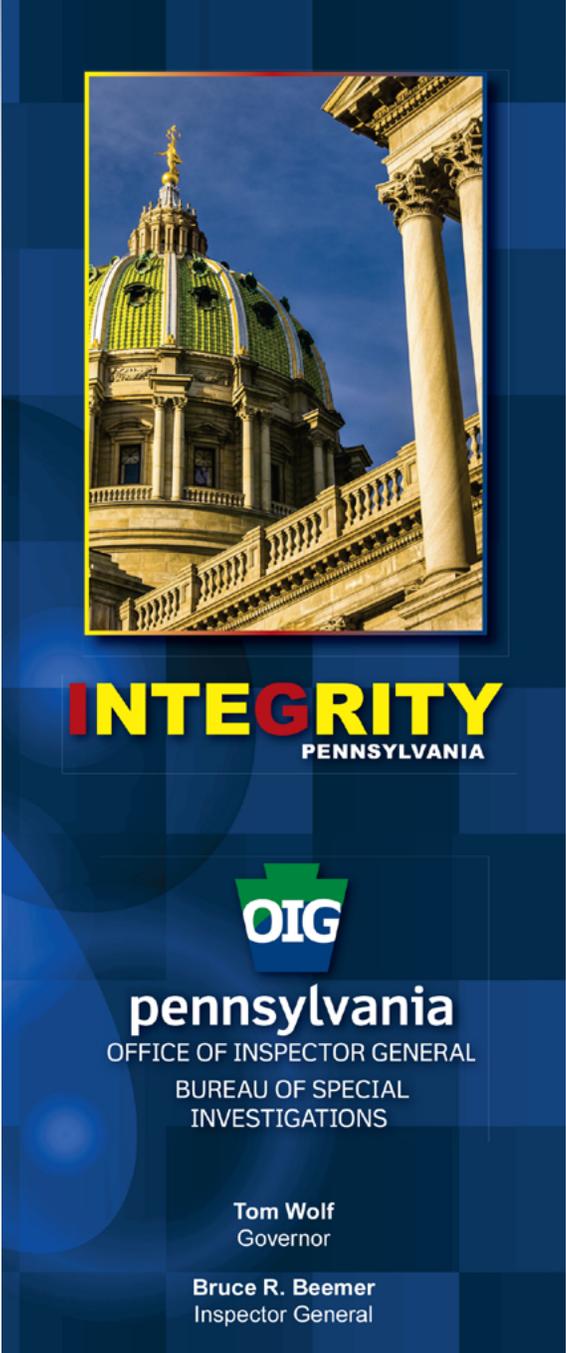
BSI program reviews have generated positive changes in state programs and processes. Some BSI investigation subjects have been disciplined, removed from commonwealth employment or prosecuted. These outcomes serve as a deterrent to future employee misconduct. BSI investigations also have led to important 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 INSPECTOR GENERAL  
BUREAU OF SPECIAL INVESTIGATIONS

Tom Wolf  
Governor

Bruce R. Beemer  
Inspector General

## Bureau Summaries

### BSI Significant Cases

*The following cases represent a sample of the many types of cases BSI investigated during FY 2016-17:*

#### Conflict of Interest

##### Use of Non-Approved Vendor at Higher Cost

The OIG received a complaint from a state employee alleging that another employee had used a commonwealth IT resource to misrepresent his authority to approve the purchase and use of construction-related materials. The complainant also alleged that the employee in question used a non-approved vendor, at an inflated cost and without proper paperwork.

BSI's investigation determined that the employee directed a contractor to purchase materials from the employee's friend at a significantly inflated cost to the agency. The materials cost the department about \$70,000 more than the standard price the department would typically spend for the same material. BSI also found that the employee directed a subordinate to misrepresent the inflated purchases as previously approved materials.

The OIG issued an Investigative Report to the agency for appropriate action. A follow-up review revealed that the employee had separated from commonwealth employment. The OIG referred this matter to the Office of Attorney General for criminal investigation.

##### Failure to Safeguard Contract Integrity

The OIG received a complaint alleging non-delivery of services to the commonwealth by an approved vendor under contract and conflicts of interest in

the development of an analytical tool to be used by service providers.

BSI's investigation determined that although the vendor provided the contracted services, the agency failed to safeguard contract integrity when it approved and paid the vendor's invoices prior to the completion of the contracted work. The OIG recommended that the agency develop policies and procedures on the administration of contracts. The OIG also recommended that the agency verify all supporting documentation and receipt of deliverables prior to approving an invoice for payment.

BSI found instances of potential conflict of interest in the awarding of the contract and the development of the analytical tool. The OIG recommended the agency develop policies and procedures to identify and avoid future conflicts of interest. Those recommendations have been incorporated into new policy at that agency.

##### Deficiencies in Business Office Result in \$500,000 in Earned Income Taxes and Penalties Owed

An agency secretary asked the OIG to review a school district's remittance of Earned Income Taxes to its requisite tax collector. BSI's investigation found the school district's business office had failed to timely remit withheld earned income tax monies for more than two years. The amount totaled more than \$500,000 in tax, fees and penalties owed.

Although the investigation found no evidence of purposeful wrongdoing by employees of the business

## Bureau Summaries

office, BSI identified possible deficiencies in daily operations that may have contributed to the problem. The OIG made numerous recommendations to the agency related to improving the capabilities and functions of the school district's business office. The OIG issued an Investigative Report to the agency for appropriate action.

### **Business Seeks Agency Reimbursement for Training Non-Existent Employees**

A state agency asked the OIG to investigate a business that received grant monies as reimbursement for training its employees. In a two-year period, the business received more than \$70,000 in grant monies through the agency.

BSI's investigation revealed that not only did the employees not receive the invoiced training, but the employees did not exist. BSI also found that the alleged job training providers either did not exist or did not provide the training the business claimed. BSI confirmed that four other businesses submitted similar invoices to the agency, and these businesses had officers or principal members who are either related to or known associates of each other and the first business.

The OIG issued an Investigative Report to the agency for appropriate action. The OIG also referred this matter to the Office of Attorney General for criminal investigation.

### **Investigation Ends Abuse of Work Hours, Misuse of State Vehicle and Falsification of Itinerary Logs**

The OIG received a complaint through the Department of General Services (DGS) from a citizen about a

commonwealth vehicle that had been parked on the street and in a neighbor's driveway over several months. The complainant added that the driver appeared to be at work only between 10:00 a.m. and 2:00 p.m. each day.

BSI discovered the vehicle was assigned to a full-time state employee working near Pittsburgh. BSI's investigation revealed the employee abused assigned work hours, misused an assigned commonwealth vehicle, and falsified daily itinerary logs and Investigative Case Notes. Additionally, BSI discovered the employee was using the state vehicle for personal business after work hours, transporting a child or children in the vehicle, and conducting personal business with the vehicle during work hours.

The state employee resigned before being interviewed by BSI. The OIG issued an Investigative Report to the agency for appropriate action. BSI's investigation allowed the commonwealth to recover hours deemed non-work-related and personal from the employee's remaining leave balance.

### **State Account Used to Buy Home Appliances at Lower Price and Avoid Sales Tax**

The OIG received a complaint from an owner of a heating and plumbing business that a commonwealth employee purchased a furnace intended for personal use from a wholesale business identified through a department account. The complainant alleged the furnace was purchased using a commonwealth credit card.

BSI discovered this wholesale business does not sell furnaces to members of the public but only to authorized dealers and entities. Through its

## Bureau Summaries

investigation, BSI determined that the employee purchased furnace and air-conditioning units on his personal credit card – not a commonwealth credit card. However, the evidence obtained appeared to show that the employee used a department account to make a purchase that the employee otherwise would be restricted from making as a member of the public.

The employee purchased two mechanical units through the authority and permissions of a department business account. The employee suggested to the business that the units would be used at a state-operated facility. The evidence strongly suggested the units were instead purchased for the employee's personal use. The Governor's Code of Conduct prohibits executive agency employees from using any commonwealth properties for private gain or for other than officially designated purposes. A review of the department's accounts revealed there were no purchases for furnace and air-conditioning units.

BSI discovered the employee retired from the department about one month after the purchases and before being interviewed by BSI. The OIG issued an Investigative Report to the agency for appropriate action. The retired employee was informed by the agency of the need to pay sales tax on the equipment purchased and was referred to the Department of Revenue.

### Pennsylvania State Police Academy Cheating

In March 2016, the OIG conducted a landmark investigation of an academic cheating scandal within the Pennsylvania State Police (PSP) Academy (144th Cadet Class) that PSP discovered in December of 2015. PSP asked the OIG to conduct “a

comprehensive investigation into the allegations . . . including those related not only to cheating on a particular test in the 144th Class, but also to the adequacy and effectiveness of current training and testing, and to misconduct by instructors, including racist and discriminatory behavior.” PSP's request also asked the OIG to “consider what factors may have contributed to any misconduct that is uncovered, and make recommendations for actions to address [the] OIG's findings.” The OIG's investigation found that:

- aspects of the academy's academic environment did not strongly act to prevent cadets from cheating on examinations, including:
  - academy instructors providing examination answers to cadets and
  - the academy failing to adequately change or modify the contents of academic examinations in traffic law and criminal law;
- the length of the academy's emergency medical response curriculum is apparently not adequate under American Red Cross standards;
- a May 2014 internal PSP review made recommendations for certain academy educational improvements;
- since the cheating incident arose, PSP has made changes to academy academic processes; and
- cadets and academy staff interviewed by the OIG identified a total of three incidents of potential racist or otherwise discriminatory actions or statements within the 144th Cadet Class, which have been reviewed and adjudicated.



## Bureau Summaries

During its investigation, the OIG interviewed a total of 57 Cadets from the 144th Cadet Class, 18 current and former academy instructors, seven PSP senior staff; and 23 other individuals. The OIG also reviewed more than 50 gigabytes of PSP-provided data (approximately 32,000 pages), including cadet dismissal files, test information, PSP training materials, and academy documentation. OIG investigators analyzed the academy e-mail account records of 98 cadets from the 144th Cadet Class, containing approximately 8.81 gigabytes of information and attachments (including study guides created by cadets to assist them in preparing for academy classroom examinations). The OIG also reviewed more than 27 hours of audio and video from the PSP Internal Affairs Division's investigation, which generated more than 6,500 pages of interview transcripts and memoranda.

The OIG analyzed PSP Academy criminal law and traffic law examinations given cadets over the previous 10 years. The OIG reviewed newly issued criminal law and traffic law examinations that the academy has administered to cadet classes since the cheating incident arose. The OIG also reviewed academy changes and modifications (both implemented and proposed) to its academic curriculum and instruction processes.



### **Employee Arrives Late, Leaves Early and Doesn't Do Job**

The OIG received a request from an agency's human resources department to investigate possible employee misconduct, including not adhering to commonwealth work hours and possible falsification of records. BSI conducted surveillance, monitoring the employee's starting and quitting times and keeping daily activity logs for a time. It was determined that the employee began their scheduled work day at least an hour late and ended their work day at least an hour early. Based on a comparison between the employee's itinerary and the actual work performed by the employee, BSI determined the employee was not adhering to the itinerary as documented and not fulfilling work requirements. The OIG issued an Investigative Report to the agency for appropriate action.

## Bureau Summaries

### Bureau of Fraud Prevention and Prosecution

The OIG'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 OIG'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 OIG. Welfare Fraud Investigators then conduct an investigation to verify the circumstances of the applicant or recipient. The OIG 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.

### 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.

When a DHS caseworker or CCIS eligibility specialist discovers that an overpayment has occurred, they forward the information to the OIG. BFPP staff conduct an investigation to determine whether the case contains the elements of welfare fraud. If it does, BFPP staff file a private criminal complaint with the local district attorney's office. Under Act 29, the Office will 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.

**In FY 2016-17, BFPP's Field Investigation Program conducted 24,801 investigations which saved the commonwealth over \$76.1 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.**

**In FY 2016-17, the OIG filed 768 criminal complaints for a total restitution amount of \$3.5 million.**

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 OIG 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.

## 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 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 OIG will be prioritizing prosecution of these cases in the coming year.

### Welfare Fraud Tipline

The OIG is committed to identifying and eliminating fraud, waste and abuse in public assistance programs. As part of that commitment, the OIG operates a toll-free Welfare Fraud Tipline at 1-800- 932-0582. Concerned citizens can use the Tipline to report suspected welfare fraud. The OIG also receives welfare fraud tips via an online reporting system available at [www.oig.pa.gov](http://www.oig.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 OIG 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 OIG 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 2016-17, the OIG initiated 413 administrative disqualification actions that resulted in \$797,661 in restitution and saved the commonwealth \$946,648 by disqualifying individuals who committed a program violation.**

**During FY 2016-17, the Welfare Fraud Tipline received 9,794 calls reporting suspected welfare fraud. BFPP also processed 6,769 welfare fraud tips via the OIG website and 386 tips via U.S. Mail.**

**In FY 2016-17, the OIG saved the commonwealth \$1.4 million through the disqualification of individuals successfully prosecuted for welfare fraud.**

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

**In FY 2016-17, the OIG collected \$11.5 million in restitution for long-term care (LTC) benefit overpayments and avoided another \$1.79 million in future LTC benefit costs.**



## 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. The OIG's Special Assistant for DHS Affairs, who acts as the agency's liaison to DHS and works with its Program Integrity Office and Office of Income Maintenance, oversees the PIO.

The OIG's participation in DHS work groups and projects related to program integrity initiatives has strengthened the partnership between the two agencies. In FY 2016-17, PIO and other OIG 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 OIG investigators more flexibility in selecting stores to investigate and prosecuting offenders.

The OIG and DHS have developed and implemented an electronic referral process to route DHS requests for field investigations of applicants and recipients to the OIG, and then return to DHS the OIG'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 OIG 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 OIG and DHS are enhancing the efficiency and effectiveness of both agencies' fraud-fighting efforts and the OIG's collection of restitution from offenders.

## Collections

**In FY 2016-17, total collections in all programs exceeded \$26.5 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 OIG. However, not all collections by the OIG 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 OIG collects all benefit overpayments for DHS.

## Bureau Summaries

### BFPP Significant Cases

*DHS regulations require that applicants for public benefits truthfully disclose all circumstances of their situation, and regularly report any material changes to it, such as household composition, amount of income received by those in the household, employment status, and ownership of resources and property. The following cases are examples of OIG investigations in FY 2016-17 of benefit recipients who did not report true and correct information to DHS:*

#### **Benefits for Absent Grandchild Bring Welfare Fraud Charges**

In August 2016, the OIG filed welfare fraud charges against a Northeast Pennsylvania grandparent who received cash assistance, SNAP and medical assistance benefits for a grandchild who did not live in the grandparent's household. In January 2017, the defendant pleaded guilty and was disqualified from receiving cash benefits for six months and SNAP benefits for 12 months. The defendant also was ordered to make full restitution in the amount of \$10,834.92.

#### **Water Company Owner's Childcare Subsidy Dries Up Over Falsified Earnings**

In April 2016, the OIG filed welfare fraud charges against a Subsidized Child Care recipient for failing to report their ownership of a water purification company to Child Care Information Services. The defendant falsified self-employment earnings to continue receiving a daycare subsidy.

In October 2016, the defendant pleaded guilty, was placed on 24 months of probation and was ordered to pay full restitution totaling \$40,243.90. The defendant also was disqualified from receiving Subsidized Child Care for six months.

#### **Recipient Earns Five Years' Probation for Failure to Disclose Business**

In February 2016, the OIG filed welfare fraud charges against a Subsidized Child Care recipient in Central Pennsylvania for failing to report to Subsidized Child Care Services that the recipient's spouse owned and operated a restaurant. The recipient pleaded guilty in September 2016, was placed on 60 months of probation and was ordered to pay full restitution totaling \$27,803.82. The recipient also was disqualified from receiving Subsidized Child Care for six months.

## Bureau Summaries

### BFPP Significant Cases

#### Recipient Repays LTC Benefits After Unreported Asset Uncovered

In October 2016, the OIG sent a collection letter to the representative with power of attorney of a recipient of LTC benefits. The representative had failed to report a \$485,575 lawsuit settlement among the assets of the benefit recipient. The commonwealth had expended \$25,387 on the recipient's care during this claim period. The commonwealth received full repayment from the representative in February 2017. Along with the amount collected, the commonwealth saved paying a total of \$213,806.97 in future ineligible benefits in the case.

#### Spouse's Unreported Wages Cost Client \$38,588

In January 2016, OIG investigators filed criminal charges against a western Pennsylvania recipient of SNAP and LIHEAP benefits. The recipient failed to report a spouse's presence in the home and wages for 10 years, which rendered the recipient ineligible for the benefits. In June 2016, the recipient pleaded guilty to welfare fraud, was placed on seven years of county probation and ordered to pay full restitution totaling \$38,588.00. The recipient also was disqualified from receiving SNAP benefits for 12 months.

#### Client Gets Probation, Disqualifications for Hiding Spouse's Existence

In October 2016, the OIG filed welfare fraud charges against a western Pennsylvania recipient of cash assistance, SNAP and medical assistance benefits for falsifying eligibility documents. The defendant reported a deceased spouse when, in fact, the spouse lived in the household and was employed. In June 2017, the defendant pleaded guilty and was placed on five years of probation and ordered to pay full restitution totaling \$31,149.16. The defendant also was disqualified from receiving cash assistance for six months and SNAP benefits for 12 months.



## Bureau Summaries

### Chief Counsel's Office

Chief Counsel Althia O. Bennett heads the OIG Office of Chief Counsel (OCC), which has attorneys in Harrisburg, Philadelphia and Pittsburgh. OCC provides legal advice to the Inspector General and the OIG. 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 OIG investigative reports and other investigation-related summarization documents. They represent the interests of the OIG 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 OIG 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 OIG programs. They assist with agency contracting, information technology and human resource issues; respond to informal requests for public information; assist in preparation of OIG investigation and post-investigation hearings and assist in dealing with post-investigation legal matters.



## Bureau Summaries

### Bureau of information Systems

The Bureau of Information Systems (BIS) provides for the Information Technology (IT) needs of the OIG, which include:

- Desktop and laptop computers, tablets, and telecommunication devices.
- Support of personal computer and server hardware, and commercial and custom software.
- Network infrastructure configuration, development, support, and management.

BIS is organized into three divisions that provide the following functions:

- **Information Technology Division -** Provides desktop hardware and commercial software support and telecommunication services for agency staff, and maintains servers and network infrastructure. Also provides helpdesk services to agency users throughout the commonwealth.
- **Applications Development and Support Division -** Develops, enhances, and maintains the full range of agency web-based applications.
- **Business Applications Development Division -** Manages the development of custom applications with business impact that interface with other state and federal entities.

In 2016-17 BIS:

- Completed, tested and implemented OARS compatibility deployment, making OARS compatible with newer web browsers.
- Completed, tested, and deployed enhancements to Vehicle Tracking, Itinerary, Personnel Emergency Contact and OATS.
- Implemented TOP 120 rule which changes the time frame around delinquent clients being sent for Treasury Offset.
- Upgraded agency workstations to Windows 10.
- Installed Office 365 on all agency workstations.
- Logged and resolved 1,550 helpdesk calls.
- Retired 199 pieces of old equipment.
- Moved agency firewalls to the Office of Administration's virtual firewall platform.



## Bureau Summaries

### Bureau of Administration, Policy and Training

*The Bureau of Administration, Policy and Training (BAPT) supports OIG 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. The division coordinated 18 hires and 11 internal promotions in FY 2016-17.

#### Budget Division

The Budget Division manages the OIG'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. In FY 2016-17, the division administered a total budget of \$27.2 million.

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 OIG Avoidance and Recovery System (OARS). For FY 2016-17, the Division posted 68,979 payments.



## Bureau Summaries

### Training Division

The Training Division offers initial orientation training to all new OIG 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 OIG 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 OIG. The Training Division promotes the agency to potential future employees at college career fairs throughout the commonwealth.

In FY 2016-17, the Training Division:

- Conducted 4,112 hours of in-house/ outreach training on various skills and job-related topics, including the STP, Child Abuse Reporting Training, agency-wide Investigative Interviewing Refresher Classes and outreach presentations to DHS;
- Attended 14 college career fairs to speak to students about the mission of the OIG and prospective job openings/ opportunities within the agency;
- Conducted an intensive STP for five new Claims Investigation Agents and seven new Welfare Fraud Investigators;
- Worked with DHS' Office of Income Maintenance to conduct informational sessions detailing the OIG referral process to newly hired Income Maintenance Case Workers during their Income Maintenance Standard Training Program and Statewide Processing Center presentations;
- Facilitated web-based training courses (WBT) to OIG employees on subjects required by both commonwealth policy and internal operational needs. A sample of trainings included Employee Emergency Awareness, State Records Management, Workplace Violence Prevention, Managing Diversity in the Workplace and an OIG-developed course on Fair Hearings for Investigators.



## Bureau Summaries

### Policy Division

The Policy Division supports other OIG 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 OIG 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 OIG.

In FY 2016-17, the Policy Division:

- Continued updating OIG procedural manuals and client notices to ensure adherence to changes in regulations;
- Continued updating OIG's internal policy manual where needed;
- Assisted in the creation of the electronic referral process for the field investigation program;
- Continued to work with the DHS on joint policy issues, including state and federal regulation updates.



## Outreach and Communications

### Overview

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

OIG 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 OIG 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 OIG 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 OIG traditionally put 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, OIG instead began reporting the number of people charged with welfare fraud and their restitution total. These numbers more accurately reflect OIG 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 OIG in the last half of FY 2016-17. Many of these stories were among the top trending stories on the websites of the media organizations that produced them.

### Training

The OIG 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 OIG 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. In FY 2016-17, the OIG presented at three OA Supervisor Academy trainings.

OIG staff also did an educational presentation on grant management and oversight, by request, for employees of a state commission in FY 2016-17.

### Partnerships

The OIG continued in FY 2016-17 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. OIG presented at 31 standard training programs for new Income Maintenance Caseworkers at local DHS county assistance offices in FY 2016-17. In addition, OIG did five refresher trainings for Child Care Information Services offices, three presentations at statewide processing centers and two E-Referral overview refresher trainings at county assistance offices.

The regional BFPP offices also provide Income Maintenance Caseworker trainings. In FY 2016-17, the regional offices offered 10 trainings or presentations at local DHS county assistance offices and Child Care Information Services offices.

## Staff Complement for Fiscal Year 2016-17

### Total

Office of Inspector General	
	<b>211</b>
Executive and Legal	
Bureau of Special Investigations	12
Bureau of Fraud Prevention & Prosecution	22
Bureau of Administration, Policy & Training	147
Bureau of Information Systems	18
	12

### Investigative Staffing

Bureau of Special Investigations	
Management	3
Special Investigators	18
Investigative Support Staff	1

Bureau of Fraud Prevention & Prosecution	
Management	28
Welfare Fraud Investigators	70
Claims Investigations Agents	36
Investigative Support Staff	13

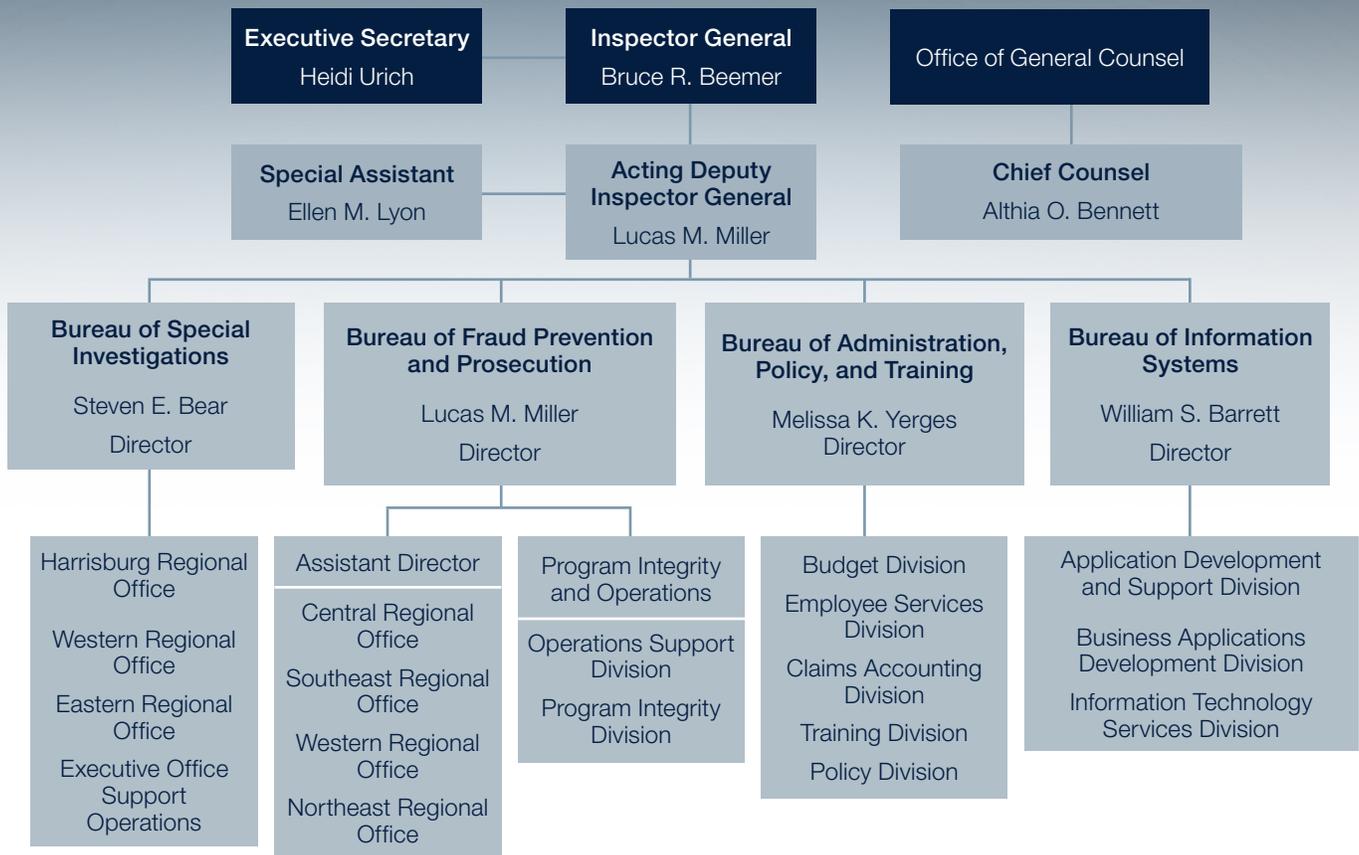
### Regional Staffing

Bureau of Special Investigations	
Harrisburg Headquarters	19
Western Regional Office	2
Southeast Regional Office	1

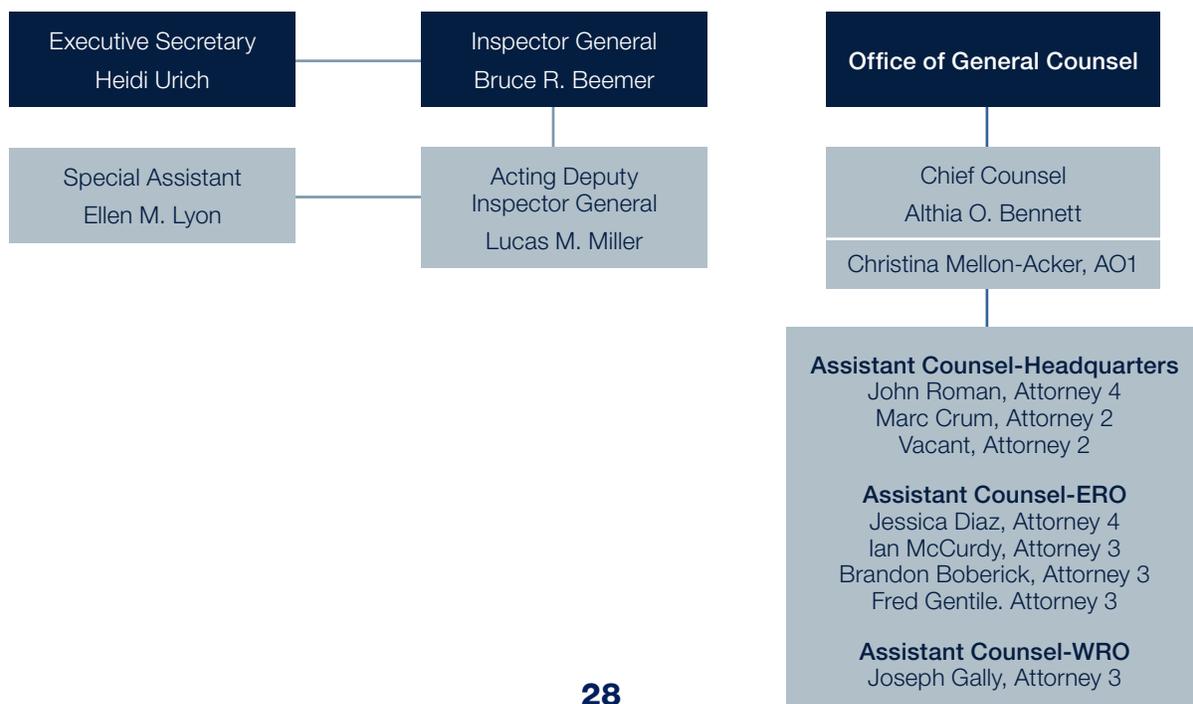
Bureau of Fraud Prevention & Prosecution	
Southeast Regional Office	28
Northeast Regional Office	30
Western Regional Office	37
Central Regional Office	34



## Office of Inspector General



## Executive Office

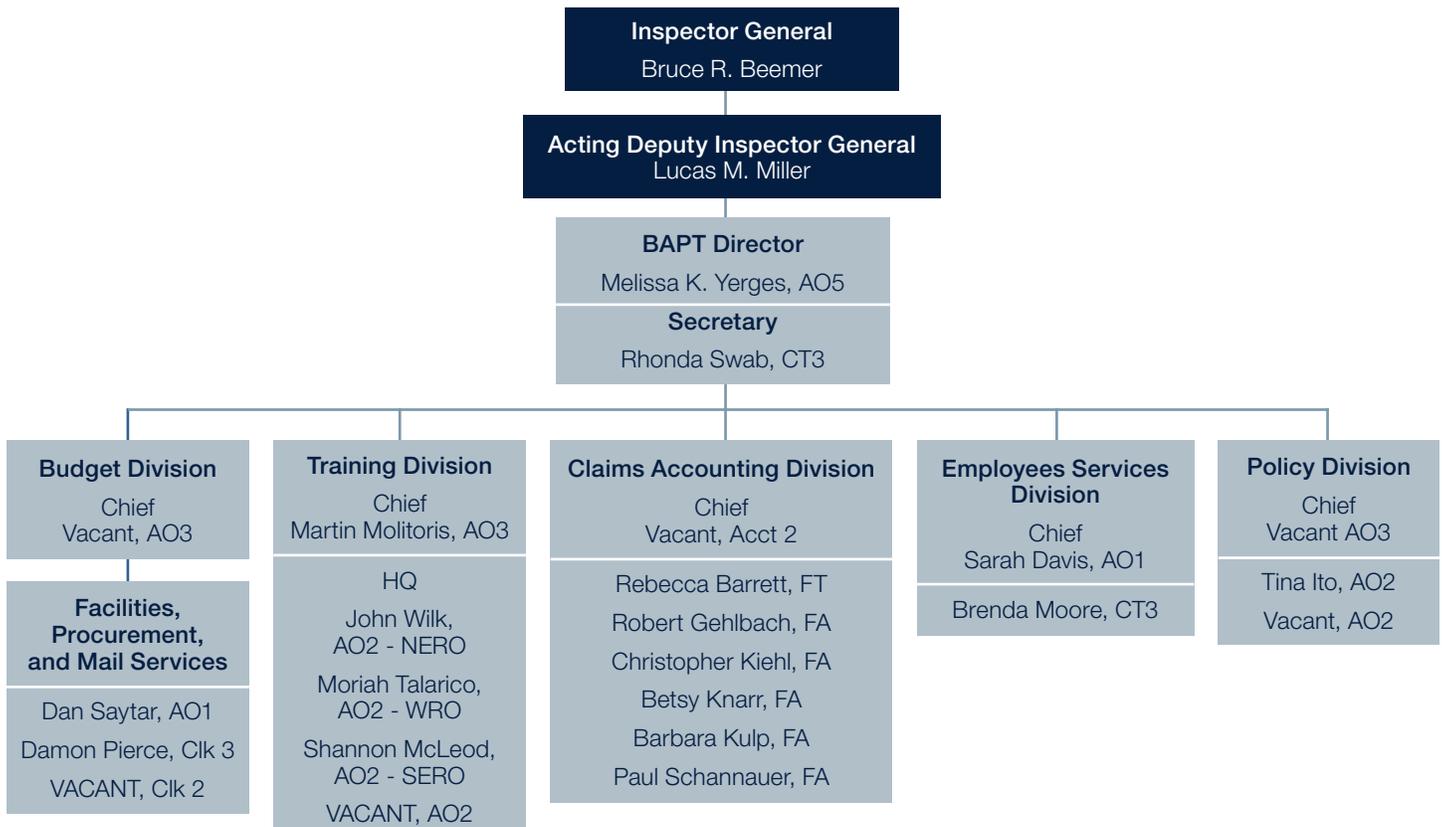




## Bureau of Special Investigations

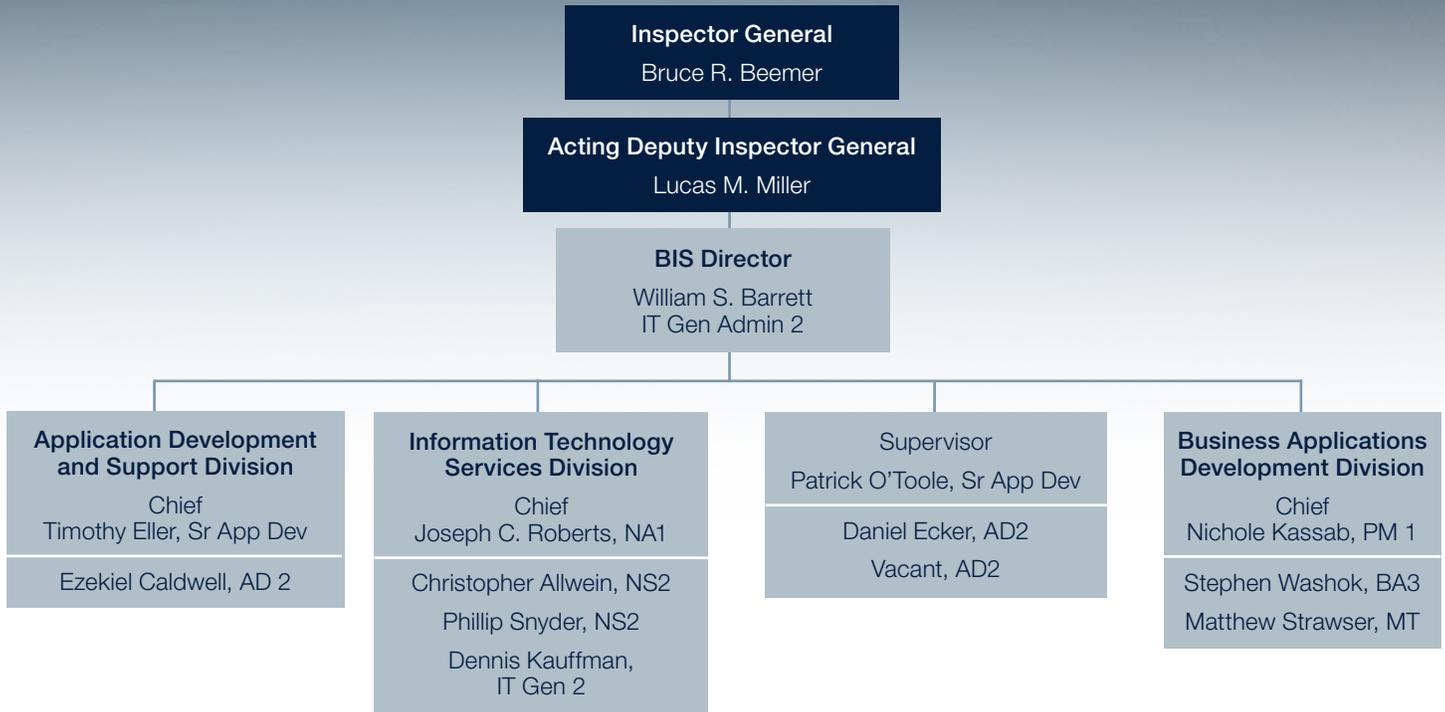


## Bureau of Administration, Policy, and Training

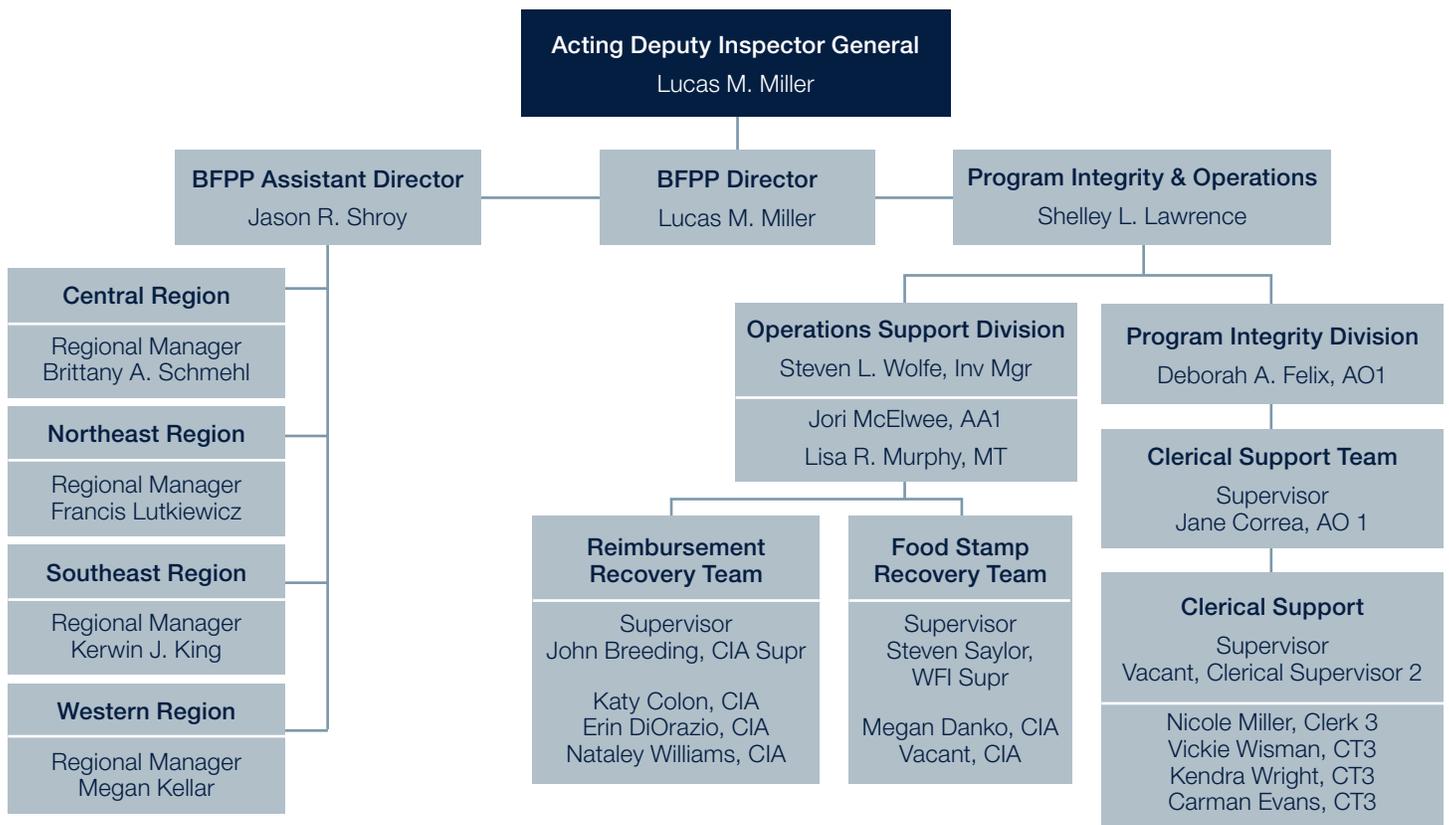




## Bureau of Information Systems

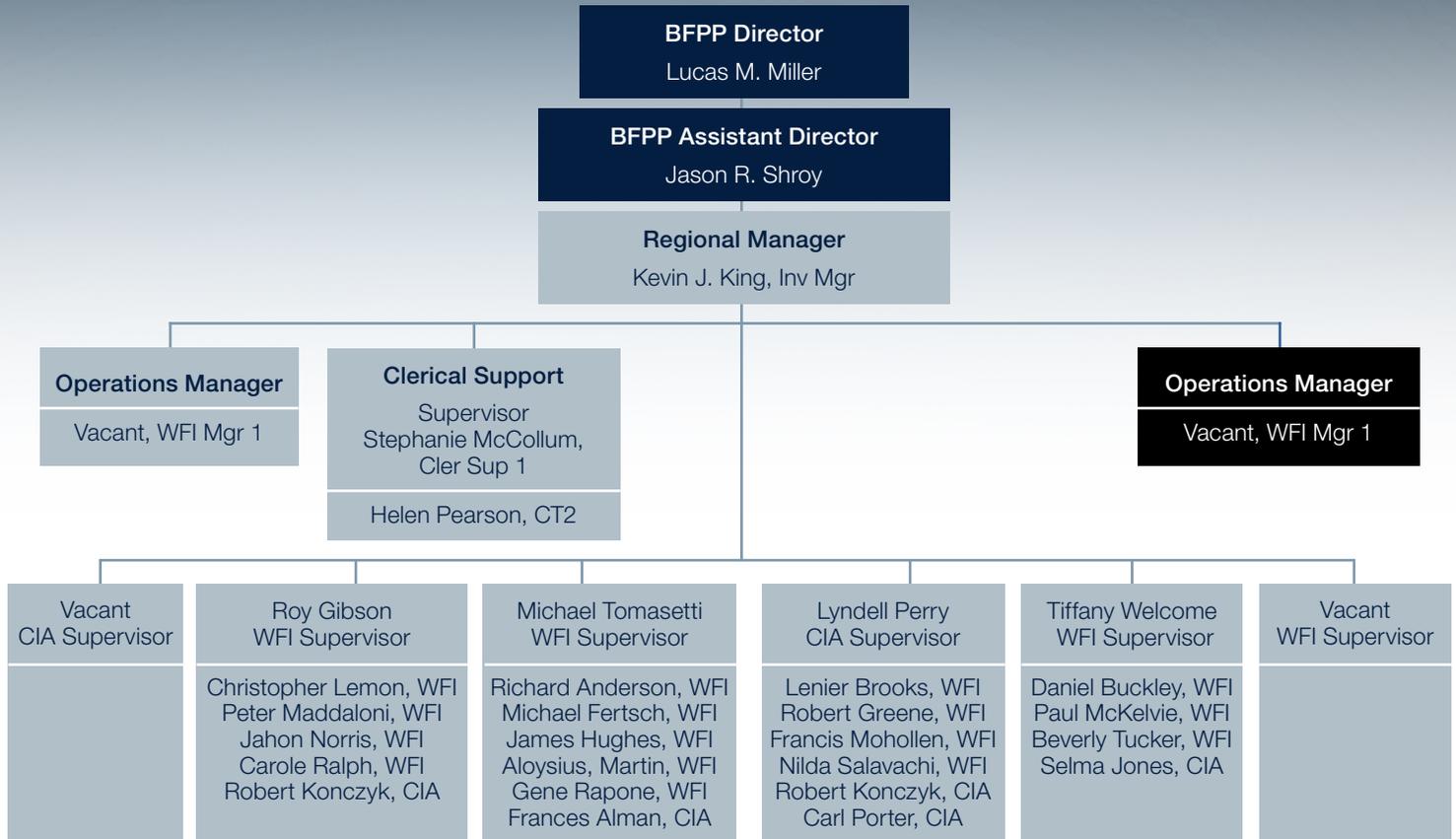


## Bureau of Fraud Prevention and Prosecution

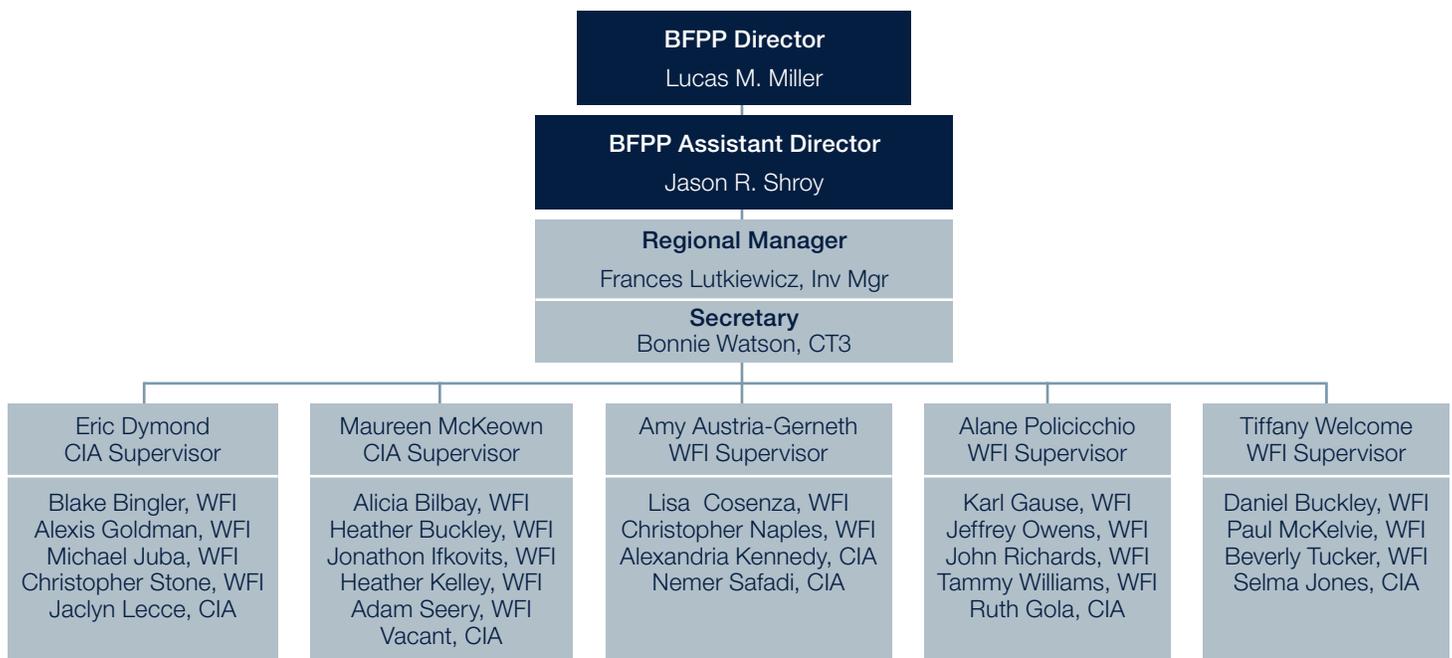




## Bureau of Fraud Prevention and Prosecution Southeast Region

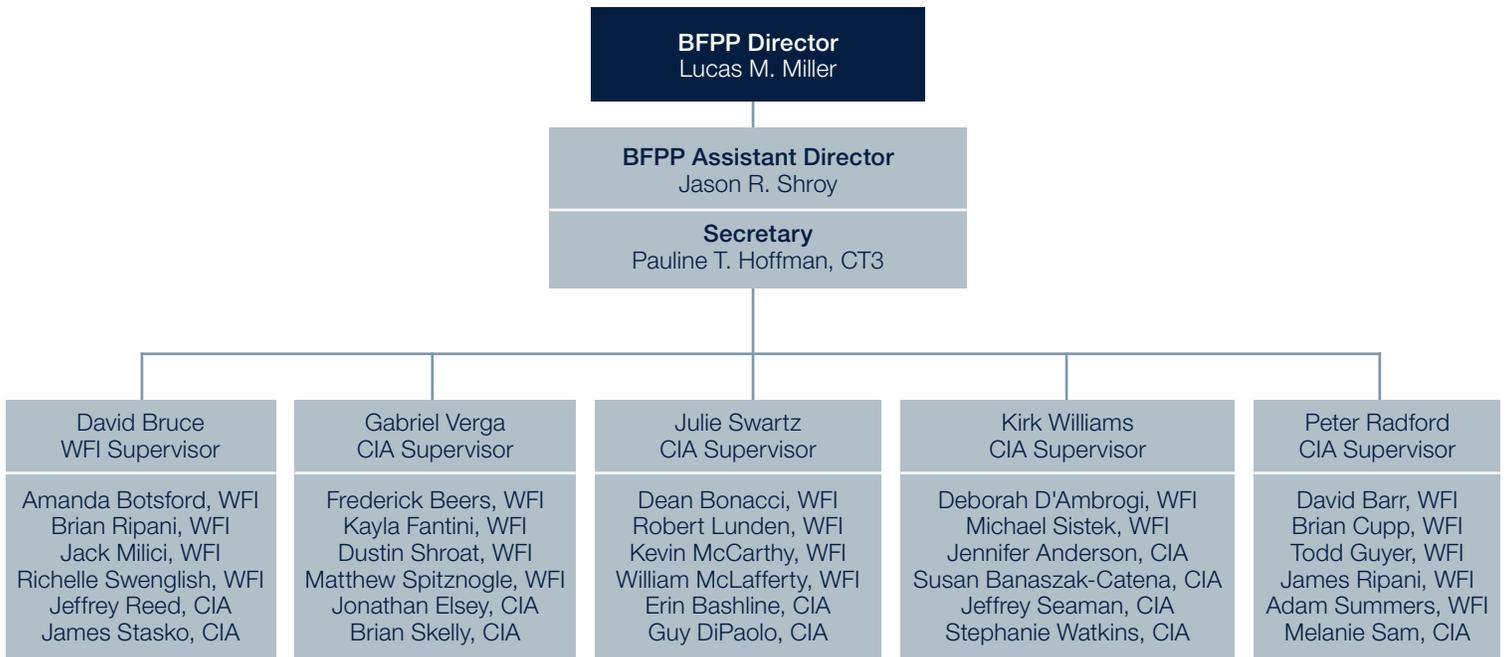
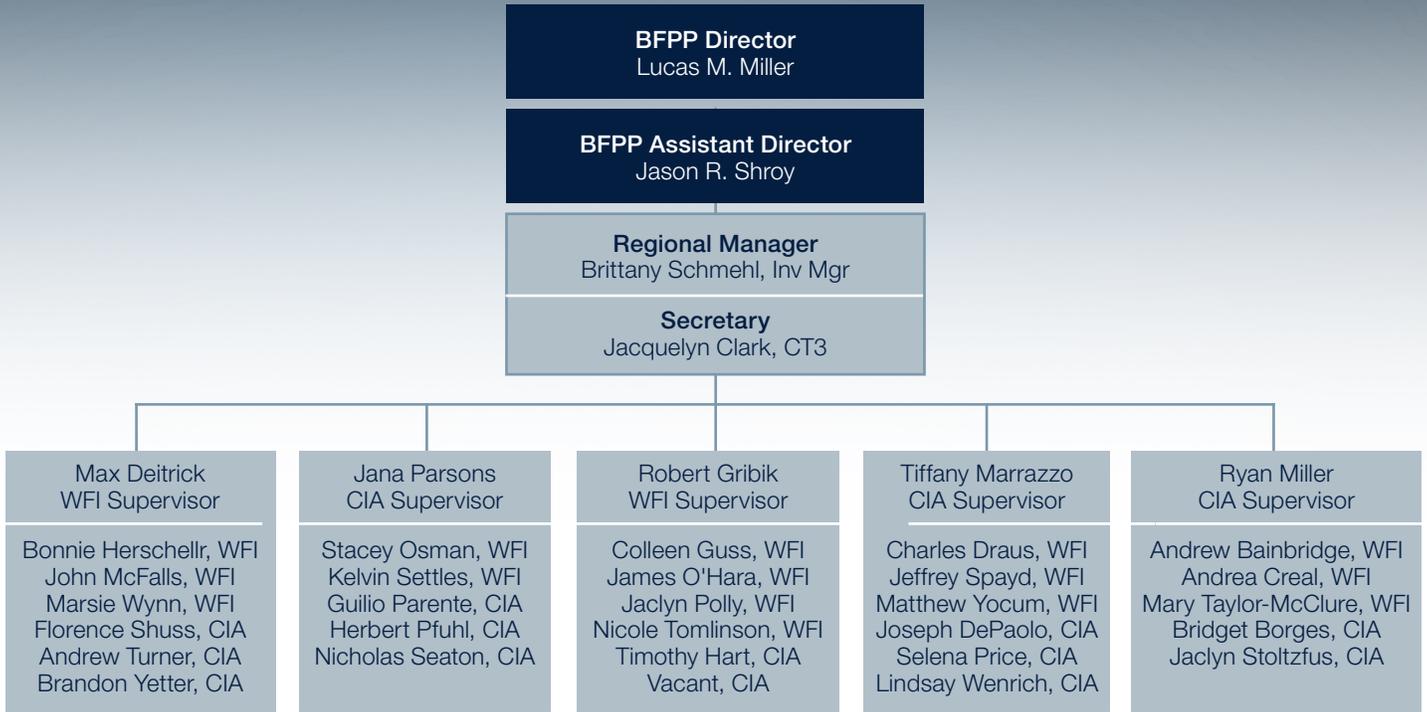


## Bureau of Fraud Prevention and Prosecution Northeast Region





## Bureau of Fraud Prevention and Prosecution Central Region





**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 Inspector General**  
555 Walnut Street, 7th Floor  
Harrisburg, PA 17101

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

**<http://www.oig.pa.gov>**

*All calls and correspondence are confidential*



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## **OFFICE OF INSPECTOR GENERAL**

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