

**OFFICE OF STATE
INSPECTOR GENERAL**



**House Appropriations Committee
Hearing Testimony**

State Inspector General Lucas M. Miller

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Introduction

Thank you, Chairman Harris, Chairman Grove, and distinguished members of the House Appropriations Committee, for the opportunity to provide testimony on Governor Shapiro's proposed 2023-24 budget for the Office of State Inspector General (OSIG). It is a special privilege to update the General Assembly and the public about the excellent work our employees at OSIG perform each day.

Whether securing our public benefits programs that serve our most vulnerable neighbors, protecting grant and procurement integrity, or assisting our executive partners in finding better and more efficient operations, OSIG works each day to promote the values of good government. Through your fiscal support, OSIG works to ensure that the citizens of Pennsylvania can trust that their government is operating efficiently and that the fraud, waste, abuse, and misconduct that tears at the fabric of that trust is vigorously and purposefully addressed.

Protecting Public Benefits

Public benefit program integrity is a core component of public benefits, and without it, public assistance programs would be susceptible to fraudulent activity. It is also critical to ensure benefits are reaching those most in need. Our trained law enforcement investigators and administrative support staff are ready to meet that challenge. OSIG is charged with the investigation and prosecution of public benefits fraud in Pennsylvania and conducts collections and enforcement actions on behalf of the Pennsylvania Department of Human Services (DHS) and county-based Early Learning Resource Centers (ELRC's). Special Agents within OSIG's Bureau of Fraud Prevention and Prosecution (BFPP) are specially trained to investigate the following benefits programs:

- Temporary Assistance for Needy Families (TANF),
- Medical Assistance (Medicaid),
- Supplemental Nutrition Assistance Program (SNAP, formerly food stamps),
- Subsidized Childcare (supervised by the ELRC's),
- Medical Assistance Transportation Program (MATP),
- Low Income Home Energy Assistance Program (LIHEAP), and
- Special Allowance programs.

With Governor Shapiro's budget commitment to feed those in need, despite decreases in federal funding, OSIG stands ready to safeguard both state and federal taxpayer dollars.

In each of the Commonwealth's 67 counties, BFPP operates two main investigative programs to both prevent fraud from occurring and to hold accountable those individuals who commit fraud. In the last fiscal year, BFPP conducted 19,872 field investigations. The purpose of the field investigation program is to assist DHS/ELRC caseworkers in obtaining the information necessary to determine whether an individual is truly eligible for public benefits and by extension, preventing public benefit recipients from receiving overpayments that are potentially subject to criminal investigation. Further, by assisting DHS and ELRC's in obtaining information to correctly determine eligibility, these field investigations saved the Commonwealth over \$39 million. These agencies are then able to use this money to continue to support Pennsylvanians in

need. Of the field investigations conducted, just over 40% provided additional or unknown information that directly affected an individual's eligibility, resulting in benefit reductions or closures.

During the same period, BFPP conducted thousands of fraud investigations which resulted in the prosecution of 662 individuals for committing public assistance fraud. Those cases produced over \$3 million in assigned restitution and additional cost savings of over \$1.6 million from the disqualification of these individuals from the programs which they defrauded.

BFPP also protects SNAP recipients by fighting SNAP trafficking. BFPP conducts 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. BFPP also investigates and prosecutes other EBT card-related crimes, such as theft, access device fraud, and identity theft. Since December 2020, BFPP has filed over 30 criminal charges related to SNAP trafficking and access device fraud.

During the pandemic, Congress passed the American Rescue Plan, which established new funding for public assistance, including for emergency rental assistance programs. In Pennsylvania, DHS was designated as the agency to oversee the newly created Emergency Rental Assistance Program (ERAP), and in early 2022, BFPP was tasked with the investigation of applicant eligibility and potential fraud within ERAP. BFPP quickly updated its systems to accommodate this new program and began accepting referrals in March 2022. Since the program's inception, BFPP has conducted 715 ERAP fraud investigations on behalf of DHS and their community-based business partners. These investigations have resulted in nearly \$5 million in cost savings for the program. In addition, BFPP has filed criminal charges on nine individuals who obtained ERAP funds under fraudulent circumstances. If convicted, these individuals will owe tens of thousands of dollars in restitution. BFPP continues to accept fraud referrals throughout the Commonwealth and is actively investigating over 50 referrals of ERAP fraud. ERAP fraud happens in many ways, but a typical case often involves a landlord claiming that a renter is behind in rent, when in reality, the renter either does not exist or has fully paid their rent.

While BFPP works to eliminate fraud, waste, and abuse in public benefit programs, it has also made its own processes more efficient, saving valuable Commonwealth resources. OSIG and DHS developed and implemented an Electronic Referral System which removed wasteful processes, eliminated all paper, allowed for instantaneous referrals of investigations, optimized travel to DHS County Assistance Offices, and greatly limited costly physical file storage.

BFPP's greater efficiencies have also led to better customer service, with the creation of an online payment portal to assist individuals with payments related to public assistance benefits.

These payments refund benefit programs which helps ensure that Pennsylvanians with the most need receive services. The payment portal allows individuals to easily and immediately make payments on their balances from their computers or mobile devices using credit cards or their personal checking account information. Previously, individuals had to mail in payments using checks or money orders and pay postage. The new online process will help them save money, make timely payments, and avoid the inconvenience of paying by mail.

The work of BFPP Special Agents is an extraordinarily sound investment of taxpayer dollars. For every \$1 spent on this work, OSIG returns \$6.03 to the Commonwealth. I want to emphasize that our work ensures the very existence of public benefits programs by assuring the public of the integrity of these programs, but it also results in real savings to the Commonwealth, not just recycled federal funds. As in prior years, OSIG collections and savings for the Commonwealth – totaling over \$80 million – vastly exceeded the state appropriation for public benefits fraud.

Integrity and Ethics

In addition to our public benefits program integrity mission, OSIG has primary responsibility, through the Bureau of Special Investigations (BSI), to deter, detect, prevent, and eradicate fraud, waste, misconduct, and abuse in the programs, operations, and contracting of executive agencies.

Nationally, the role of inspectors general in securing the values of good government is coming to the fore. OSIG is proud to help combat fraud, waste, and abuse and to develop efficient and effective processes with our executive agency partners that reflect those values. This further serves to increase the public's trust in their government.

During the last fiscal year, BSI conducted 25 investigations and program reviews to fight inefficiencies and eliminate fraud, waste, and abuse. BSI Special Investigators investigate matters ranging from employee misconduct to comprehensive programmatic reviews which assist the agencies we serve in improving policies and procedures. BSI is available to all executive agencies to conduct program reviews or investigate allegations, and agencies come to BSI frequently with their concerns.

BSI also helps ensure the integrity of the Commonwealth hiring process by conducting extensive background investigations on executive level Commonwealth employees and judicial nominees. These background checks ensure accountability within Commonwealth hiring. In the last fiscal year, BSI conducted 221 background investigations, and they have already conducted 224 this fiscal year.

In an effort to ensure accountability, BSI meticulously considers and processes over 35 complaints every month. Every concern is taken seriously, and we are dedicated to the integrity of state government. I am proud of the diligence and commitment to excellence of each of our BSI investigators. The important work that our Bureau of Special Investigations does on behalf of executive agencies to protect the integrity of their operations and promote public confidence in government is wholly state funded. We are tremendously grateful for the support we have

received from Governor Shapiro and the bipartisan support of the General Assembly in continuing to pursue that mission.

Innovation in Fraud Prevention

In 2022, OSIG initiated the Grant Fraud Prevention Partnership. This partnership is a pilot program designed to foster a collaborative relationship between executive agencies and OSIG for the purpose of identifying high risk financial arrangements within Commonwealth agencies. The pilot began with two inspections of grant programs within a Commonwealth agency, including arrangements the agency identified as high risk. OSIG Inspectors completed a detailed examination of these arrangements and identified nearly \$150,000 in questioned costs for recovery from the grant recipients. These recovered payments would not have been identified without this collaboration, which brought together the enterprise risk management completed by the agency with the subject matter expertise of the OSIG Inspectors. The collaboration identified questioned costs while ensuring taxpayer dollars were spent prudently.

I am especially pleased to report that our Office is developing a new initiative which will allow OSIG Inspectors with expertise in contracting, grants, and procurements to serve as “integrity monitors.” This innovative initiative will help the Commonwealth detect and prevent corruption, fraud, waste, abuse, and unethical practices within Commonwealth procurement and grant funding. By providing subject matter expertise and resources throughout the lifespan of the financial arrangement, integrity monitoring can provide an atmosphere of accountability throughout the contracting or procurement process. This will provide support for these processes while helping to assure the public’s trust in state government. We expect this will save the Commonwealth significant money, as wasteful spending is stopped before it can even begin.

This new initiative of inspections and integrity monitoring will also develop our ability under our enabling statute, Act 29 of 2017, to perform inspections in compliance with the best practices set forth by the Council of the Inspectors General on Integrity and Efficiency (CIGIE) and the Association of Inspectors General (AIG) “Green Book.” These publications establish principles and standards for an office of inspector general. These standards foster and promote public accountability and integrity in the general areas of prevention, investigation, inspection, detection, and elimination of fraud, waste, and abuse. These standards are achieved through research and analysis, standardization of practices, professional development, educational programs, and the establishment of professional qualifications, certifications, and licensing. OSIG has adopted these standards and have staff with expert level qualifications and certifications in the areas of Investigation, Inspection, and Evaluation.

Inspections and integrity monitoring will act as a financial integrity force multiplier, through which our inspectors can help identify and avoid waste and error in the administration of state grant programs and contracts, both before and after they occur. While work on this initiative is already underway, we are grateful for assistance in developing material and personnel resources to grow and scale this important work.

A Dedication to Professionalism

At OSIG, we work hard to practice what we preach, and we hold ourselves to the same rigorous standards we utilize when conducting a review of any other Commonwealth agency. We have dedicated ourselves to maintaining excellent policies and procedures, which are frequently updated and communicated to our entire staff. As a law enforcement agency, we are proud to have published our policies and procedures on our website so that our practices are transparent to the public.

We also have strict policies for training. All newly hired investigative staff at OSIG attend the Commonwealth Investigator Training Program (CITP). This program is jointly operated with the Office of Attorney General with the goal of providing standardized training to both civil and criminal investigators employed by the Commonwealth of Pennsylvania. CITP is currently conducting its ninth training session and OSIG investigative staff have attended all nine training sessions.

Internally, OSIG is working to update its agency specific training programs. While CITP provides broad knowledge on civil and criminal investigations, internal OSIG training programs look to focus solely on the types of investigations conducted by the agency and the investigative resources available. Our most recent training addition is the creation of our Field Training Program, which will allow employees to test the knowledge learned in the classroom or online so they can better understand and apply the concepts they have been taught.

OSIG also continuously promotes the professional development of its staff through ongoing training and certification programs. OSIG is a Law Enforcement and Government Alliance Partner with the Association of Certified Fraud Examiners, and BFPP's law enforcement staff are currently pursuing United Council of Welfare Fraud - Certified Welfare Fraud Examiners Certifications, with 12 Special Agents expected to be certified in April 2023.

BSI investigative staff maintain the professional certification of Certified Fraud Examiner (CFE) through the Association of Certified Fraud Examiners. Currently, BSI has 20 investigators that hold the CFE certification. The Association of Inspectors General (AIG) is a professional, non-profit organization that supports and advances the professionalism and integrity of Inspectors General offices. BSI currently has 22 investigators that hold the Certified Inspector General Investigator (CIGI) certification through AIG, and OSIG recently had its first two staff certified as AIG Certified Inspector General Inspector/Evaluators. Nearly 90% of BSI's investigators hold one of these professional certifications. Further, both myself and my First Deputy State Inspector General have completed Certified Inspector General training and certification from AIG.

Securing the Public Trust

OSIG works to uphold the values of ethics, integrity, and accountability. These ideals serve as the foundation for every action taken by our agency. I respectfully submit that the work of an inspector general can thwart the cynicism about government which impedes our collective ability to help our fellow Pennsylvanians. We are very much partners with every Pennsylvanian as we pursue these values. Through our telephone hotline and our webpage, we receive hundreds of tips from the public about public assistance fraud and government misconduct. Recently, we



have begun to engage with the public through social media so that we can directly counter this cynicism on a daily basis.

It is for all of these reasons that OSIG is requesting a direct appropriation of \$5,948,000 for the Office of State Inspector General fund and \$13,232,000 for the State Inspector General-Welfare Fraud to continue this important work.

It is the mission of the Office to aggressively pursue and disrupt public benefits fraud and waste as well as abuse of government resources. It is truly our privilege to join our colleagues in Inspector General offices across the country in fulfilling that mission and increasing public trust and confidence in the government. As Governor Shapiro has observed, public service is a public trust. We are proud to play a role in protecting that trust.

I offer my sincere thanks, on behalf of all the employees of our Office, for the honor of appearing before the committee today. We are all grateful for your help and support in making our mission possible.