



Commonwealth of Massachusetts
Office of the State Auditor
Suzanne M. Bump

Making government work better

August 7, 2012

Bureau of Special Investigations Fourth Quarter Report – FY2012

April 1, 2012 – June 30, 2012

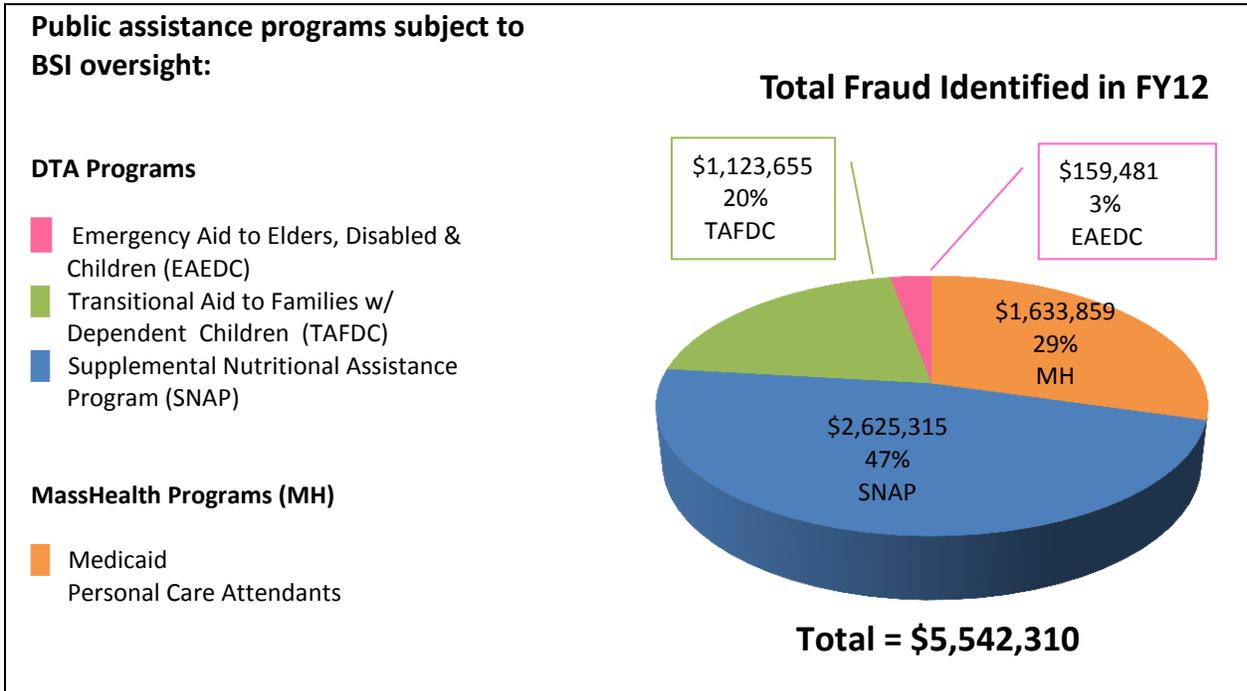


BUREAU OF SPECIAL INVESTIGATIONS

The Bureau of Special Investigations serves one of the most important functions in the State Auditor's Office -- protecting public assistance programs from fraud and recovering taxpayer dollars from those who try to cheat the system. During challenging fiscal times, BSI investigations take on even greater importance as agencies and assistance programs struggle to stretch fewer dollars available to help those in need. BSI oversight identifies millions of dollars in fraud every year. For the last two fiscal years, BSI detected fraudulently-gained payments equal to nearly a quarter of the entire State Auditor's annual budget appropriation.

Investigations also act as a deterrent to criminals and help agencies and vendors better manage public assistance programs, part of Auditor Bump's mission to help government work better.

BSI examiners work out of five offices throughout the state, investigating referrals from the Department of Transitional Assistance (DTA), MassHealth, law enforcement agencies, and the general public. BSI examiners work with dozens of state agencies in tracking fraudulent claims. Investigations where examiners document fraudulent activity are turned over to the appropriate law enforcement entity -- the Attorney General; the ten District Attorneys' Offices; and the U.S. Attorney's Office -- for potential criminal prosecution, and to the appropriate agency for recoupment of fraudulently obtained funds. These entities establish restitution payments and are responsible for collecting settlement amounts.



QUARTER ACTIVITIES AND ACCOMPLISHMENTS

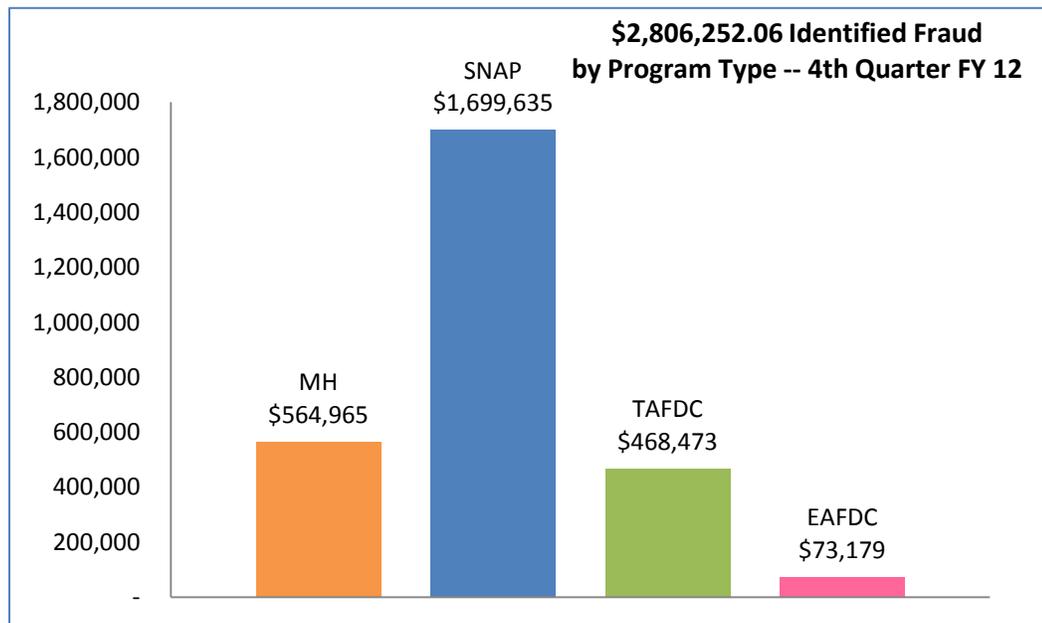
CASELOAD

At the start of the fourth quarter of FY 2012, BSI's caseload included 1,628 cases in various stages of investigation. BSI received 2,287 new allegations of fraudulently obtained public assistance benefits and services between April 1, 2012 and June 30, 2012. BSI ended the fourth quarter with a case load of 1,884.

Summary by Source	CC	MassHealth	DTA	Hotline	Other
Beginning Balance	10	324	1,227	60	7
New cases	0	161	2,109	16	1
Completed w/fraud	0	34	505	7	0
Completed w/o fraud	0	121	1,347	11	6
Ending Balance	10	330	1,484	58	2

INVESTIGATIONS

During the fourth quarter, BSI examiners completed 2,031 investigations. BSI examiners found evidence of fraudulent activities amounting to \$2,806,252.06 in fraudulently obtained public assistance benefits and services in 546 of these investigations.



RECOUPMENT ACTIVITIES BY PROGRAM TYPE

MASSHEALTH (MH)

Of completed cases with identified fraud, 38 had a Medicaid or Personal Care Attendant component, totaling \$564,965 in falsely obtained payments. In one case, BSI uncovered \$65,500 in fraudulently paid services. It has been resolved through civil recovery and the funds repaid to the Commonwealth. BSI examiners filed criminal charges against three individuals in the Boston Municipal Court, alleging they fraudulently received MassHealth benefits totaling \$34,787. Two cases of fraudulently obtained services totaling \$60,000 have been resolved in Brockton Superior Court and Suffolk Superior Court; the defendants were found guilty and ordered to repay the Commonwealth. Twenty seven additional cases with a fraud value of \$256,772 are being prepared for MassHealth to seek civil recovery. An additional three cases, totaling \$127,170, have been sent to MassHealth for civil recovery. One case of MassHealth fraud uncovered fraudulently paid benefits in the amount of \$53,056 has been resolved through civil recovery payment of which \$30,000 paid to the Commonwealth.

SUPPLEMENTAL NUTRITIONAL ASSISTANCE PROGRAM (SNAP)

Of completed cases with identified fraud, 465 had a SNAP component, totaling \$1,699,635 in falsely obtained benefits. 373 cases, totaling \$483,571 in fraudulently obtained benefits, have been sent to DTA for civil recovery. In a joint investigation with BSI examiners and federal authorities, a Connecticut couple were found guilty of Food Stamp trafficking in US Federal Court in Springfield and sentenced to one year Federal prison, three years probation and ordered to make full restitution totaling \$1,001,737.

BSI examiners filed criminal charges against seven individuals in the Boston Municipal Court, alleging they fraudulently received SNAP benefits of \$12,605. Eighty two additional cases with SNAP benefits fraud totaling \$200,883 are being prepared for civil recovery through BSI.

Three cases of fraudulently obtained SNAP benefits totaling \$56,584 were found guilty in Boston Municipal Court and ordered to repay the Commonwealth.

TRANSITIONAL AID TO FAMILIES WITH DEPENDENT CHILDREN (TAFDC)

Of completed cases with identified fraud, 170 had a TAFDC component, totaling \$468,473 in falsely obtained benefits. Of those cases, 143 with the amount of fraud totaling \$377,993 have been sent to DTA for civil recovery. In addition, 26 cases with a TAFDC value of \$89,252 are being prepared for civil recovery through BSI. In one instance charges have been filed in Boston Municipal Court, alleging fraudulently received TAFDC benefits of \$1,228.

EMERGENCY AID TO ELDERS, DISABLED, AND CHILDREN (EAEDC)

Of completed cases with identified fraud, 39 had an EAEDC component, totaling \$73,179 in falsely obtained benefits. Of those, 34 cases totaling \$49,836 of identified fraud have been sent to DTA

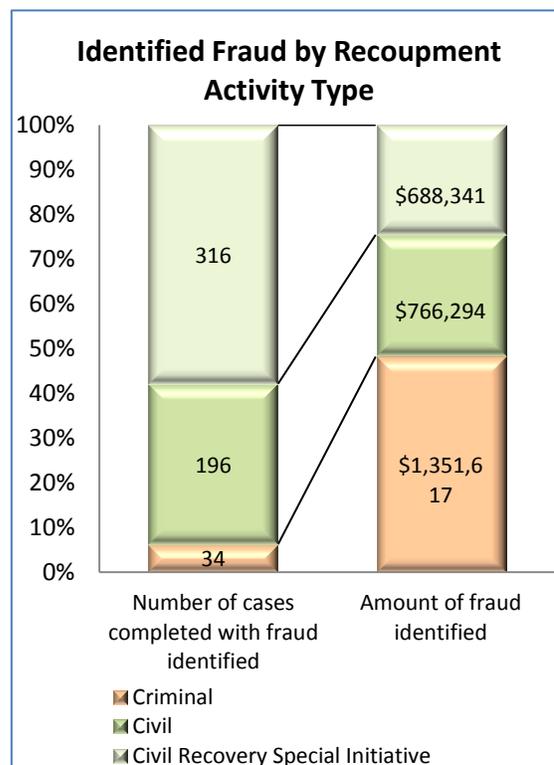
for civil recovery. Five cases with an EAEDC value of \$23,343 are being prepared for civil recovery through BSI.

IDENTIFIED FRAUD BY RECOUPMENT ACTIVITY TYPE

CIVIL RECOVERY INITIATIVE

In June 2010, BSI began focusing on civil cases of fraud such as under-reporting income which could be quickly investigated by verifying employee business records and fast-tracked back to the Department of Transitional Assistance for recovery of the funds. In the fourth quarter of FY 2012, BSI Examiners completed 316 cases through this initiative and identified \$688,340.86 in fraudulent claims.

196 cases with identified fraud were sent back to the appropriate agencies for civil recoupment of fraudulently obtained funds totaling \$766,294.26 and 34 cases have been or are currently in the process of being turned over to the appropriate law enforcement entity for potential criminal prosecution and recovery of a total amount of \$1,351,616.94.



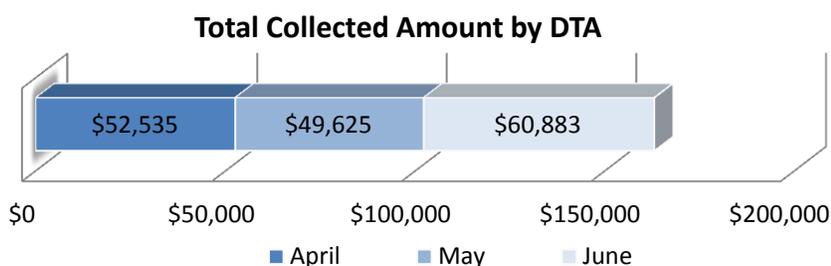
PROJECTED IDENTIFIED FRAUD

During this quarter, BSI Fraud Examiners concluded investigations on 32 cases in which fraud was determined and submitted the findings to the Department of Transitional Assistance for a financial calculation to determine the exact amount of fraud. This information is required before a final decision is made on how to proceed towards disposition of the case and determining the best method to pursue recovery of funds. The 32 cases have a projected fraud amount of \$96,690.

FINANCIAL RECOVERY

To gain a better understanding of the actual fiscal impact of its investigations, BSI requested the Department of Transitional Assistance (DTA) to submit a regular electronic report on the monthly payments it receives through court order and civil recovery as the result of BSI investigations.

	Sum of collected amount	Number of payments made
April	\$52,534.85	582
May	\$49,624.94	723
June	\$60,883.18	743
Total/Summary	\$163,042.97	2,048



INITIATIVES

FAST TRACKING REFERRALS

BSI takes in new allegations of fraud from other state agencies, as well as allegations submitted through the OSA Fraud Reporting Hotline and website. In an effort to prevent ongoing fraud, BSI began streamlining the process which fraud referrals are received. The “Fast Tracking” system allows BSI Fraud Examiners to identify priority referrals and cases with present fraud for immediate investigation. The new systems allow Fraud Examiners to prepare investigative plans, enter the field, conduct interviews, and obtain documents within days.

Acting in a timely manner is essential to an effective investigation. Determining the investigative findings stops the fraud scheme from continuing. Also, the quicker BSI Fraud Examiners are able to begin their investigation, the likelihood of uncovering stronger evidence increases. Fast tracked cases are able to be completed and arrive on prosecutor’s office while the evidence is still fresh

During this quarter, two of the twenty six “fast track” referrals assigned to BSI Fraud Examiners are currently under review and are being considered for criminal court path after the Fraud Examiners prepare the prosecution memos for presentation to the BSI Director for approval. Two are being investigated for Electronic Benefits Transactions (EBT) fraud for trafficking food stamp benefits for cash, a violation of state and federal regulations. An additional nine cases have been completed and the findings have been reported back to the respective agencies. The remaining thirteen cases are under investigation awaiting completion by the examiners.

WARRANT INITIATIVE

BSI examiners sent twelve letters to subjects and received several inquiries regarding the outstanding warrants and the defendants' willingness to resolve these cases. In two cases the warrants have been cleared and the cases were adjudicated in the court system upon receipt of lump sum payments totaling \$1,650 to the Commonwealth. In another instance, the warrant was cleared and the case dismissed and remanded back to DTA for payment totaling \$2,528. An additional three cases are awaiting final disposition in district courts.

NON-COURT INITIATIVE

During this quarter, BSI focused its work on outstanding non-court civil recovery cases. These are older cases where fraud had been identified and civil recovery would be pursued by BSI in lieu of court prosecution.

BSI Examiners have updated the information on each individual and letters were sent to subjects identified in each case explaining the meaning, the risk of not responding, and the method of payment for the identified fraud by which the case can be resolved.

Of the Nineteen cases with an identified fraud amount totaling \$166,994, in one instance of fraud totaling \$4,967 has been resolved through civil recovery and the funds will be repaid to the Commonwealth. One case of fraudulently paid benefits of \$65,500 has been resolved through civil recovery lump sum payment to the Commonwealth.

Two additional cases have been returned to Department of Transitional Assistance. The remaining fifteen cases are pending final resolution by BSI Examiners.

BSI CASE HIGHLIGHT – PUBLIC ASSISTANCE FRAUD

COMMONWEALTH V. MARINA MORRISON BSI Examiner: Kelly Butts

Marina Morrison was charged with two counts of larceny over \$250 and false representations to procure PCA money. The charges came as a result of an investigation by BSI which acted on a referral from MassHealth, alleging Marina Morrison fraudulently collected \$11,781 in MassHealth payments by falsifying documents that she was performing services as PCA for her patient for two months, including one month after the patient's death. Morrison also continued to collect her patient's Social Security payments for three months after his death, totaling \$1,561. The court continued her case until September for pre-trial hearing.

COMMONWEALTH V. STEPHEN CAPRARELLA
BSI Examiner: Monique Packer

Stephen Caprarella was charged with larceny over \$250 and six counts of false representation to procure welfare. The charges came as a result of referrals that BSI received from DTA and Office of Elder Affairs, alleging Caprarella was also fraudulently collected \$3,972 in MassHealth payments by falsifying documents that he was performing services as a PCA for his patient for three months after her death. Caprarella also was fraudulently collecting \$2,271 in benefits from the SNAP and EAEDC. Caprarella failed to report his income earned as a PCA to the programs' oversight agency, the Department of Transitional Assistance, making him ineligible for the benefits received.

UNITED STATES V. KATHLEEN LAMSON AND JORGE MARTINEZ
BSI Examiner: Mike Abramson and Jim Hough

This investigation was initiated by Special Agent Christopher Robinson of the U.S. Department of Agriculture, Office of Inspector General, who contacted BSI for assistance on a food stamp trafficking investigation. Kathleen Lamson and Jorge Martinez owned and operated the store. The Bureau's assisted in a food trafficking case by L & M Market located at 673 High Street, Holyoke, MA. BSI identified 35 SNAP recipient's, who sold their benefits in the market in violation of the Food Stamp Act. BSI examiners participated in the execution of a search warrant at the store and conducted interviews of witnesses. This information was used by the government in its prosecution. A Federal Grand Jury indicted the defendants on April 6, 2012. They were sentenced to one year and one day in federal prison and ordered to pay \$1 million in restitution.

While the bulk of cases that BSI investigates are referred from state agencies and law enforcement, the general public also plays a vital role in reporting fraud. The State Auditor's Office has an [online form to report public assistance fraud](#). Citizens can also utilize our fraud reporting hotline: (617)727-6771. All complaints are kept confidential.

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