



## WISCONSIN LEGISLATIVE COUNCIL

### PUBLIC ASSISTANCE PROGRAM INTEGRITY

Legislative Council Conference Room  
Madison, Wisconsin

August 4, 2010  
10:00 a.m. – 2:00 p.m.

[The following is a summary of the August 4, 2010 meeting of the Special Committee on Public Assistance Program Integrity. The file copy of this summary has appended to it a copy of each document prepared for or submitted to the committee during the meeting. A digital recording of the meeting is available on our Web site at <http://www.legis.state.wi.us/lc>.]

#### Call to Order and Roll Call

Chair Jauch called the committee to order. The roll was called and it was determined that a quorum was present.

COMMITTEE MEMBERS PRESENT: Sen. Robert Jauch, Chair; Rep. Gordon Hintz, Vice-Chair; Reps. Mark Gottlieb and Kelda Roys; and Public Members Richard Basiliere, Steven Cook, Jonathan Delagrave, David Feiss, LaTonya Johnson, and Linda Struck.

COMMITTEE MEMBERS EXCUSED: Sen. Alberta Darling; and Public Members Lilly Irvin-Vitela and Harold Menendez.

COUNCIL STAFF PRESENT: Anne Sappenfield and Pam Shannon, Senior Staff Attorneys; and Anna Henning, Staff Attorney.

APPEARANCES: Sen. Fred Risser, Co-Chair, Joint Legislative Council; Terry C. Anderson, Director, Legislative Council staff; Reggie Bicha, Secretary, Department of Children and Families; and Janice Mueller, State Auditor, Legislative Audit Bureau.

#### Opening Remarks

Senator Risser welcomed the committee members. He said that out of 50 proposed special committee topics, the Joint Legislative Council formed 15 committees. In addition, he said that the Joint Legislative Council chose 180 individuals to serve on those committees.

Senator Risser explained that the only rule in Legislative Council committees is that a committee member must be present to vote. He said that the committee's recommendations will be forwarded to the Joint Legislative Council and, if approved, to the full Legislature.

Terry Anderson thanked committee members for serving and noted that committee members had a copy of the guidelines for Legislative Council study committees at their places. He said that the committee has a page on the Legislative Council website where all committee materials and a digital audio recording of each meeting will be posted. He explained how public members may be reimbursed for their expenses.

### **Chairperson's Remarks**

Chair Jauch welcomed the committee. He introduced Vice-Chair Hintz, and said that Vice-Chair Hintz will be treated as the committee's co-chair.

Chair Jauch discussed his experience with Joint Legislative Council study committees and said that the study committee process has many strengths, including the contribution of citizen members. He said that he appreciates public members' participation in the committee and the real world experience they bring to the discussion.

Chair Jauch said that he would like committee discussion to build on the numerous fraud and abuse reforms adopted in the last session. He said the goal of the committee will be to strengthen the integrity of public assistance programs by conducting a thoughtful review, identifying effective programs, and recommending meaningful and lasting improvements.

He said that he would like to see recommendations that are the result of consensus and that are achievable.

### **Introduction of Committee Members**

The committee members introduced themselves.

### **Description of Materials Distributed**

Anne Sappenfield described the materials that were mailed to committee members prior to the meeting and summarized the major provisions of Memo No. 1, *Wisconsin Works and Wisconsin Shares: Fraud Prevention and Detection, Collection of Overpayments, and Penalties for Fraudulent Activity* (July 28, 2010).

### **Presentations by Invited Speakers**

#### ***Reggie Bicha, Secretary, Department of Children and Families (DCF)***

Secretary Bicha said that he views every dollar that is spent fraudulently, wastefully, or in error as a dollar that is diverted from a family in need.

Secretary Bicha said that he hoped the committee would consider a couple of factors in its deliberations. First, he said that there is a difference between fraud, waste, and errors, and that methods

to address and prevent each should not be identical. Second, he said that efforts to minimize fraud, waste, and errors must be balanced with the interest in ensuring that individuals have ready access to services and programs for which they are eligible.

Secretary Bicha said that DCF administers several public assistance programs, including Wisconsin Shares (child care subsidy), child support, Wisconsin Works (W-2), kinship care, the Community Service Block Grant, transitional jobs, and domestic abuse grants.

In discussing Wisconsin Shares, Secretary Bicha said that having child care administered by one state agency and streamlining the administration of child care at the local level will allow DCF to better address concerns regarding fraud and waste. Also, he noted that DCF has established a fraud detection and investigation unit and is working with local governments and task forces to address these concerns. Finally, Secretary Bicha noted that DCF has assumed responsibility for administering child care operations in Milwaukee County where the majority of the child care fraud was identified. He said that DCF's efforts relating to child care fraud have saved the state \$46 million. He discussed DCF's improvement efforts in child support, W-2, and kinship care, as well.

Regarding program integrity in general, Secretary Bicha said that DCF has made the following organizational changes to increase the ability of the department to focus on program integrity: (a) increased the total amount of resources devoted to program integrity; (b) strengthened the use of data and technology; and (c) created KidStat to measure and monitor the quality and efficiency of DCF's work. Secretary Bicha said that when DCF was created, there was one portion of one position dedicated to fraud at the state level. He noted said that DCF now employs over 30 people to work on fraud. In addition, DCF is establishing a Bureau of Regional Operations to increase DCF's field presence and, therefore, assistance to and communication with counties and other local entities.

Secretary Bicha made the following recommendations for legislation to the committee:

- Revise ch. 49 of the statutes to eliminate outdated references to the Aid to Families with Dependent Children Program and to restructure the chapter so that each program is treated in a separate section and program integrity language is clarified.
- Create the position of risk assessment officer in agencies to be responsible for program integrity issues throughout the agency.
- Treat child care providers more like businesses or vendors than beneficiaries of state aid.

Chair Jauch asked how lawmakers and state agencies can convince the public that reform efforts are credible. Secretary Bicha explained that reforms have not come from shutting down providers, but from a deterrent effect of anti-fraud efforts. Chair Jauch asked Secretary Bicha to comment on the means by which resources might be provided to local administrators. Secretary Bicha discussed efforts to improve communication and relationships with local partners.

Mr. Basiliere asked whether DCF's focus regarding child care fraud is on providers. Secretary Bicha said that DCF mostly pursues providers because parents do not receive the payments for child care services. Mr. Basiliere also asked about funding for counties for fraud detection. Secretary Bicha said that he would provide that information to the committee.

Mr. Delagrave said that the complexity of public assistance programs leads to unintended consequences. He said that workers in his county sometimes believe that legal authorizations for services are not morally appropriate. Secretary Bicha said that DCF does review eligibility provisions.

Ms. Johnson said that child care providers need additional training so that they know how to comply with program requirements. She also said that it was her understanding that DCF had revised over 90% of the proposed decisions by administrative law judges relating to suspension of child care providers from the Wisconsin Shares Program. Secretary Bicha said that that was not accurate. He said that there have been 149 appeals for initial suspension and 41 appeals for overpayments. Four of the overpayment appeals did not have an initial suspension. He said that DCF has received 59 proposed decisions from the Division of Hearing and Appeals and has had objections to 17 of them. Of the 44 final decisions DCF has issued, 7% were dismissed because of a stipulation between DCF and the provider, 34% were reversed or modified by DCF, and 59% adopted the administrative law judge's decision. Secretary Bicha also noted that, in all of the decisions, the administrative law judge found that DCF had reasonable suspicion for its allegations.

Mr. Cook asked whether Secretary Bicha is concerned that efforts to reduce fraud may discourage people from participating in programs. Secretary Bicha responded that there is always a need to balance those concerns. He also noted that of children cared for by suspended providers, only half have started billing for child care again, which indicates that efforts are reaching true fraud.

Representative Gottlieb asked about the proposal to treat child care providers as businesses. Secretary Bicha said that it would be analogous to the way health care providers are treated under the Medical Assistance Program.

Chair Jauch asked whether it makes sense to set error and fraud rates for public assistance programs to measure the effectiveness of reduction efforts. Secretary Bicha said that the federal government has created standards for many of its public assistance programs.

***Janice Mueller, State Auditor, Legislative Audit Bureau (LAB)***

Ms. Mueller noted that she was joined by Sherry Haakenson, Director, Financial Audit Division, who is a certified fraud investigator. Ms. Mueller briefly described the responsibilities and duties of the LAB and specifically mentioned the LAB's Fraud, Waste, and Mismanagement Hotline. She also provided the committee with an overview of LAB's audits of the Wisconsin Shares Program.

Ms. Mueller said that effective fraud control is an ongoing and global problem. She said that the Association of Fraud Examiners estimates that a 7% fraud rate is common. She said that she is not sure it is possible for any program to have no fraud, but that any money saved by preventing fraud is money in the bank. She also said that there are many different ways that fraud can be perpetrated. For public assistance fraud, she said that the primary types are failure to report income or money received; failure to report changes in household members; failure to report assets or property; employee fraud, such as child care rings; individuals living out of state; duplicate aid; and forgery or stolen identity.

She said that the best practices to reduce fraud are to: (a) increase transparency; (b) hold agencies accountable for waste; (c) create incentives for compliance; (d) target resources at the areas most susceptible to fraud; and (e) impose reporting requirements.

She said that it was her observation that the following factors are important: (a) a strong tone at the top of an organization with a focus on integrity and honesty; (b) good staff training; (c) strong information systems; (d) data matching; and (e) adequate resources at the federal, state, and local levels.

Ms. Mueller said there is a possible role for recurring audits, but that the state cannot rely only on external audits to detect fraud.

Mr. Feiss asked whether the LAB has examined other states' or federal efforts. Ms. Mueller said that the LAB looked at neighboring states' and federal efforts. Representative Gottlieb asked Ms. Mueller's opinion regarding the best place to spend limited resources. Ms. Mueller said that preventing and detecting fraud and waste will likely entail a combination of factors. For example, for Wisconsin Shares, resources have been targeted at prevention. In other programs, resources may need to be targeted toward stages after eligibility determinations.

Mr. Basiliere asked whether the audits of child care found that agencies focused more on providing benefits than on enforcing the program's laws. Ms. Mueller said that county directors expressed concern about how much they could spend on fraud and expressed concern that there is a lack of resources and incentives.

Chair Jauch said that the committee needs to figure out the appropriate level of resources to devote to fraud prevention and detection and how to measure the effectiveness of those efforts. He noted that the committee could consider requiring ongoing audits of programs.

### **Discussion of Committee Assignment**

Chair Jauch asked committee members to discuss what issues they would like the committee to consider.

Mr. Delagrave said that he hopes the committee will look at outdated or poor administrative rules that constrain the counties and said that he would provide examples of such rules.

Ms. Struck said that DCF has data that may be helpful to the committee such as trends in collections.

Mr. Basiliere said that he would like the committee to consider the organizational structure of fraud detection. He noted that he works for a unit in the Department of Justice that is separate and distinct from the benefit-issuing agency. He said that he believes that agencies may struggle with priorities because the main priority is the issuance of benefits. He said the committee should consider a separate body to detect fraud in programs. Chair Jauch said that he would like the Department of Justice to present information regarding its medial fraud control unit at the committee's next meeting.

Mr. Feiss said that he had reviewed ch. 49 of the statutes and said that there are penalties throughout the chapter. He said that one approach the committee could consider is to move the criminal offenses into the Criminal Code. He noted that such a change may increase law enforcement awareness of these offenses. Mr. Feiss said that it may also make sense to standardize fraud detection efforts and said that assistance beneficiaries are harmed when fraud is allowed to occur. Finally, Mr. Feiss said that the committee could consider creating an office similar to the Federal Office of the Inspector General with investigation and prosecution powers.

Ms. Johnson said that she would like to see a focus on front-end eligibility verification, and more training opportunities for providers. She also said that case managers should respond quickly to alerts that a program participant may no longer be eligible for assistance.

Chair Jauch asked Mr. Delagrave and Ms. Struck to discuss county procedures for employment verification. Mr. Delagrave and Ms. Struck explained the procedures in their counties.

### **Other Business**

The committee will meet again on *Tuesday, September 14, and Tuesday, October 12, 2010, at 10:00 a.m., in the Large Conference Room, Legislative Council staff offices.*

### **Adjournment**

The meeting was adjourned at 2:00 p.m.

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