

# State of Wisconsin

SENATE CHAIR  
**Alberta Darling**

317 East, State Capitol  
P.O. Box 7882  
Madison, WI 53707-7882  
Phone: (608) 266-5830



ASSEMBLY CHAIR  
**John Nygren**

309 East, State Capitol  
P.O. Box 8593  
Madison, WI 53708-8953  
Phone: (608) 266-2343

## Joint Committee on Finance

### MEMORANDUM

To: Members  
Joint Committee on Finance

From: Senator Alberta Darling  
Representative John Nygren

Date: October 4, 2016

Re: s. 16.515/16.505(2), Stats. Request

Attached is a copy of a request from the Department of Administration, received October 4, 2016, pursuant to s. 16.515/16.505(2), Stats., on behalf of the Department of Justice.

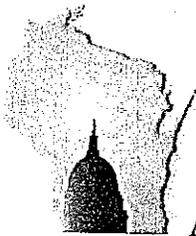
Please review the material and notify **Senator Darling** or **Representative Nygren** no later than **Friday, October 21, 2016**, if you have any concerns about the request or if you would like the Committee to meet formally to consider it.

Also, please contact us if you need further information.

Attachments

AD:JN:jm





**WISCONSIN DEPARTMENT OF  
ADMINISTRATION**

**SCOTT WALKER  
GOVERNOR**

**SCOTT A. NEITZEL  
SECRETARY**

Office of the Secretary  
Post Office Box 7864  
Madison, WI 53707-7864  
Voice (608) 266-1741  
Fax (608) 267-3842

**Date:** October 4, 2016  
**To:** The Honorable Alberta Darling, Co-Chair  
Joint Committee on Finance  
  
The Honorable John Nygren, Co-Chair  
Joint Committee on Finance  
**From:** Scott A. Neitzel, Secretary  
Department of Administration  
**Subject:** s. 16.515/16.505(2) Request(s)

OCT 04 2016

*J. Finance*

*SA*

Enclosed are request(s) that have been approved by this department under the authority granted in s. 16.515 and s. 16.505(2). The explanation for each request is included in the attached materials. Listed below is a summary of each item:

<u>AGENCY</u>	<u>DESCRIPTION</u>	<u>2015-16</u>		<u>2016-17</u>	
		<u>AMOUNT</u>	<u>FTE</u>	<u>AMOUNT</u>	<u>FTE</u>
DOJ 20.455(2)(k)	Interagency and intra-agency assistance		0.0		3.0

As provided in s. 16.515, the request(s) will be approved on October 25, 2016, unless we are notified prior to that time that the Joint Committee on Finance wishes to meet in formal session about any of the requests.

Please contact Kirsten Grinde at 266-1353, or the analyst who reviewed the request in the Division of Executive Budget and Finance, if you have any additional questions.

Attachments

**Date:** September 20, 2016  
**To:** Michael Heifetz  
**From:** Andrew Potts  
**Subject:** Section 16.505(2) Request

Attached is a s. 16.505(2) request analysis for your approval and processing. Listed below is a summary of each item:

**DOA RECOMMENDATION:**

<u>AGENCY</u>	<u>DESCRIPTION</u>	<u>2015-16</u>		<u>2016-17</u>	
		<u>AMOUNT</u>	<u>FTE</u>	<u>AMOUNT</u>	<u>FTE</u>
DOJ 20.455(2)(k)	Interagency and intra-agency assistance		0.0		3.0

**AGENCY REQUEST:**

<u>AGENCY</u>	<u>DESCRIPTION</u>	<u>2015-16</u>		<u>2016-17</u>	
		<u>AMOUNT</u>	<u>FTE</u>	<u>AMOUNT</u>	<u>FTE</u>
DOJ 20.455(2)(k)	Interagency and intra-agency assistance		0.0		3.0

MGH APPROVAL 09-29-16 (FORWARD TO GAIL TAPPEN)



**WISCONSIN DEPARTMENT OF  
ADMINISTRATION**

SCOTT WALKER  
GOVERNOR

SCOTT A. NEITZEL  
SECRETARY

Division of Executive Budget and Finance  
Post Office Box 7864  
Madison, WI 53707-7864  
Voice (608) 266-1736  
Fax (608) 267-0372  
TTY (608) 267-9629

---

**Date:** September 20, 2016

**To:** Scott A. Neitzel, Secretary  
Department of Administration

**From:** Andrew R. Potts  
Executive Policy and Budget Analyst

**Subject:** Request under s. 16.505(2) from the Department of Justice to create position authority for 3.0 FTE permanent positions to establish a Cooperative Disability Investigations unit.

**Request:**

The Department of Justice requests the creation of 3.0 FTE permanent positions to establish a Cooperative Disability Investigations (CDI) unit. The unit will review and investigate disability applications that are flagged for possible disability fraud.

**Revenue Sources for Appropriation(s):**

The revenue source for the positions is a transfer from the Disability Determination Board via the interagency and intra-agency assistance appropriation under s. 20.455(2)(k). The appropriation is a program revenue, all moneys received appropriation, and any expenditure authority adjustments will be handled administratively. The Disability Determination Board is funded by a federal Social Security Administration grant issued to the Wisconsin Department of Health Services.

**Background:**

Each month, the Social Security Administration pays out approximately \$149 billion in disability claims to 11 million disabled workers and their families, and \$59 billion in Supplemental Security Income benefits to 8.4 million recipients. In an effort to reduce the number of fraudulent claims, the Social Security Administration's Office of the Inspector General began establishing CDI units in 1998. The units are jointly operated by the Social Security Administration and individual states' disability determination services. There are currently 36 CDI units covering 33 states and territories.

The CDI Program's primary mission is to obtain evidence that can resolve questions of fraud before benefits are paid. In addition, the CDI units provide information to state disability determination services during continuing disability reviews that can be used to cease benefits. Information regarding fraudulent Social Security benefits can also

be used to uncover fraudulent benefits in non-Social Security programs. In some cases, the investigation will result in criminal prosecution, the imposition of civil monetary penalties or the imposition of administrative sanctions. Since its inception, the CDI Program has saved an estimated \$3.2 billion in Social Security payments and an additional \$2.1 billion to non-Social Security programs.

A new CDI unit has been established to review claims in Wisconsin. The Social Security Administration has developed a memorandum of understanding with the Department of Justice and the Department of Health Services regarding the makeup and operations of the CDI unit. The CDI unit would consist of seven individuals: one Social Security Administration special agent, one Social Security Administration program specialist, two Department of Health Services analysts, two Department of Justice special agents and one Department of Justice office operations associate.

The Social Security Administration special agent would serve as the team leader of the CDI unit and would exercise day-to-day operational oversight of the unit. The Social Security Administration special agent would lead all investigations, report the results of investigations to the Department of Health Services' Disability Determination Unit, serve as a liaison to the Social Security Administration's regional office and coordinate with federal and state law enforcement agencies. The Social Security Administration program specialist would provide technical assistance to the unit, including gaining access to records, reviewing records and supporting documentation, providing an initial review of cases referred to the unit, interpreting Social Security Administration rules and policies related to disability claims, and maintaining records for the unit. The Social Security Administration's regional office in Chicago would provide additional administrative support to the unit, as needed.

The Department of Health Services analysts would be responsible for receiving and prioritizing cases that are referred to the CDI unit, reviewing records and supporting documentation, making initial contacts with claimants to confirm or refute claim information, and developing reports of investigations.

The Department of Justice special agents would be primarily responsible for conducting investigations under the direction of the Social Security Administration special agent. The agents would conduct investigations and field surveillance operations, exercise arrest authority as needed, report investigation findings to the Social Security Administration and Disability Determination Unit, and testify in court as needed. The Department of Justice office operations associate would prepare exhibits and documents for the special agents; manage budgets; track overtime; make purchases; and perform general office support functions such as answer phones, process mail and maintain files.

The CDI unit will be based in Milwaukee with the Social Security Administration and Department of Justice personnel located there, while the Department of Health

Scott A. Neitzel, Secretary  
Page 3  
September 20, 2016

Services analysts will be physically located in Madison. The Social Security Administration will fund all necessary costs for office space, furniture and equipment.

With the creation of the Milwaukee CDI unit, there will be 37 units covering 34 states and territories. All of Wisconsin's neighboring states have a CDI unit.

The department's request includes an estimated cost of \$263,900 in salary and fringe benefits, and \$69,300 in supplies and services, for a total estimated cost of \$333,200 PR in fiscal year 2016-17. Under the supplies and services costs, \$33,700 would be in one-time costs related to the set-up of fleet vehicles and the cost of the initial equipment such as service weapons, ammunition and protective gear. The ongoing supplies and services costs would total \$35,600 and include vehicle maintenance, travel, mileage, parking, training, equipment maintenance and ongoing technology costs. The total estimated cost in fiscal year 2017-18 and subsequent years is \$299,500 PR.

**Analysis:**

Funds to support this request would come from a memorandum of understanding with the Social Security Administration, via the Department of Health Services. The memorandum of understanding requires the department to provide 3.0 FTE positions to serve as a part of a CDI unit based in Milwaukee.

Under the memorandum of understanding, a case would be referred to the CDI unit by the Department of Health Services. The Social Security Administration special agent, as the team leader, would be responsible for ensuring referrals are investigated by the Department of Justice special agents, reporting the results of investigations to Social Security Administration and Department of Health Services, and pursuing criminal and civil prosecution under state and federal laws. The Department of Health Services would make the determination to end benefits. The Department of Health Services would also be responsible for referring cases of non-Social Security program fraud to the appropriate agency.

The funding for the positions is guaranteed for the five-year term of the memorandum of understanding with the Social Security Administration. Project positions may only be created for four years, however, making it preferable to establish the positions as permanent. The department indicates that in the 33 other states and territories that have CDI units, none has been discontinued at the end of the initial contract period. The department further indicates that it is reasonable to assume that the Social Security Administration would provide an additional five-year term at the end of the initial contract period.

The Department of Health Services currently performs disability determinations on behalf of the Social Security Administration. The department does not have a formal fraud investigation program for Supplemental Security Income; the Social Security

Scott A. Neitzel, Secretary

Page 4

September 20, 2016

Administration is responsible for conducting any investigations into alleged Supplemental Security Income fraud. The State of Wisconsin provides a GPR-funded supplemental cash payment to these Supplemental Security Income recipients in addition to the federal benefit they receive from the Social Security Administration. Investigations into suspected fraud in state supplemental payments are conducted by the Department of Health Services' Office of the Inspector General. The Department of Health Services indicates that it will utilize existing position authority to provide the two analyst positions for the CDI unit and is not planning to request additional position authority at this time.

Under the memorandum of understanding, the Social Security Administration would only reimburse the Department of Justice for costs that are "directly attributable only to the CDI Program." The department would be responsible for any costs that are not determined to be directly attributable to the CDI Program. The Social Security Administration has not provided the department with specific guidance as to what constitutes a directly attributable cost. Claims would be submitted by the Department of Justice on a monthly basis to the Department of Health Services, who would then seek reimbursement from the Social Security Administration. The Department of Justice indicates that any costs not reimbursed by the Social Security Administration would be funded by other appropriations within the department.

In addition, the department indicates that there is a possibility that the special agents would be assigned to non-CDI cases for short periods of time due to workload demands within the department. In such instances, the department would not seek reimbursement from the Social Security Administration and would fund the costs out of an appropriate appropriation. Per the memorandum of understanding, any such reassignment would have to be approved by the Social Security Administration special agent. The department indicates that the use of the special agents on non-CDI unit cases is expected to be nominal.

**Recommendation:**

Approve the request for the creation of 3.0 FTE permanent positions within the Department of Justice.



STATE OF WISCONSIN  
DEPARTMENT OF JUSTICE

BRAD D. SCHIMEL  
ATTORNEY GENERAL

Andrew C. Cook  
Deputy Attorney General

17 West Main Street  
P.O. Box 7857  
Madison, WI 53707-7857

August 9, 2016

Mr. Michael Heifetz, Administrator  
Division of Executive Budget and Finance  
Department of Administration  
101 East Wilson Street, 10<sup>th</sup> Floor  
Madison, WI 53702

Dear Mr. Heifetz:

Under Wis. Stat. § 16.505 (2), the Department of Justice requests the creation of 3.0 full-time equivalent (FTE) program revenue-funded positions in the law enforcement services interagency and intra-agency assistance appropriation under Wis. Stat. § 20.455 (2)(k) to establish a Cooperative Disability Investigations (CDI) unit in Wisconsin. The positions will be supported by federal funds provided to the Department of Health Services by the U.S. Social Security Administration that are then paid to the Department of Justice.

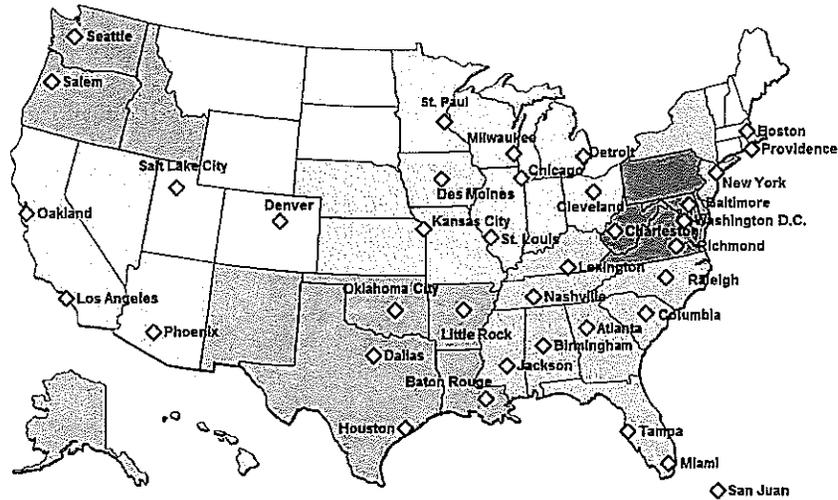
### Background

The Department of Justice is responsible for investigating and prosecuting fraud and other violations of criminal law affecting the state's Medicaid programs. The department has recently reached an agreement with the U.S. Social Security Administration (SSA) and the Wisconsin Department of Health Services (DHS) to improve the identification of fraudulent disability claims prior to the payment of state and federal benefits through the creation of a multi-agency Cooperative Disability Investigations (CDI) unit that will be located in Milwaukee.

The SSA established the CDI program in 1998 to work cooperatively with state disability determination programs and state and local law enforcement agencies to prevent fraud and reduce improper payments in the social security disability programs. Early identification of fraudulent disability claims results in savings to both federal and state programs because individuals determined eligible for SSA benefits due to a disability are automatically eligible for some state benefits, including Medicaid.

The SSA considers the CDI program to be one of its most successful efforts, saving \$3.2 billion in Social Security payments and \$2.1 billion savings to non-SSA programs since its inception. There are currently 37 CDI units covering 34 states and territories.

## FY 2016 CDI Units



The CDI unit reviews and investigates disability applications and eligibility renewals flagged by state disability examiners and fraud referrals from the SSA Office of Disability Adjudication and Review, other law enforcement agencies and private citizens. The results of the investigations are used to determine eligibility for benefits and whether administrative action or criminal prosecution is warranted.

The Milwaukee CDI unit will be under the direction of a special agent employed by the SSA Office of the Inspector General acting as the team leader. The Department of Justice personnel will be responsible for conducting investigations and reporting the results of the investigations to the SSA and DHS disability determination bureau. The CDI unit will also include two disability determination analysts employed by DHS who are responsible for receiving and prioritizing referred cases, reviewing supporting documentation, making contacts to confirm or refute claim information, and providing technical expertise in identifying the characteristics of high-risk cases and developing reports of investigations and summaries.

### Revenue Source

Under the agreement, the Social Security Administration will fully fund the costs of 2.0 FTE special agent positions and 1.0 FTE office operations associate position in the Department of Justice, including all personnel costs, travel, training, facilities, equipment and vehicles. The federal reimbursement will be paid to the Disability Determination Bureau (DDB) in the Department of Health Services before being disbursed to the Department of Justice.

The agreement performance period is approximately five years ending on May 31, 2021.

The department's interagency and intra-agency assistance appropriation under Wis. Stat. §20.455 (2)(k) is a continuing program-revenue services (PR-S) appropriation used to support law

enforcement assistance activities funded by revenues received from other state agencies or from other programs within the department.

Unidentified, unprosecuted fraud and abuse in public assistance programs not only increases costs for taxpayers but weakens the safety net intended for the most vulnerable. The establishment of a CDI unit in Wisconsin will result in savings to state taxpayers by preventing the payment of improper claims and providing a deterrent to criminals by increasing the number of investigations and prosecutions.

Thank you for your consideration of this request. If you have questions or require additional information, please contact Michelle Gauger at [gaugermc@doj.state.wi.us](mailto:gaugermc@doj.state.wi.us) or (608) 267-6714.

Sincerely,

A handwritten signature in cursive script that reads "Bonnie L. Cyganek".

Bonnie L. Cyganek, Administrator  
Division of Management Services

