

**Nassau County  
Office of the Comptroller  
Field Audit Bureau**



**Nassau County Department of Social Services  
Special Investigations Unit**

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NASSAU COUNTY  
OFFICE OF THE COMPTROLLER

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# Executive Summary

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## **Background**

Both the New York State Social Services Law (“SSL”) and the related regulations require social service districts to establish an anti-fraud prevention and detection unit.<sup>1</sup> These regulations detail the mandated procedures to prevent, detect, and report fraud against government social service agencies. New York State, through the Office of Temporary and Disability Assistance (“OTDA”), has several program integrity initiatives requiring participation of the local districts.

## **Audit Scope, Objective and Methodology**

The objective of the audit was to ensure that the Nassau County Department of Social Services (“DSS” or “department”) is adhering to the SSL, related regulations, and state administrative directives concerning its state-mandated Special Investigative Unit. This unit encompasses fraud investigation and quality assurance activities to safeguard the department’s \$520 million portion of the county’s 2003 annual budget. This report addresses the test period January 1, 2002 through April 30, 2003. Our audit included;

- tests of the unit’s investigative files;
- interviews with DSS employees;
- inquiries with the New York State Office of Temporary Assistance program integrity personnel for various state fraud initiatives;
- review of state issued reports; and
- observations of the Special Investigation Unit procedures for dealing with duplication of benefits, as indicated by state-reported matches of recipients found receiving assistance from another social service district.

This audit was conducted in accordance with generally accepted government auditing standards. These standards require that the audit be planned and performed to obtain reasonable assurance that the audited information is free of material misstatements. An audit includes examining documents and other available evidence that would substantiate the accuracy of the information tested, including all relevant records and contracts. It includes testing for compliance with applicable laws and regulations, and any other auditing procedures necessary to complete the examination. We believe that the audit provides a reasonable basis for the audit findings and recommendations.

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<sup>1</sup> N.Y. Soc. Serv. Law §134-b (McKinney 2003). N.Y. Comp. Codes R. & Regs. Tit.18, § 348 (2003).

# Executive Summary

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## **Summary of Significant Findings and Recommendations**

### **Fraud**

Both New York State<sup>2</sup> and the Federal General Accounting Office<sup>3</sup> have reported that as much as 10 percent of all healthcare expenditures are lost to fraud and abuse. In addition, anti-fraud activities are recommended by the Healthcare Insurers Association, which states, “for every dollar spent on anti-fraud activities, they saved eleven dollars.”<sup>4</sup> Our audit of the Nassau County DSS fraud prevention and detection unit (“Special Investigation Unit” or “Unit”) found that the resources directed toward anti-fraud activities are inadequate to protect the annual social service budget. The same conclusion was reported by the New York State Office of the Welfare Inspector General (“Inspector General’s Office”), which recently inspected the anti-fraud programs of the department and issued a September 2002, report stating “... there are significant changes to be made to ensure the integrity of the social service programs in Nassau County.”<sup>5</sup>

The Inspector General’s report also noted concern with the lack of documentation and progress in the Unit. The investigative files examined indicated that a significant amount of fraud was being committed. The Inspector General’s Office found that the fraud value in 12 of 17 files that it examined each had a value in excess of \$10,000. In total, the 17 investigations with a quantifiable fraud amount had an aggregate value in excess of \$230,000.

### **Lack of Adequate Investigative Staffing, Supervision and Training**

The report of the Welfare Inspector General’s Office states, “Nassau County is the seventh largest district in terms of its welfare rolls and it has the eighth largest workforce. However, Nassau County DSS ranked fifteenth in the number of staff dedicated to combat fraud and abuse.”<sup>6</sup>

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<sup>2</sup> New York State sponsored training class on health care fraud and prevention and the related publication “New York State Operation Restore Trust”.

<sup>3</sup> H.R. 1912 Health Care Fraud Prevention and Paperwork Reduction Act of 1995 (Introduced in House) Sec. 2 Findings (3).

<sup>4</sup> Health Insurers Association of America, “Insurer’s Antifraud Activities Result In \$11 To \$1 Return In Investment,” March 16, 2000, <http://www.hiaa.org/search/content.cfm?ContentID=583>

<sup>5</sup> Office of the Welfare Inspector General, Report of an Inspection of the Anti-Fraud Programs of the Nassau County Department of Social Services, September 2002, at 9.

<sup>6</sup> Office of the Welfare Inspector General, Report of an Inspection of the Anti-Fraud Programs of the Nassau County Department of Social Services, September 2002, at 6.

## Executive Summary

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Our review of the Unit revealed the following inadequacies in staffing, supervision and training:

- In 2000, six Deputy Sheriffs were assigned to this section under a Memorandum of Understanding (“MOU”) with the County’s Sheriff Department. The Unit was severely depleted of investigators when the MOU was not renewed in 2001, and remained depleted throughout the audit period. In fact, as of March 2003, the department had 68,247 open benefit cases. Every month several thousand new cases open and several thousand close, so the base for investigation and quality assurance activities is much higher than the number of open cases. However, at the time of the audit, only two employees of the Unit performed field investigations.
- The Unit is currently supervised by a Welfare Examiner Supervisor I, who has assumed the responsibilities of three supervisors.
- Although this Unit should be staffed by investigators trained to perform the duties required of this function, the staff is entirely composed of welfare examiners who have not received the proper training in investigations, criminal justice and/or law.
- The Unit’s field and investigative procedures were insufficient.
- The department is currently exposing Nassau County to unnecessary liability by requiring investigators to perform field visits alone, thereby possibly jeopardizing their safety. Procedures of other investigative agencies, such as the New York City Health, Education and Human Services Unit are to send two examiners to conduct each field visit.
- The Welfare Inspector General’s report indicated that in New York State as a whole, district attorneys accept and prosecute an average of 80 percent of cases referred to them by local social services districts. However, in Nassau County, primarily because of incomplete files, the DA’s Office prosecuted only four of the 240 referrals during fiscal years 1999-2001, a rate of less than two percent.

### **Quality Assurance**

The quality assurance that is to be performed by this Unit is the backbone of internal control for the entire department. Yet, due to chronic understaffing, this function is only performed when time permits. In addition, this Unit reports to the Director and Assistant Director of Public Assistance, which represents an improper segregation of duties. We concur with the Welfare Inspector General’s report, which recommends that a single individual responsible directly to the Commissioner lead this unit.

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### **Disconnected Fraud Phone**

Solicitation of information from the general public is an important component of fraud detection. The “How to Report Welfare Fraud” section on the department’s Web site tells visitors to call 24 hours, 7 days a week but does not list a telephone number. If the published number listed under DSS- Fraud Investigation in the telephone book is called, the caller currently receives a message that the number is not in service and no further information is available.

### **Participation with the NYS Bureau of Program Integrity**

The OTDA has established a Bureau of Program Integrity to oversee various fraud detection and prevention programs statewide. OTDA sends local districts various reports regarding program issues, which the districts are required to address and resolve. These programs include: the Public Assistance Reporting Information System (“PARIS”), a multi-state project to detect clients receiving assistance from multiple jurisdictions; the National Crime Information Center FBI database, to identify fugitive felons; and the automated finger-imaging program. The Unit is also required to have a plan for a Front End Detection System (“FEDS”) to investigate questionable client information prior to the case opening. Our examination of the Units’ performance in the handling of matches detected using the PARIS system found that responses to the state were not issued promptly, investigation procedures were not properly performed or documented, and they were not in compliance with the state regulations. The State Welfare Inspector General’s report also stated that the OTDA should request revised FEDS and fraud plans from Nassau County: “OTDA has several reasons to question Nassau County DSS’ current structure and request that the fraud plan be amended to ensure that state dollars are expended to effectively combat fraud in Nassau County.”

The audit also found that the Unit has several poor administrative practices; the Unit does not employ proper time recording procedures, nor does it properly maintain field logs to ensure management control and accurate documentation of case information.

The Unit’s usual practice is to close cases where fraud is suspected. In such cases the Unit performs a field visit or notifies the client to contact DSS, or benefits will be terminated. The client’s failure to comply allows the case to be closed. However, without proper investigation and documentation, the full extent of the fraud is not discovered, and therefore state mandated recoveries and prosecutions are not being made. The magnitude of lost recoveries and the full impact of potential case denials and closings cannot be determined but is presumed to be significant. We therefore recommend that the department act immediately to assess and correct these practices.

## Executive Summary

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### **Department's Response:**

The matters covered in this report have been discussed with officials from the department during and at the conclusion of this audit. On April 12, 2004 we submitted a draft report to department officials with a request for comments. The department's response, received on April 30, 2004, and our comments are included as an addendum to this report.

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## Background

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### **Regulatory Requirements of Department**

New York State Law and related regulations require that each social services district take the following measures designed to prevent, detect and report fraud:<sup>7</sup>

- Establish and maintain policies, procedures, and controls to effectively handle cases of suspected fraud in the administration of public assistance and care;
- Make an arrangement with the district attorney establishing procedures for referral;
- Designate a person, either of administrative or supervisory capacity, or in a consulting capacity such as a welfare attorney, or establish a unit which consists of similar responsibility, to which all cases of known or suspected frauds shall be referred;
- Promptly make and conduct investigations of fraud by lawful means, without infringing on the civil rights of the individuals involved;
- Recover assistance wrongfully obtained by the applicant or recipient;
- Maintain proper records of all cases referred; and
- Each social services department shall report to the State such information as the latter may require.

Regulations state each district shall have both Front End Detection System (“FEDS”) reviews before cases are opened and benefits are provided, and Eligibility Verification Reviews (“EVR”) (an in-depth investigation to verify information provided on a case application or information provided during re-certification).

The effectiveness of the Special Investigations Unit has been hampered by severe understaffing from 2001 through the middle of 2003 and by excessive turnover in the administration of the Unit.

During the audit, DSS was in the process of changing the structure of the Unit. The State of New York, Office of the Welfare Inspector General, issued a September 2002 report entitled “Report of an Inspection of the Anti-Fraud Programs of the Nassau County Department of Social Services.” This report’s scope covered cases from January 1999 to May 2001. As recommended in the report, the quality assurance and special investigations unit functions were merged and additional welfare examiners were transferred into the Unit.

### **New York State Fraud Overview**

The State has found that ten cents out of every dollar spent for Medicaid is lost to fraud.<sup>8</sup> The Federal General Accounting Office has also determined that “as much as ten percent of all health care expenditures, is lost to fraud and abuse.”<sup>9</sup> This is a strong argument for

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<sup>7</sup> N.Y. Soc. Serv. Law §134-b (McKinney 2003). N.Y. Comp. Codes R. & Regs. Tit.18, § 348 (2003).

<sup>8</sup> New York State Operation Restore Trust, See Supra, n. 2.

<sup>9</sup> See Supra n. 3

## Background

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anti-fraud activities; indeed, the Healthcare Insurers Association reports that for every dollar its members spend on anti-fraud activities they save 11 dollars.<sup>10</sup>

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<sup>10</sup> See Supra N. 4

## Findings and Recommendations

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### Adequacy of Staffing Levels

#### Audit Finding (1):

DSS is required to maintain a Special Investigation Unit adequately staffed to verify information, conduct investigations of inconsistencies, and identify and resolve potential cases of fraud, misrepresentation or inadequate documentation prior to determining an applicant's eligibility, as well as to implement procedures for the prevention and detection of fraud.<sup>11</sup>

The auditors reviewed the Unit's staffing to ascertain whether it is adequately staffed for the detection and prevention of fraud in all DSS public benefit programs. A key element of fraud detection, home visits, is solely performed by this Unit. As of March 2003 statistics show the Nassau County public benefit caseload to be 68,247.

Public Benefit Caseload As of March 2003	
Public Assistance- Safety Net	1,677
Public Assistance-Temporary Assistance to Needy Families	2,391
Medicaid	50,202
Food Stamps – Public Assistance	2,021
Food Stamps – Non- Public Assistance	8,216
Family Health Plus	<u>3,740</u>
	<u>68,247</u>

Although the Unit had seven employees at the onset of the audit (December 2002), only two employees performed field investigations, one full time and one part time. In 2000, the staff consisted of ten field investigators: six Deputy Sheriffs, and four Social Welfare Examiners. The Deputy Sheriffs were assigned to this section under a Memorandum of Understanding ("MOU") with the county's Sheriffs Department. The Unit was severely depleted of investigators when the MOU was not renewed in 2001.

The State Welfare Inspector General commented on the need for additional staff in its report. In comparing 58 districts, the report stated, "Nassau County has the seventh largest district in terms of our welfare rolls, and the eighth largest workforce; however, Nassau County DSS ranked 15<sup>th</sup> in the staff dedicated to combat fraud and abuse."<sup>12</sup>

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<sup>11</sup> N.Y. Soc. Serv. Law § 132 McKinney 2003) (granting local districts the authority to verify information by or about applicants as a condition of eligibility); Id. At §134a (enabling the fraud unit to conduct further investigation when there are inconsistencies in the information provided by recipients); Id. at §134b (permitting identification, investigation, and resolution of potential cases of fraud, misrepresentation or inadequate documentation prior to determining the applicant's eligibility for assistance); Id. at §134 (holding social services officials responsible for investigating applications and maintaining close contact as required by the circumstances of the case).

<sup>12</sup> Office of the Welfare Inspector General, Report of an Inspection of the Anti-Fraud Programs of the Nassau County Department of Social Services, September 2002, at 6.

## Findings and Recommendations

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Understaffing in the Unit has impacted Nassau County Medicaid caseworkers. Caseworkers reported that the Unit had requested they limit their referrals due to inadequate staffing. Fraud investigators in other jurisdictions, such as New York City, report widespread selling of Medicaid prescriptions by recipients, which they characterized as a major national problem. Nassau County has more than 50,000 active Medicaid cases, but does not investigate suspicious prescriptions.

During our audit, case investigations consisted mainly of notifying clients to report to DSS or face termination of benefits. The client's failure to comply allows the case to be closed. However, without proper investigation and documentation, the full extent of the fraud is not known, nor can it be determined if state-mandated recoveries, Intentional Program Violations<sup>13</sup> and prosecutions are being pursued to the full extent permitted by law.

### **Recommendations:**

DSS should evaluate and ensure that staffing levels are adequate to meet the needs of the state and federally-mandated functions.

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<sup>13</sup>The federal government requires social service agencies to establish a program to detect Intentional Program Violations (IPV's). Under the program, clients can be disqualified from receiving public assistance and food stamps when it has been determined that they have participated in fraudulent activities related to their eligibility. It requires documentation by local service districts and consists of several levels; the final being disqualification from benefits and prosecution for fraud.

## Findings and Recommendations

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### **Staffing - Adequacy of Staff Qualifications and Supervision**

#### **Audit Finding (2):**

SIU staff should have adequate skills and training to perform investigations. Nassau County's Special Investigation Unit differs from other social service district investigation units, which usually are supervised by and composed of employees with a background in investigations, criminal justice, or law. Nassau County's Unit is composed of, and supervised by, welfare examiners. In fact, the Nassau County Civil Service Commission does not currently classify the investigator position for employment at DSS even though investigators are hired at the County Attorney's office and the District Attorney's office.

The State Welfare Inspector General's report recommended the merger of the DSS Special Investigations and Quality Assurance Units into one unit under a Chief Investigator.<sup>14</sup> Although the units were merged in October 2002, a Chief Investigator has not been hired.

The SIU is required by state regulation to be adequately supervised to perform investigations for the detection and prevention of fraud.<sup>15</sup> Nassau County's Special Investigation Unit is supervised by a Social Welfare Examiner Supervisor I who is responsible for 14 program integrity projects and compiling monthly and quarterly reports on state initiatives and state mandated projects. Although this supervisor is in charge of all field investigations at DSS, she has not attended New York State Welfare Fraud Investigator Training classes, nor performed any field investigations.

Staff cuts and early retirement severely affected the effectiveness of the Unit. Prior to October 2000, the Unit was under the direction of one Unit Supervisor II and two section supervisors, one for Quality Assurance (Supervisor I) and one for Special Investigations (Supervisor II). Due to retirements and transfers, the entire Unit was placed under the immediate supervision of the Quality Assurance Supervisor I. The responsibilities of 3 supervisors were assigned to this individual.

#### **Recommendations:**

DSS should merge all anti-fraud detection and prevention efforts under a Chief Investigator, as recommended by the NYS Welfare Inspector General. This individual should possess a credible background in investigations. Once hired, this Chief

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<sup>14</sup> Office of the Welfare Inspector General, Report of an Inspection of the Anti-Fraud Programs of the Nassau County Department of Social Services, September 2002, at 2.

<sup>15</sup> N.Y. Comp. Codes R. & Regs. Tit.18, § 348.2 (2003) cites procedures required to be taken by social service districts designed to prevent, detect and report fraud. These procedures included the requiring the districts to "Designate a person, either of administrative or supervisory responsibility or in a consultative capacity to the local district such as a welfare attorney, or establish a unit which shall consist of persons of similar responsibility, to whom all cases of known or suspected fraud shall be referred,..."

## Findings and Recommendations

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Investigator should assess the strength of the current staff's investigative skills, the need for hiring experienced investigators and the best way to accomplish this.

The department should ensure it has staff appropriate to the task of managing its field investigations and prosecutorial procedures, and numerous statewide program integrity initiatives.

## Findings and Recommendations

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### **Reporting Structure**

#### **Audit Finding (3):**

The Quality Assurance Section of the Unit provides an internal control function for DSS, ensuring accurate application of federal, state and local eligibility procedures for all public benefit units (Public Assistance, Food Stamps, Medicaid and Day Care). Quality assurance should encompass both client and agency error and include random routine testing of DSS files.

Such controls are needed to assure effective and efficient operations, and compliance with applicable laws and regulations. As a result of understaffing, however, this quality assurance function has been given low priority at best.

In addition, the present structure of the department poses internal control concerns. The SIU supervisor reports to the Director and the Assistant Director of Public Assistance, constituting an improper segregation of duties and presenting potential conflicts of interest. As noted in the State Welfare Inspector General's Report, in order for the Unit supervisor to have appropriate authority to adequately perform her duties, she needs to report directly to the commissioner. This was pointed out in the New York State Welfare Inspector General's Report that "recommends the unit be led by a single individual directly responsible to the Commissioner."<sup>16</sup>

#### **Recommendations:**

The supervision of the Unit should be segregated from all benefit programs and report directly to the Commissioner.

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<sup>16</sup> Office of the Welfare Inspector General, Report of an Inspection of the Anti-Fraud Programs of the Nassau County Department of Social Services, September 2002, at 2.

## Findings and Recommendations

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### **Adequacy of Staff Training**

#### **Audit Finding (4):**

There are no mandatory training requirements to work in the Unit. No employees in the Unit have any training in fraud prevention or detection. Although NYS OTDA sponsors training programs for Welfare Fraud Investigators, at the time of the audit only two employees had attended. The New York State Fraud Investigators Association also offers extensive training for individuals in this field and recently held a training conference providing training in Medicaid fraud control and other topics relevant to Nassau County. No one from the Unit attended this training.

The Unit does not have adequate procedural manuals detailing Medicaid fraud control, assembly of investigative files, public assistance regulations and trends in fraud.

#### **Recommendations:**

- a) All Unit employees should attend the NYS Welfare Fraud Investigator training programs.
- b) All Unit employees should be trained in fraud detection methods and the goals of the various state programs.
- c) Procedural manuals should be updated and expanded to include sections on each state-sponsored fraud detection and prevention program.

## Findings and Recommendations

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### **Field Investigation Procedures:**

#### **Background:**

SSL §132, and §134, 18 NYCRR 348, and NYS Administrative Directive 95 ADM 24 grants the Unit the authority to conduct home visits. Field visits are often necessary to determine need, e.g., to verify residence and cost of shelter, family composition, income and financial resources. The Unit makes home visits with or without advance notice.

#### **Audit Finding (5):**

The three main state fraud prevention and detection programs, FEDS, eligibility reviews (EVR's), and Quality Assurance, include field visits as an important element.

Prior to 2001, DSS had a MOU with the County Sheriff's Department assigning six Sheriff employees to work with the field examiners of the Unit. The Deputy Sheriffs went in groups of two in uniform, in a marked county car, to perform fraud investigations. At the time of the audit, however, Welfare Examiners were sent alone on field visits, using their own cars and provided only with a county ID. Investigators from New York City and Suffolk County Social Service Districts have a shield or special ID that distinguishes them as DSS Special Investigators. The lack of proper ID discounts the authority and importance of the investigative function.

Several unit workers expressed concerns to the auditors about their safety during field visits. Some field visits are currently not being performed because of examiners' concerns. Recently, a welfare examiner was sent to verify an applicant's residence for public assistance, which turned out to be a motel room. When asked to provide identification, the applicant presented recent prison release papers. Another welfare examiner, who had been intimidated by a client while alone at the client's residence, returned to the office and found out the client was just released from a correctional facility. Both employees were sent alone...

Employees of other social service districts perform field visits in teams and provide their employees with both cell phones and walkie-talkies. By performing field visits without proper field procedures, the county is not ensuring the safety of their welfare examiners and is exposing the county to additional liability risks. By performing the visits singly, welfare examiners are not obtaining properly corroborated evidence that will be useful for future prosecutions or case closings.

In addition, during the period when deputy sheriffs supplemented the SIU staff, sheriff personnel screened scheduled clients, prior to home visits, for outstanding warrants and made arrests accordingly. Subsequent to the non-renewal of the MOU, such arrests are no longer being made. According to the arrest log at the unit, the latest arrests were made

## Findings and Recommendations

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in March 2000. The EVR & FEDS cost avoidance (savings) were three and a half times higher when the sheriff's department investigators were used in the unit.<sup>17</sup>

### **Recommendations:**

- a) The unit should evaluate whether field visits should be performed in teams of two for safety reasons.
- b) Field investigators should be equipped with communication devices such as cell phones and walkie-talkies. They should also be issued an investigator's ID or shield to present during field investigations.
- c) In an effort to prevent offenders from collecting benefits, the Unit should coordinate with law enforcement authorities a procedure to investigate clients for outstanding warrants prior to making field visits. Consideration should be given to entering into a new MOU with the Sheriff's Department.

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<sup>17</sup>The Unit's statistics report total EVR and FEDS cost avoidance (savings) as \$712,686 in 2000 and \$203,664 in 2002.

## Findings and Recommendations

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### **Solicitation of Public Assistance for Detecting and Preventing Fraud**

#### **Audit Finding (6):**

Proper fraud detection and prevention procedures include educating the public about welfare fraud and providing a convenient means of reporting fraud to the SIU.

The Unit previously had a dedicated phone line for the public to report fraud to DSS (571-5224). That number is listed in the local telephone book under Nassau County, Department of Social Services, Fraud Investigation. However, calls to it during the last six months, and as recently as March 3, 2004, were met with a recorded message saying the number is out of service. No further information is provided.

The DSS Web site, revised as of January 7, 2003, has a section entitled Fraud with the caption "How to Report Welfare Fraud." It states, "call the fraud hotline: (24 hours, 7 days a week)." However, no hotline phone number is provided.

Although fraud-reporting posters are made available by the New York State Department of Health (NYS-DOH), Unit employees said they had no knowledge of them. The posters urge the public to "Stop Medicaid Fraud" and detail client and health care examples of fraud.

#### **Recommendations:**

The department, in an effort to encourage the public to provide more information about potential fraud, should:

- a) Reactivate, and include on the DSS Web site, the 7-day, 24-hour fraud reporting hotline at the Special Investigation Unit, to encourage over one million Nassau County residents to report fraud.
- b) Obtain NYS-DOH Medicaid fraud posters to help make the public aware of program fraud, and where and how to report it. These posters should be strategically placed throughout the county, especially within DSS, health clinics and other public facilities.

## Findings and Recommendations

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### Assessment of DSS Fraud Investigations

#### **Audit Finding (7):**

The State Office of the Welfare Inspector General inspected the anti-fraud programs of the department and reported that "... there are significant changes to be made to ensure the integrity of the social service programs in Nassau County."

This report also stated, "We are concerned with the lack of documentation and progress because the investigative files indicated a significant amount of fraud was being committed." Seventeen of the 31 investigative files they examined included some indication of the fraud value. The fraud value in 12 of these seventeen files was each in excess of \$10,000. Only two of the 31 files had a value less than \$3,000. In total, the 17 investigations with a quantifiable fraud amount had an aggregate value in excess of \$230,000.

The report indicates that the Unit's files lacked essential documentation. They found three of the 31 files tested did not contain the documentation of field visits, etc., necessary to support a finding of fraud. The Comptroller's Office followed this up with testing of the FEDS client folders, which are required to contain: the original referral by the caseworker, an investigation activity report, a copy of the home visit letter and the FEDS home checklist. Eleven case folders were randomly reviewed and five of them were missing at least one of the required documents. Two did not contain the original referral form, one did not contain the home check list, two did not contain the client notification home visit letter, two did not contain the Investigation Activity Report and one Food Stamp case was lacking all documents.

The State report also indicated that investigations were not completed promptly. Nineteen of the 31 files were over six months old, 15 were over one year old and the age of others could not be determined due to the lack of information in the investigative files.

New York State Administrative Directive 93-ADM-8 requires that "the investigation unit must refer a case in which it believes the facts warrant civil or criminal prosecution to the local district attorney." These cases should be accompanied by documentary evidence that sustains the agency's allegation. The Welfare Inspector General's report states, "In all of New York State, district attorneys have accepted and prosecuted an average of 80 percent of the cases referred to them by local social services districts. However, in Nassau County, the DA's Office prosecuted only four of the 240 referrals during fiscal years 1999-2001, a rate of approximately two percent". As a basis of comparison, the Suffolk County DA accepted 50% of the cases for prosecution while the Westchester County DA accepted 91%.

The auditors followed up with the Nassau County District Attorney's Fraud Bureau, which asserts that cases referred by the department are often inadequately documented, information is insufficient and investigative actions were not conclusive of fraud.

## Findings and Recommendations

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Additionally, cases referred by the department are few in number and rarely prosecuted due to DSS's failure to document and substantiate fraud. The Assistant District Attorney who has worked with the Unit opined that there are insufficient personnel at the department to adequately investigate and document cases.

NYS regulations require each social service district to recover assistance wrongfully obtained by the applicant or recipient. The SIU is not facilitating the prosecution of program violators, and Nassau County is not fully recovering funds from intentional program violators.

### **Recommendations:**

To address the SIU's investigative deficiencies, the department should hire professionally trained investigative staff and retrain the existing staff in how to effectively perform and document fraud investigations. All case files should be reviewed by supervisors to ensure that the files include complete documentation and that proper conclusions are reached.

## Findings and Recommendations

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### **Assessment of DSS SIU Participation in NYS Program Integrity Initiatives**

#### **Background:**

The New York State Office of Temporary Assistance has established a Bureau of Program Integrity to oversee various fraud detection and prevention programs statewide. The state sends local districts reports regarding issues that need to be addressed and resolved by the local districts. State reports of possible fraud should be investigated and properly documented. The Unit's handling of several of these areas was examined.

#### **PARIS Matches**

##### **Audit Finding (8):**

The Public Assistance Reporting Information System ("PARIS") is a multi-state matching project. This project uses demographic data to match recipients (with the five contiguous states<sup>18</sup>, as well as Florida, Virginia, Puerto Rico, and the District of Columbia) receiving assistance in two or more jurisdictions. The matches are run every three months and are reported to the districts in which the recipient is found participating. The primary purpose of the project is to close cases in which a recipient has moved out of a district and to recover funds fraudulently obtained. Recipients are matched based on a verified social security number and date of birth. The residency is then verified based on the match information provided by New York State. Cases are closed only when individuals are verified as living outside of the district in which they are receiving benefits.

A random case from the September 2002 PARIS report was tested for compliance with PARIS written procedures. The match was not investigated until December 31, 2002 and the case was not closed until January 7, 2003. (According to the supervisor, the September report containing 170 PARIS matches was lost and a duplicate copy was not received until December.) In this case, two districts, Florida and New York, both covered the recipient for five months. The file contained a Welfare Management System ("WMS") printout with the Florida phone number handwritten on it. The file did not contain any documentation on phone calls made, and, although the case provided benefits to two individuals, investigation of the residency of the other recipient was not documented. The case was closed.

#### **Recommendations:**

PARIS reports should be investigated in a timely manner, with investigation procedures and conclusions documented to support action taken on cases.

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<sup>18</sup> CT, MA, NJ, PA and VT

## Findings and Recommendations

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### **Fugitive Felon**

#### **Audit Finding (9):**

The fugitive felon match compares the WMS caseload to the National Crime Information Center (“NCIC”), the FBI National database for fugitive felons. Matches are reported to local districts on a quarterly basis. The purpose is to remove fugitive felons and parole or probation violators from assistance programs for which they are ineligible.

State procedures require the district to allow local law enforcement agencies seven days to act upon a warrant before notifying fugitive felons and parole or probation violators of their ineligibility for assistance. SIU procedures require cases to be verified as open and as a match through WMS. The procedures also require that copies of the match reports and case information, which includes address and family member information about the recipient, be given to the Nassau County police officers assigned to the department. The police officers are requested to verify if the warrant is active, vacated or recalled. The state is to be notified of case dispositions within 30 days.

The auditors obtained and reviewed the results of the November 2002 fugitive felon matches. Eight felon matches for November 2002 were received from the state on December 2, 2002. As of February 10, 2003, well past the state’s reporting deadline, the investigations had not been completed. The auditors contacted New York State OTDA and determined that as of February 11, 2003 there were 11 outstanding FBI matches, 17 outstanding state felon matches and 12 outstanding prison matches awaiting action by Nassau County.

SIU staff noted a lack of cooperation from the supervising police officer. When asked what procedures could be employed by the Unit without the cooperation of the police department, state OTDA suggested that notifications with the current address could be given to the local police to allow them to arrest felons. The DSS unit supervisor made calls to other jurisdiction’s law enforcement officials to notify them of the claimant’s fugitive status. After a ten-day waiting period the department would then send a “ten-day notification” of termination of benefits to the felons. Some case reports, with dispositions noted, were not supported by documentation.

#### **Recommendations:**

- a) Fugitive felon matches should be investigated promptly.
- b) Procedures for law enforcement verification of warrants should be established, implemented and enforced.
- c) Case file documentation should support actions taken on cases.

## Findings and Recommendations

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### **Background**

New York State law requires automated finger imaging (an electronic, photo image fingerprint) as part of the eligibility determination for all public benefit programs.<sup>19</sup> The purpose of this program is to establish a positive identity for each client and to prevent individuals from receiving assistance from more than one social service district. Such identification deters duplication of benefits. New York State Department of Social Services adopted the Automated Finger Imaging System (AFIS) for social service districts to meet this requirement.

After a social service district documents their identity, benefit program applicants are enrolled in the system with the electronic finger image and a photograph, which are then associated with the case information. The centralized database is searched for a matching image, and any matches found are reported to the applying district, as well as to any other district in the state found to have an open case. The districts so notified are required to investigate reported matches to establish the facts, to identify potential fraud, and to report to the state any investigative determinations made on the cases.

### **Automated Finger Imaging**

#### **Audit Finding (10):**

Monthly state reports notify the district of various finger imaging problems such as:

- those clients active in WMS (receiving benefits) not finger imaged;
- conflicting client information between the WMS and the Automated Finger Imaging Systems (“AFIS”); and
- unusable finger images.

The reports also provide information on monthly finger imaging enrollment for the district, photo ID’s issued and AFIS matches of client cases controlled by the requesting county. The Nassau County Comptroller’s Office issued a report earlier this year detailing the department’s non-compliance with NYS Social Service Law for finger imaging. Proper review by the Unit of these monthly state reports would have uncovered the non-compliance of the DSS program benefit units.

The state furnishes these and other reports to assure the integrity of the finger-imaging program. It is the responsibility of the districts to investigate and resolve outstanding issues. As designated liaison for the AFIS program, the Unit’s supervisor receives these reports. The Unit, due to limited knowledge of the AFIS function and understaffing, had not been fully addressing these issues.

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<sup>19</sup> 1 N.Y. Soc. Serv. Law §139-a (McKinney 2003); N.Y. Comp. Codes R. & Regs. tit. 18 (2003)

## Findings and Recommendations

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### **Recommendations:**

- a) Written procedures should be developed for the investigation of AFIS reports.
- b) The department should fully participate in assuring the quality and integrity of the statewide AFIS finger-imaging program by resolving reported issues promptly.

### **Front End Detection System – FEDS:**

#### **Audit Finding (11):**

18 NYCRR § 348.7 (a) requires “Each social service district to take actions to ensure the integrity of the public assistance caseload (PA) and the correctness of PA eligibility determinations and establish procedures to identify and refer for investigation potential cases of fraud, misrepresentation or questionable documentation prior to determining applicants eligibility for PA.” Section (c) of the same requires “Each social service district must submit a plan to the department for approval describing the procedures required by this subdivision (a) section” and includes a description of circumstances in which referral to the FEDS investigative unit will be made. Each district must select some minimum number of these criteria.

The State Welfare Inspector General’s September 2002 performance review inspected the anti-fraud programs of the department. Its report stated, “OTDA has several reasons to question Nassau County DSS’ current structure and request that the fraud plan be amended to ensure that state dollars are expended to effectively combat fraud in Nassau County.” One of its recommendations suggested that the OTDA should request revised FEDS and fraud plans from Nassau County. DSS responded that it plans to review its FEDS.

#### **Recommendations:**

DSS should ensure that both the written procedures and the Unit’s actions are in compliance with 18 NYCRR § 348.7 (a).

## Findings and Recommendations

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### **Unit Office Practices**

We reviewed the adequacy of the Unit's procedures to determine whether they ensure that salaries are paid only for work authorized, performed, and properly documented. Our review revealed the following inadequacies:

### **Employee Time Sheet**

#### **Audit Finding (12):**

Employees report their time on a daily DSS time sheet (DSS-1946). Employees are to sign the form upon arrival and again on departure, noting the time of each.

Several poor timekeeping practices were noted:

- Employees performing field visits are routinely not expected into the office until 2PM, without regard to the number of field visits scheduled.
- When the field employees plan to go on field visits they sign in (signature, no time) prior to the day scheduled for the field visit day. The time is entered when they next arrive at the office.
- Time sheets were inappropriately completed. The auditors examined a time sheet at noon and noted that one employee (signed in at 9AM) had already entered a signature and time out at 5:15PM (with one-half hour of overtime claimed from 4:45PM to 5:15PM).
- An examination of the time sheet to be used for the following day contained two employee's signatures with a time in at 9AM.

#### **Recommendations:**

- a. The department should utilize the Comptroller's bi-weekly time sheet (Form 3024) designed for efficient recording of employee time and a certification of its validity. The recording of employee time by pay period is more efficient than 10 separate daily records.
- b. Timekeeping procedures for field workers should be promulgated and implemented.
- c. Time sheets should record time actually worked, and should not be prematurely completed.
- d. Examiners should return to the office upon completion of their last interview, rather than at 2PM.

## Findings and Recommendations

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### **Field Logs:**

#### **Audit Finding (13):**

Field visits are performed to verify household composition, resources, residency and absent parents. At the time of the audit, there were only two welfare examiners who performed field visits. It is crucial that time in the field should be effective and efficiently spent. Weak controls regarding the recording of time in the field were found. Examiners complete the field log information upon returning to the office, not at the time of the visit.

A copy of the field log is left on the examiner's desk to notify the supervisor of scheduled visits. Upon return from the field, this log is completed by the examiner as to the results of these visits (interview, no show, letter left, etc.) and kept on file. A review by the auditors of these field logs revealed that the information contained in the log was insufficient to allow the supervisor to determine if the examiner's time was effectively utilized.

One examiner's field logs were tested for the month of December 2002. For the entire month no start time or return to the office entries were made. A second examiner's field logs were reviewed for the month of January 2003. On five occasions the examiner failed to enter the time returned to the office. Therefore, the amount of time spent performing field visits could not be determined.

### **Recommendations:**

- a. The field logs should contain the examiner's start time, travel and interview times as well as the time returned to the office. A supervisor should review these logs to determine whether examiners are making efficient use of their time.
- b. Information obtained from field visits should be entered into field logs while in the field to ensure complete and correct documentation.

# Appendix

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## **Department of Social Services Response to the Audit Report**

### **Finding # 1 Adequacy of Staffing Levels**

#### **Recommendations:**

DSS should evaluate and ensure that staffing levels are adequate to meet the needs of the state and federally-mandated functions.

#### **Department Response:**

The Agency was severely impacted by an Early Retirement Incentive in the fall of 2002 that produced 70 retirements rather than the 35 anticipated. As a result, Agency wide reorganizations were implemented to insure the most efficient use of personnel. There was, in the short term, a learning curve experience for reassigned line workers and supervisors. This was especially the case in the Special Investigations Unit.

At the time of the Audit, the unit had a total of seven employees, with 1.5 of this number performing field investigations. The total number of staff is now 10.5. In January 2003, two (2) experienced Temporary Assistance Social Welfare Examiners were transferred to the unit and one (1) experienced Investigator returned from sick leave. Field staff now equals 5.5; desk audit staff equals 4.

The additional staff has allowed the unit to reorganize and address mandated tasks. A proposal is pending that will fund additional staff to be assigned to the Office of the Commissioner of Investigations to investigate client fraud in Public Assistance and Medicaid.

### **Finding # 2 Adequacy of Staff Qualifications and Supervision**

#### **Recommendations:**

DSS should merge all anti-fraud detection and prevention efforts under a Chief Investigator, as recommended by the NYS Welfare Inspector General. This individual should possess a credible background in investigations. Once hired, this Chief Investigator should assess the strength of the current staff's investigative skills, the need for hiring experienced investigators and the best way to accomplish this.

The department should ensure it has staff appropriate to the task of managing its field investigations and prosecutorial procedures, and numerous statewide program integrity initiatives.

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### **Department Response:**

The Department has traditionally used Social Welfare Examiner Supervisors and Assistant Directors with years of eligibility experience to oversee this unit. A proposal is pending that will place responsibility of the Investigations Unit under the Commissioner of Investigations.

### **Finding # 3 Reporting Structure**

#### **Recommendations:**

The supervision of the Unit should be segregated from all benefit programs and report directly to the Commissioner.

#### **Department Response:**

Prior to the Early Retirement Incentive program in September 2002, the unit was under the direction of a Chief Social Welfare Examiner Supervisor who reported directly to the Commissioner. The Social Welfare Examiner Supervisor III now administratively responsible for this unit reports directly to the Commissioner on investigative issues. In addition, an internal committee presently meets with the Commissioner every 2-3 weeks to discuss the operation of the unit.

As noted in Finding #2, a proposal is pending that will place administrative responsibility of this unit under the Commissioner of Investigations.

### **Finding # 4 Adequacy of Staff Training**

#### **Recommendations:**

- a) All Unit employees should attend the NYS Welfare Fraud Investigator training programs.
- b) All Unit employees should be trained in fraud detection methods and the goals of the various state programs.
- c) Procedural manuals should be updated and expanded to include sections on each state-sponsored fraud detection and prevention program.

#### **Department Response:**

Staff are trained Social Welfare Examiners with experience in program eligibility. Every new investigator has been trained by a seasoned investigator --- trailing, buddy system, supervisory review. Each worker has also participated in formal training, including the NYS Welfare Fraud Investigator Training given in part by the NYS Police Academy, the

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District Attorney's Office, the State Welfare Inspector General, and the NYS Division of Probation and Correctional Alternatives. The Unit has also received periodic training from New York State Office of Temporary and Disability Assistance QA Fraud Section and Program Integrity.

The supervisor was new to this very complex job at the time of the audit. At the one-year mark, she has shown remarkable improvement and has a firm grasp of policy, procedures, and organization.

The procedural manuals are currently being reviewed and updated as necessary.

### **Finding # 5 Field Investigation Procedures**

#### **Recommendations:**

- a) The unit should evaluate whether field visits should be performed in teams of two for safety reasons.
- b) Field investigators should be equipped with communication devices such as cell phones and walkie-talkies. They should also be issued an investigator's ID or shield to present during field investigations.
- c) In an effort to prevent offenders from collecting benefits, the Unit should coordinate with law enforcement authorities a procedure to investigate clients for outstanding warrants prior to making field visits. Consideration should be given to entering into a new MOU with the Sheriff's Department.

#### **Department Response:**

Should additional Investigators be added, a policy will be developed for team assignment of cases. The Department will explore with County IT the availability of cell phones for employees who do not have their own, and with the Police Department for the availability of walkie-talkies.

The Department's primary worker for felon, warrant and prison matches returned from an extended disability leave in April 2003 and resumed standard procedures for investigating and apprehending individuals on these lists. Regular links with law enforcement authorities and the District Attorney's office are conducted to secure prosecution and case closings. In 2003, 85 cases were processed, resulting in 31 closings and 5 reductions.

The Sheriff does not have resources available to devote to Fraud Investigations. The Department currently clears clients for outstanding warrants prior to making field visits.

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### **Finding # 6 Solicitation of Public Assistance for Detecting and Preventing Fraud**

#### **Recommendations:**

The department, in an effort to encourage the public to provide more information about potential fraud, should:

- a) Reactivate, and include on the DSS Web site, the 7-day, 24-hour fraud reporting hotline at the Special Investigation Unit, to encourage over one million Nassau County residents to report fraud.
- b) Obtain NYS-DOH Medicaid fraud posters to help make the public aware of program fraud, and where and how to report it. These posters should be strategically placed throughout the county, especially within DSS, health clinics and other public facilities.

#### **Department Response:**

The telephone number was inadvertently deleted, but has since been included on the Department's website. It must be noted that the Unit currently receives a significant number of complaints and fully investigates all allegations.

The Department has recently requested a new supply of NYSDOH Medicaid fraud posters. Such posters are already posted throughout the County, but a new effort to increase awareness of fraud will be conducted.

### **Finding # 7 Assessment of DSS Fraud Investigation**

#### **Recommendations:**

To address the SIU investigative deficiencies, the department should hire professionally trained investigative staff and retrain the existing staff in how to effectively perform and document fraud investigations. All case files should be reviewed by supervisors to ensure that the files include complete documentation and that proper conclusions are reached.

#### **Department Response:**

As previously noted, existing staff has received proper training, and will attend additional sessions in the future. A proposal is pending to add Investigators to the Office of the Commissioner of Investigations.

Special Investigation reports are completed on a standardized form in accordance with set guidelines. The unit has a 98% affirmation rate in Fair Hearings.

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We have recently met with the District Attorney's office in an effort to improve the collaboration between Departments. The Chief Assistant District Attorney has assigned an ADA and an investigator to work solely with us in investigating and prosecuting welfare fraud. Since January 1, 2004, 22 cases have been investigated, documented and referred to the DA resulting in seven (7) arrests to date. The remainder are still being processed.

### **Assessment of DSS SIU Participation in NYS Program Integrity Initiatives:**

#### **Finding # 8 PARIS Interstate Match**

##### **Recommendations:**

PARIS reports should be investigated in a timely manner, with investigation procedures and conclusions documented to support action taken on cases.

##### **Department Response:**

We have been in complete compliance with this program since its inception. Our timeliness has improved, and as of December 31, 2003, we are current. One Social Welfare Examiner I is dedicated to processing the PARIS reports. The 18<sup>th</sup> PARIS Match, dated December 2003, identified 175 cases that required investigation: 89 cases did not require negative action and 86 cases were either closed or reduced. Total cost avoidance for Temporary Assistance and Medicaid was \$62,131.00. This figure represents cost avoidance for closings and reductions as a result of determining that individuals were ineligible for assistance in New York State because they are in receipt of assistance in another state.

#### **Finding # 9 Fugitive Felon**

##### **Recommendations:**

- a) Fugitive felon matches should be investigated promptly.
- b) Procedures for law enforcement verification of warrants should be established, implemented and enforced.
- c) Case file documentation should support actions taken on cases.

##### **Department Response:**

We are in complete compliance with this program since December 2003.

\*See finding #5.

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Procedures are in place to insure that cases are closed due to outstanding warrants. Clients are held for arrest if “owning” jurisdiction will extradite. In 2003, 85 individuals were processed, resulting in 31 closings and 5 case reductions. Savings totaled \$50,886.

Case file documentation for this area is routinely filed in the SIU where it remains secure and confidential.

### **Finding # 10 Automated Finger Imaging System-AFIS**

#### **Recommendations:**

- a) Written procedures should be developed for the investigation of AFIS reports.
- b) The department should fully participate in assuring the quality and integrity of the statewide AFIS finger-imaging program by resolving reported issues promptly.

#### **Department Response:**

All reports are now completed on a timely basis and in accordance with written procedures, with exception of the WMS BATCH update. According to the State there are still modifications in the coding system that must be resolved by the State before counties can resolve the Medicaid portion. The Aging Status Report has been reduced from 396 cases to 19. The WMS Reconciliation Report and the Match Resolution File are presently timely. All “hits” have been data errors (i.e., incorrect demographic information, data entry “typos”, etc.). Formal training was given to all SIU personnel by the State on March 18, 2003 and February 9 and 10, 2004. Policies and procedures were delineated at that time. Please refer to the previous audit report issued by your office on October 17, 2003.

### **Finding # 11 Front End Detection System - FEDS**

#### **Recommendations:**

DSS should ensure that both the written procedures and the Unit’s actions are in compliance with 18 NYCRR § 348.7 (a).

#### **Department Response:**

The Department has made significant progress in this area. FEDS and EVR investigations are completed by 5.5 field investigators based on Safety Net applications and referrals from New Applications staff and eligibility workers during initial interviews. During 2003, 1851 investigations were completed (1470 TA, 210 FS, 61 MA, 109 DC, 1 HEAP). Of those, the SIU recommended that 916 be denied, closed or reduced. 935 cases were found to be correct and eligible. Cost avoidance was estimated

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to be \$230,000 by the State of New York. All procedures and actions are in compliance with State regulations.

### **Finding # 12 Unit Office Practices – Employee Time Sheets**

#### **Recommendations:**

- a) The department should utilize the Comptroller's bi-weekly time sheet (Form 3024) designed for efficient recording of employee time and a certification of its validity. The recording of employee time by pay period is more efficient than 10 separate daily records.
- b) Timekeeping procedures for field workers should be promulgated and implemented.
- c) Time sheets should record time actually worked, and should not be prematurely completed.
- d) Examiners should return to the office upon completion of their last interview, rather than at 2PM.

#### **Department Response:**

The SIU, like all other units within the Department of Social Services, utilizes the Comptroller's bi-weekly time sheet. However, the time sheet is completed by each unit's clerk from information on the daily sign-in sheets, which have been reviewed and approved by unit supervisors daily. This is Agency wide procedure. At no time is a DSS time sheet (DSS-1946) utilized or submitted for overtime. Only by completing a GS 500-A (Request and Authorization to Work Overtime), which requires both a supervisor's and a director's signature, can an employee be compensated for overtime.

Workers who have field responsibilities are expected to make their visits during the morning hours. Each is assigned to a general geographic area. Investigators take 5 to 6 appointments and 10 unannounced visits with them. They are expected to complete all of the former and as many of the latter as time permits (many clients are not at home; some visits take longer than others, travel time varies, etc.) and to return to the office no later than 2 P.M. There are exceptions to this rule, should the circumstances of an individual investigation warrant such.

Workers sign in at 9:00 A.M. for the following day. This establishes (along with individual field logs) that a worker intends to be in the field the next day (as opposed to taking the day off). Workers are expected to have their lunch hours prior to returning to the office at 2:00 P.M. Their individual field logs indicate the clients they actually saw that morning.

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### **Finding # 13 Unit Office Practices – Field Logs**

#### **Recommendations:**

- a) The field logs should contain the examiner's start time, travel and interview times as well as the time returned to the office. A supervisor should review these logs to determine whether examiners are making efficient use of their time.
- b) Information obtained from field visits should be entered into field logs while in the field to ensure complete and correct documentation.

#### **Department Response:**

Tighter controls of workers' use of field time have been implemented. Workers are now required to keep a record while in the field of start times, travel times, and lengths of interviews. Periodically and randomly, the supervisor will review and evaluate these logs for efficient use of field time.

#### **Auditor's Follow-Up Response:**

*In our review of the responses, we note that many actions that address our findings and recommendations were taken by DSS both during and subsequent to our audit. DSS has added staff, are pursuing placing the responsibility of the unit under the Commissioner of Investigations and are sending staff to applicable training. DSS has also improved their timeliness in PARIS report investigations and have met with the District Attorney's Office to improve their collaboration. This has resulted in an increase in the cases referred to the District Attorney's Office. (As of January 1, 2004, 22 cases have been investigated, documented and referred, resulting in 7 arrests to date.) These on-going improvements should be commended.*

*In audit finding #12 we noted that employees were prematurely signing time sheets for the following day. DSS's response indicated that this established the employees' intent to be in the field. Field Auditors in the Comptroller's Office call in to the office when they arrive at their first destination. We recommend that similar procedures be followed by DSS for employees who are in the field.*