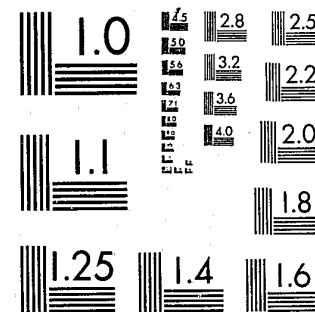


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National Institute of Justice
United States Department of Justice
Washington, D. C. 20531

DATE FILMED

1-26-82

GAO



79992

Hazardous Waste Disposal: A Staggering Problem!

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Reducing Fraud and Abuse in Entitlement Programs: An Evaluative Perspective

The problem of reducing fraud and abuse in entitlement programs has been addressed in many different ways, using many different approaches. Such approaches have included efforts like error monitoring, prevention (through public relations techniques and education), fraud "hotlines," special detection alerts (such as the California "hopper" system which seeks to uncover benefit recipients who are fraudulently enrolled in multiple jurisdictions), special investigative task forces, computer-matching, case screening, "enhanced" prosecution, administrative sanctions or remedies, Federal requirements for corrective action by States and local governments, federally imposed fiscal sanctions (on States with excessive numbers of ineligibles in their caseloads), and many more. In general, these approaches have not been developed as integral parts of the planning process; rather they are the after-the-fact and somewhat *ad hoc* results of problems encountered in specific instances of program implementation. Thus, little attention has been directed to the *structure* of entitlement programs themselves, and, in particular, to design weaknesses which present opportunities for fraud and abuse.

From an evaluative perspective, it would appear that four interrelated planning failures are involved:

- the failure to envisage and formally recognize the possibility of fraud and abuse in benefit programs;
- the consequent failure to address these problems by designing safeguards against them;
- the failure to build in provisions and funds for the energetic and comprehensive pursuit of fraud and abuse; and
- the failure to plan evaluation efforts which could measure the extent and describe the nature of program-specific fraud and abuse problems and test the effectiveness

of the various fraud and abuse countermeasures.

All four of these failures can be seen as resulting in some measure from a fairly generalized attitude which views fraud and abuse problems as either unusual, or as exogenous to a program, and which considers them, if at all, only reactively.

Recognizing the Possibility of Fraud and Abuse

The failure to expect or even to recognize fraud and abuse as a possible problem is not, of course, restricted to program planners in government. It can also be found among business people, who often merely pass on the costs of shoplifting and internal theft to the public via raised prices, instead of planning for them as a fact of life, reducing opportunities for them to occur, taking action against them when they do, and generally considering these efforts as an integral part of good management in its normal cost-minimizing role. It can be found among designers of nuclear plants who may often fail to envisage the need for protecting plants adequately against the threat of terrorism. The notion that crime, abuse, and terrorism are not only likely, but are possibly permanent problems which must be addressed in planning new activities, does not appear to have permeated our thinking very profoundly as yet.

In addition, the particular problem of fraud and abuse in entitlement programs has no institutional home. As a management question, it has not yet been built into planning and evaluation; as a criminal question, it is low—very low—on the list of criminal justice priorities. In effect, police, attorneys, prosecutors, and judges tend to perceive fraud and abuse as trailing behind a long list of

other, more severe crime problems which must necessarily take precedence over them in already overcrowded court dockets and prosecutorial caseloads.

Yet the problems of fraud and abuse are real. They seem to be of considerable and increasing dimensions (although precisions about their size and growth rates are hard to find), and they are part of a larger societal crime problem which shows few signs of abating. Why then do we persistently fail to design for them when we plan programs and other activities?

There are undoubtedly many reasons for this failure, but some are especially prominent. First of all, there is the fact of recency, at least with regard to major national problems of recipient fraud or abuse. While there have always been manifold opportunities for contractor, provider, or government employee fraud, the entitlement programs of the sixties brought benefits that furnished a major new locus for recipient activity, and this problem thus developed concurrently with those programs. Similarly, gross increases in crime rates themselves (at least as they are measured by the FBI's Uniform Crime Reports) also had their beginnings in the early sixties. Hence, the newness of the phenomenon and wishful thinking that the problem would go away may partially explain the fact that, despite the colossal level of crime, abuse, and victimization witnessed today, these have not yet either entered firmly into our thinking or become accepted as nontrivial, quasi-permanent factors to be considered *routinely* as a part of program planning.

Some progress has been made, however. For example, a few years ago it was quite common to hear program managers estimate, on the basis of almost no data, that rates of fraud and abuse in entitlement programs amounted to little more than a reassuring 5 percent of total expenditures (Chelimsky, 1973). But while it is unlikely that such an estimate would be heard today, the tendency still appears to be one of viewing fraud and abuse as real, perhaps, and important, perhaps, but nonetheless as transient and extraneous rather than integral to a program. It is this view, however, which permits the conclusion that these problems

can be treated on an *ad hoc*, reactive basis once the program is implemented, and which has signified that deterrent and enforcement systems have not been designed into programs.

In addition to recency or newness, a second reason why program planners have failed to consider fraud and abuse in their design strategies may have been lack of time and expertise. It is no secret that many programs of the sixties were hastily planned and implemented, and it is commonly realized that planning and evaluation were themselves, at that time, still in their infancy. But as program planning in general was given short shrift, "new" problems like fraud and abuse could hardly have been integrated into the typical planning effort of the period which seems to have ranged from nonexistent, through cursory, to aborted-in-midstream (Marris and Rein, 1972). Further, the existence of program planning did not necessarily ensure that of evaluation planning. Today, evaluation planning for an entitlement program would automatically include measures of fraud and abuse as indicators of program management quality.

Ideology also has played a role. On the one hand, the liberal perspective that creates programs to help the disadvantaged tends to concentrate more on maximum feasible amelioration of existing ills than on the possibility of fraud or abuse which may accompany such amelioration. On the other hand, the conservative view that government should be largely decentralized and that programs should be operated to the degree possible at State and local levels builds in major additional difficulties for both deterrence and enforcement, thus providing unparalleled opportunities for fraud and abuse.

A fourth reason has to do with differences in practitioner philosophy and with bureaucratic fragmentation. In effect, designing safeguards or deterrent systems against fraud and abuse into programs for the needy requires the inclusion of at least two sets of stakeholder views and goals: those of assistance-focused social workers and enforcement-focused justice practitioners. But these views are both different and difficult to conciliate. They

seem to coexist only in uneasy rapport, with social workers feeling that it is their role to serve clients rather than to "look over their shoulders" (Lange and Bowers, 1979), and justice practitioners feeling that recipient fraud and abuse concern them "only in light of their potential for criminal prosecution" (Edelhertz, et al., 1977). Further, the holders of these views are separated from each other by the insulating walls of autonomous bureaucratic institutions, those of the welfare agency, and of the justice system. It is therefore possible (and even easy) for them to continue to ignore each other's needs and their mutual interdependence. This signifies, however, that no hue and cry is likely to be raised which would force some realization of the need to intimately associate enforcement with service or benefit delivery.

In sum, there seem to have been important reasons why planning has not designed strategies against fraud and abuse into entitlement programs. Yet a fair body of research suggests that such planning is a necessity for preventing, identifying, and controlling fraud and abuse in those programs. What exactly, then, could such planning do for us, and how can we modify existing programs in consequence?

Designing Safeguards Against Fraud and Abuse

There are two immediately obvious ways in which design strategies could reduce the potential for fraud and abuse. They could

- build controls into the program process and
- ensure that adequate funds, equipment, personnel, and training are provided to screen, identify, follow up, and sanction criminal activity.

Designing Controls into the Program Process

Entitlement programs, for various good reasons, are not all structured the same way. This is important in that different structures incur different risks and vulnerability to fraud and abuse. As the Comptroller General has stated:

Some of the programs that would seem to be particularly susceptible to fraud are those involving a significant amount of contracting and procurement. . . . In addition, programs involving loans, grants, and benefit payments appear to be particularly vulnerable. (Comptroller General's statement before the Senate Committee on the Budget, Mar. 15, 1978.)

All programs, however, entail some risks. It is therefore extremely important to think about designing programs not only to meet the needs of service delivery, but also those of program integrity. There are three control systems which seem necessary, as a minimum, to help prevent and contain fraud and abuse. These are

- program and evaluation planning for deterrence, detection, and enforcement;
- adequate definitions, consistently applied across the program, of what constitutes fraud and abuse; and
- the development of data bases allowing the detection and report of fraud or abuse in unambiguous terms.

Planning for deterrence, detection, and enforcement involves, first, an effort to design the program so as to minimize vulnerability to fraud and abuse. For example, if prepayment of benefits is not a permissible option, then the problem of unsubstantiated cost estimates cannot occur, and the difficulty of achieving the return of overpayments due to this cause (a major problem) is likewise avoided.

Second, this kind of planning involves some decisions with regard to deterrent strategies. For example, what reliance will be placed on criminal prosecution? How will this be assured? Will the use of administrative along with civil or criminal sanctions be envisaged? How can speed, certainty, and consistency in enforcement application be achieved?

Third, techniques for detection (e.g., surveys, financial audits, quality control, etc.) need to be established and their procedures laid out and routinized along with provision for research and evaluation of new techniques. One important problem with current detection methods is that they have focused on error rather than on fraud or abuse. This means that a finding of error, while

important in ensuring that resources are not wasted, is only the first step in coming to grips with problems of fraud and abuse. Labor-intensive followup is the second step in this detection process, and this can be so costly that new techniques for establishing the presence of fraud and abuse are urgently required. Discriminant analysis, for example, which has been tested on a small scale for use in constructing error-prone case profiles (Comptroller General's report GGD-78-107, Feb. 5, 1979) might be tested for use as well in constructing fraud-prone profiles.

Another problem presently being encountered is the definition of the auditor's role in detection. The questions now being raised concern the appropriateness of accounting methods to the investigation of fraud and abuse, how far auditors should proceed with regard to such investigations, and whether current auditing tools are effective for detection. An intergovernmental forum recently explored the problem:

The early practice of examining every single transaction from beginning to end quickly became impractical with the growth of public services and the volume of business. The focus changed to examining systems and testing controls. This necessary change, however, considerably diminished the chances of detecting fraud, except in its most blatant forms.

Detection of fraud, although highly desirable, was therefore no longer the primary purpose of audit; rather, its purpose became to (1) verify compliance, (2) determine fairness of financial statements, and (3) establish whether internal controls were adequate to safeguard the funds involved.

The erosion of fraud detection as a primary audit goal is not generally realized by the nonauditor. By and large, the public still thinks that the completion of an audit without major adverse findings is a guarantee that everything is in good order. (Intergovernmental Audit Forum, 1980.)

In some cases, auditors have been reluctant to take on the investigative role they have been asked to play because they feel "different techniques must be developed with a broader range of skills than those of traditional auditing," and that "new approaches will have to be painstakingly developed with inputs from other disciplines and professions" (Lange and Bowers, 1979; *Business Week*, July 1978).

Finally, standardized definitions and data bases need to be planned to ensure a reasonable understanding of problem sizes and patterns, to allow program design corrections to be made when needed, and to facilitate comparisons across jurisdictions which are currently impossible, as a practical matter, for some programs. (This, however, also speaks once again to the problem of planning simultaneously for decentralization and for the effective detection and control of fraud and abuse.)

Planning for Enforcement Equipment, Personnel, and Training

Computer-based management information systems can be helpful in detecting and identifying fraud and abuse, but social workers do not necessarily possess data processing skills. In the Medicaid program, for example, technical assistance and training are now given to State personnel by the Federal Government to develop and run a system which creates a data base for management use in identifying possible fraud and abuse. Various subsystems of the MMIS (Medicaid Management Information System) permit the profiling of both providers and recipients and allow staff to target vulnerable points in the program process (such as client eligibility, provider certification status, and acceptability of charges) with some speed, and early enough to be useful in fraud or abuse prevention. Special legislation, however, was required to implement this system. It was not originally a part of the Medicaid program.

Computer technology is also used for detection of fraud, as in the AFDC program, where computer-aided matching techniques compare two or more data bases using an identifying element, such as a social security number or date of birth, to detect ineligible applicants or recipients. Still another AFDC computer-aided technique involves selective case screening, which features an examination of a single data base to find specific factors likely to indicate fraud (Fischel and Siegel, 1980).

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All of these systems require careful planning and elaboration in terms of the program's goals and operations; all need funding and personnel, as well as training and assistance to program staff; all need time. One point on which most researchers agree is that when large numbers of applications must be processed in a short time by overburdened, inadequately equipped staff, this sets the stage, almost irremediably, for massive fraud and abuse. Finally, all of these systems need evaluation, and provision for measuring their effectiveness is one way to compensate for the failures of early program planning. That is, evaluations can be performed at any time, and their findings can form an excellent basis for proposed modifications to the systems and programs studied.

Providing for the Energetic Pursuit of Fraud and Abuse

Perhaps the most arduous and important area of all, and one which has to date not progressed very far, is that of pursuit. In fact, fraud and abuse have not been prosecuted energetically. There is at least one very good reason for this, in addition to the attitudinal and philosophical problems enumerated above: that is, lack of coordination between service delivery personnel and justice personnel throughout the bureaucracy. The coordination needed here is both specific and precise, yet it is unsurprising that researchers have found such coordination poorly implemented in entitlement programs. This is especially true of the AFDC program:

Welfare agency staff, especially fraud investigators, frequently complain that AFDC fraud is not vigorously prosecuted. In this regard, several problems appear paramount. Welfare fraud is typically viewed by prosecutors as less serious than other, more violent types of criminal activities. Coordination between prosecutors and fraud investigators/welfare staff is weak. To effectively prosecute AFDC fraud, welfare staff must provide prosecutors with agency documents and relevant evidence in a timely fashion and in an appropriate form for adjudication. Prosecutors are also typically dependent

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on agency expertise concerning frequently changing and complex AFDC program rules and regulations, as well as specifics regarding the amount of benefit payments in question, and evidence such as the signed declaration on the application form needed to establish intent in the investigation and prosecution of fraud. Caseworker testimony needs to be organized and coordinated, since many welfare fraud cases are decided upon the credibility of agency witnesses. (Fischel and Siegel, 1980.)

The high turnover of prosecutorial and welfare personnel, along with the mutual dependence of both groups to assure successful enforcement again signifies the need for planning to achieve two things: the maintenance of requisite expertise via training, and the replacement of current informal relationships by coordinated, frequent, and formal ones.

Decisions are needed to ensure that prosecution will occur when warranted, either by developing new prosecutorial teams dedicated to this effort, by additions to current prosecutorial staff, or by targeting agency investigative resources more closely on those cases most likely to result in criminal prosecution.

Designing Evaluations

Perhaps the most perturbing aspect of the current state of knowledge about fraud and abuse is its paucity. There are major information gaps almost at every step of the way. The actual magnitude of benefits lost to fraud and abuse is not known because of inadequate data, inconsistently defined and formatted across jurisdictions, and consequently, impossible to aggregate. Further, little or no research has been done on the effectiveness of prosecutorial and other deterrent strategies with regard to the incidence of fraud and abuse, so that, in fact, the need to continue with this kind of basic sanction which has proved so difficult to implement is based entirely on assumption.

Again, almost no evaluative evidence exists about the usefulness of most existing countermeasures against fraud and abuse. With regard to computer-aided matching techniques, for example, before deter-

mining that these should be widely adopted, evaluation needs to collect empirical data on a series of measures. It would be useful to have information, for example, on

- the number of "raw" matches;
- the number of matches shown to be valid after verification and review by staff;
- the number of matches in which income discrepancies were found;
- the number of matches leading to administrative case actions;
- the number of matches leading to investigation, and those leading to prosecution for fraud;
- the costs of conducting the matching operation including both data processing costs and those of the extensive annual review and followup efforts by program staff;
- the amount of overpayment assessed;
- the cost of recovering that overpayment; and
- the actual amount recovered (Fischel and Siegel, 1980).

At present, actual data on the effectiveness and total costs of matching are very limited.

It is clear that the lack of knowledge about the effects and costs of typical strategies and techniques used in combating fraud and abuse are major barriers to the use and expansion of countermeasures. This is a particular problem in view of the costs of computer technology and the need to compare these costs with those of other techniques and strategies for detecting and deterring fraud and abuse. Further, the evaluative data that do exist are fraught with methodological problems which limit their utility and make comparisons among strategies impossible.

A great deal of evaluative work remains to be done. There is a need to learn the effectiveness and costs of nearly all the techniques currently in use, including computer-aided matching, case-selection techniques, "hopper" alerts, and so forth. And there is a need as well to develop data bases which can measure the size and scope of benefit losses to fraud and abuse. Without this information, the development of sound entitlement programs which limit fraud and abuse to a minimum will be impossible.

Summary

We have argued that reducing fraud and abuse in government programs requires

- program planning which straightforwardly integrates enforcement planning with service delivery planning;
- program design which builds in enforcement safeguards, appropriate system acquisition and support, along with training and assistance to personnel;
- program operations which feature incentives and formal procedures for achieving coordination across service delivery and enforcement communities; and
- program evaluation which allows the measurement of progress and the determination of the most effective strategies and techniques against fraud and abuse.

Efforts such as these are critical to prevention, detection, and control, and the approach features here—that of evaluation planning—is as applicable to the examination and modification of existing programs as to new programs. Many of the evaluations we call for here are of techniques currently being applied, and it is evident that their findings are needed to make meaningful choices about which countermeasures to adopt. It seems clear that the ability to ensure that (1) Federal resources actually reach the truly needy and (2) the increasingly scarce amounts available will not be improperly depleted is dependent on this work. Failing this, the successful reduction of fraud and abuse in entitlement programs is likely to wait a long time.

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