



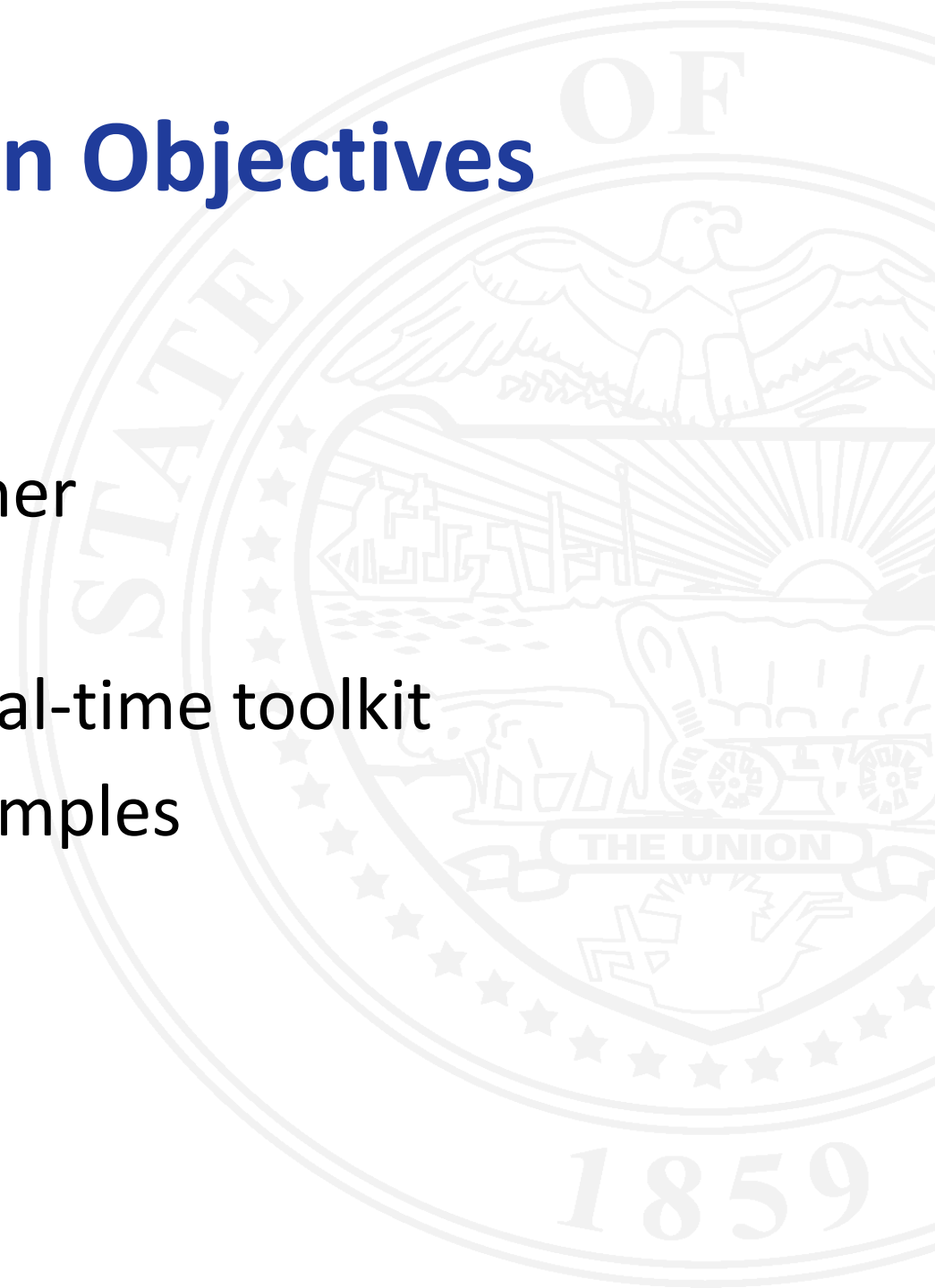
# Preventing the Milk From Spilling

The Value Impact Proposition  
of Real-Time Auditing

AGA New York Capitol Chapter Virtual Fall Fraud Seminar  
November 23, 2020

# Let's Get Real – Session Objectives

- I audit, therefore, I qualify
- Real-time performance auditing primer
- Strategic considerations
- The power of data analytics in the real-time toolkit
- Real-time audit high impact case examples





# Some Strategic Considerations...

- Real-time auditing is just auditing... **but it goes to 11**
- *Ye Olde Auditor Paradigm*: To Be Proactive or Reactive, That is the Question I Ask of Thee
- Dynamic risk assessment: Right risk, right time, right plan
- Get Hungry: Increasing auditor risk appetite
- The incredible value potential of public assurance
- *None Shall Pass!* Auditing standards considerations
- Do or Do Not, There is No Try: Creative real-time audit reporting
- A golden opportunity: real-time auditing prospects in a COVID world
- A few quick real-time audit stories

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# Denver City Auditor: Real-time audit of American Recovery and Reinvestment Act (ARRA)

- Great recession: President Obama signed ARRA in Denver
- Assigned audit team on the day Act was signed
- Real-time audit strategy
- Initial pushback
- Interim reporting, real-time corrections
- Assurance and transparency
- GAO Congressional Testimony cited Denver as a best practice

Appendix C – 2009 ARRA Audit Alert

**AUDIT ALERT:**  
American Recovery and Reinvestment Act  
Readiness & Governance

October 7, 2009

**Summary**

The City and County of Denver's Office of the Auditor has assessed the City's readiness to receive and expend American Recovery and Reinvestment Act (ARRA) funding. We reviewed the Recovery Act's transparency and accountability requirements, general provisions, and the City's proposed internal controls to comply with those requirements.

As a result of our preliminary review, we developed recommended actions to assist the City in monitoring ARRA funding. City agencies should designate specific personnel responsible for reporting, ensure they receive proper training, and that documented procedures are in place in order to comply with Federal reporting guidance. Also, the ARRA Management Group should make certain the City's stimulus website contains accurate ARRA information and is easily accessible to the public.

The Auditor's Office will continue to monitor the City's progress and as programs are funded, we will perform audit of the City's compliance with Recovery Act requirements. In addition, the Auditor's Office is currently conducting an audit examining the City's Grant Process, which will assess specific performance measures for the entire process.


**Overview**

The City and County of Denver's Office of the Auditor has assessed the City's readiness to receive and expend American Recovery and Reinvestment Act (ARRA) funding.<sup>1</sup> We also evaluated ARRA governance requirements.

Colorado is one of 16 states where the United States Government Accountability Office (GAO) will conduct ARRA audits. Monies received by these 16 states represent about two-thirds of the total amount of federal assistance available. Due to this additional scrutiny and the increased public exposure risks involved with ARRA funding, the Auditor's Office

1 American Recovery and Reinvestment Act of 2009, Public Law 111 - 5, 111th Cong., 17 February 2009 [hereinafter ARRA].

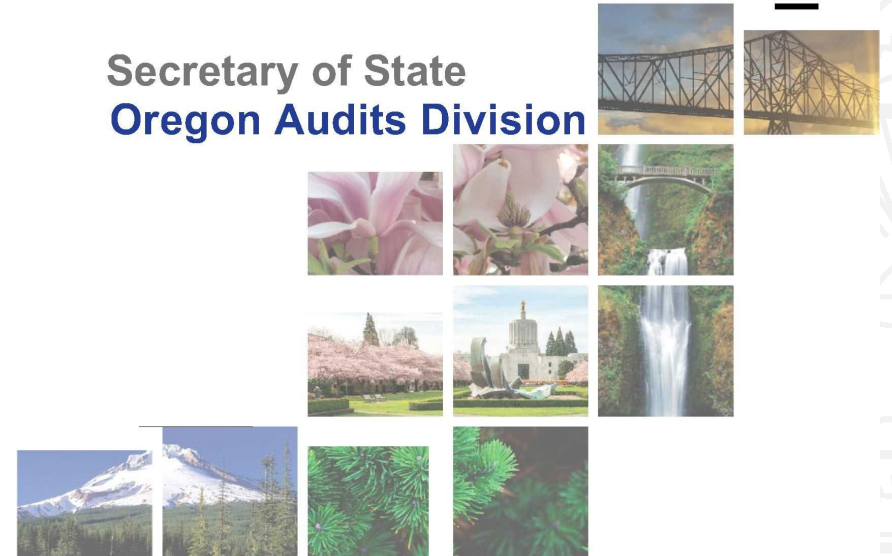
Office of the Auditor  
Audit Services Division  
City and County of Denver

  
Dennis J. Callagher  
Auditor

# Oregon Secretary of State Real-Time Audits

- SOS Audits Division Risk Assessment Strategy
- Oregon Transportation Investment Act
- Oregon State Police SAFE Kit Processing
- Oregon Human Services Integrated Eligibility System
- Oregon CARES Act Local Government Audits
- Oregon Prescription Drug Monitoring Program
- Oregon Special Report on SNAP Fraud

Secretary of State  
Oregon Audits Division



Oregon Health Authority  
**Constraints on Oregon's Prescription Drug  
Monitoring Program Limit the State's Ability to Help  
Address Opioid Misuse and Abuse**

December 2018  
2018-40

Secretary of State Dennis Richardson  
Audits Division Director Kip Memmott

# 1<sup>st</sup> Poll Question



# Real Time Analytics and Audit Looking toward the future

By capitalizing on the wealth of data now available—from business activities as well as external sources—auditors can generate valuable new insights, provide greater assurance, and rewrite the rulebook on traditional auditing techniques.



# Real time analytics benefits



According to the Association of Certified Fraud Examiners, government organizations using data monitoring and analysis software experienced 52 percent lower losses and 58 percent faster detection of fraud occurrences.



# Using the Power of Data Analytics to Expand GRC's Impact

The Oregon Secretary of State's Audit Division provides oversight on spending in the state of Oregon's agencies, programs and services. While fighting fraud, waste and abuse is central to its mission, its audits go far beyond saving taxpayer money and making organizations more efficient. The division also uses its data analysis and audit findings to make recommendations to other government organizations. In doing so, it has enabled the state to:

- Take down a drug cartel that was abusing the food stamp program
- Keep children at the state's daycare providers safe from registered sex offenders and other criminals
- Identify abuse or misuse of drug prescriptions
- Take steps to improve foster care

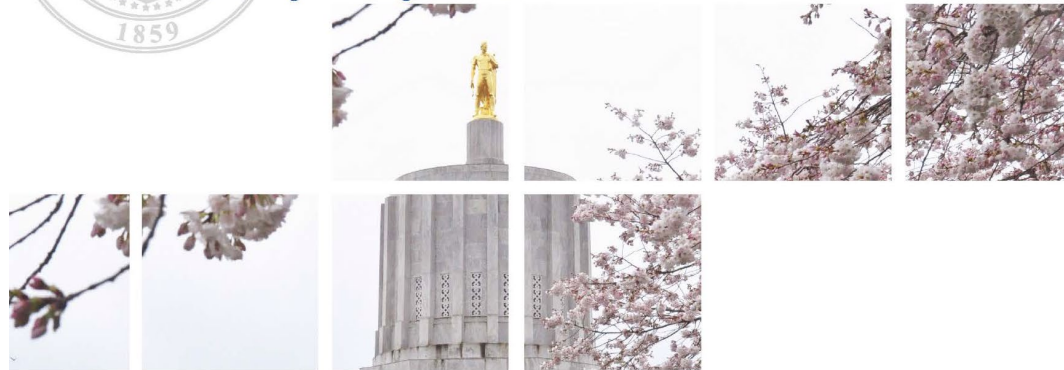


# Real Time Data Analytics to Find Food Stamp Fraud





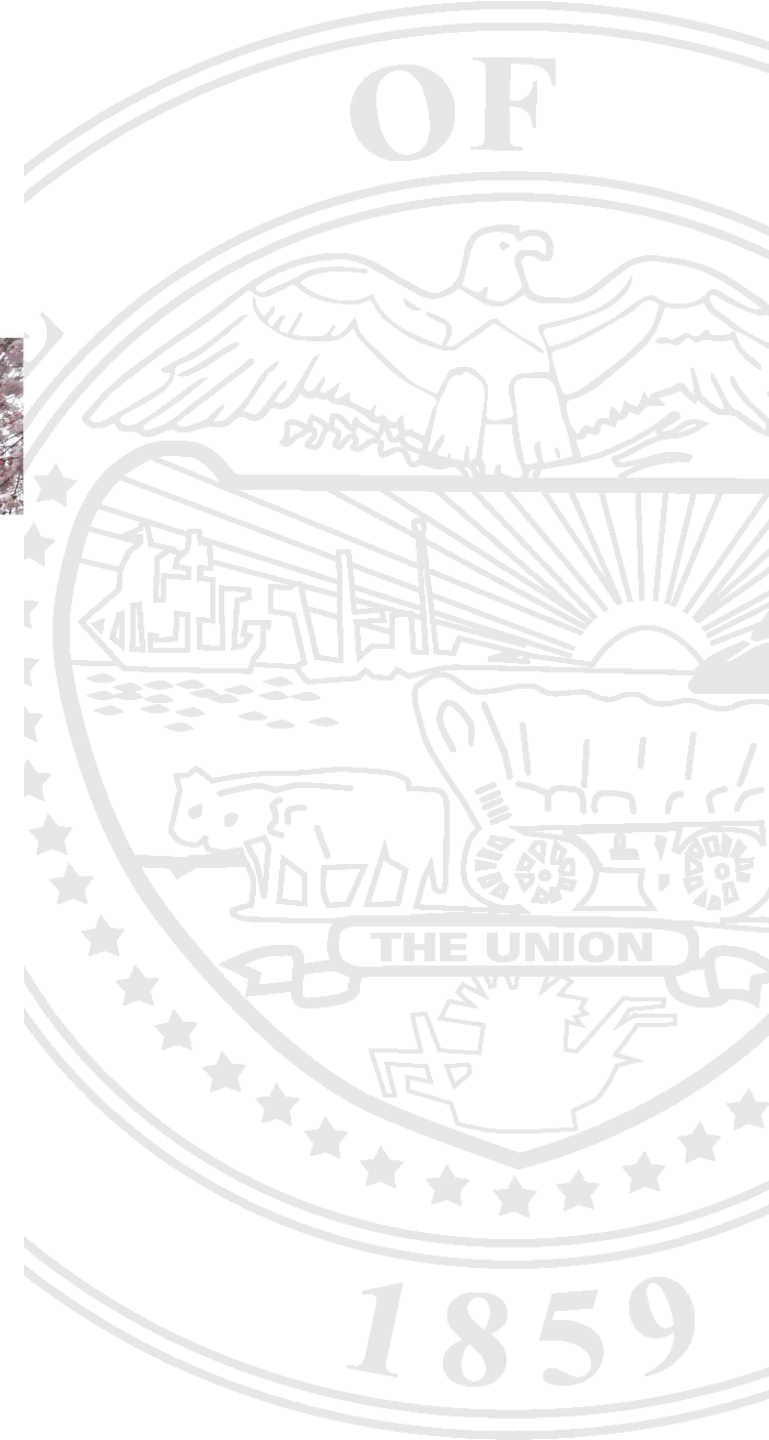
Secretary of State  
Oregon Audits Division  
**Advisory Report**



**Supplemental Nutrition Assistance Program (SNAP)  
Fraud Investigations**

June 2018

Secretary of State Dennis Richardson  
Audits Division Director Kip Memmott



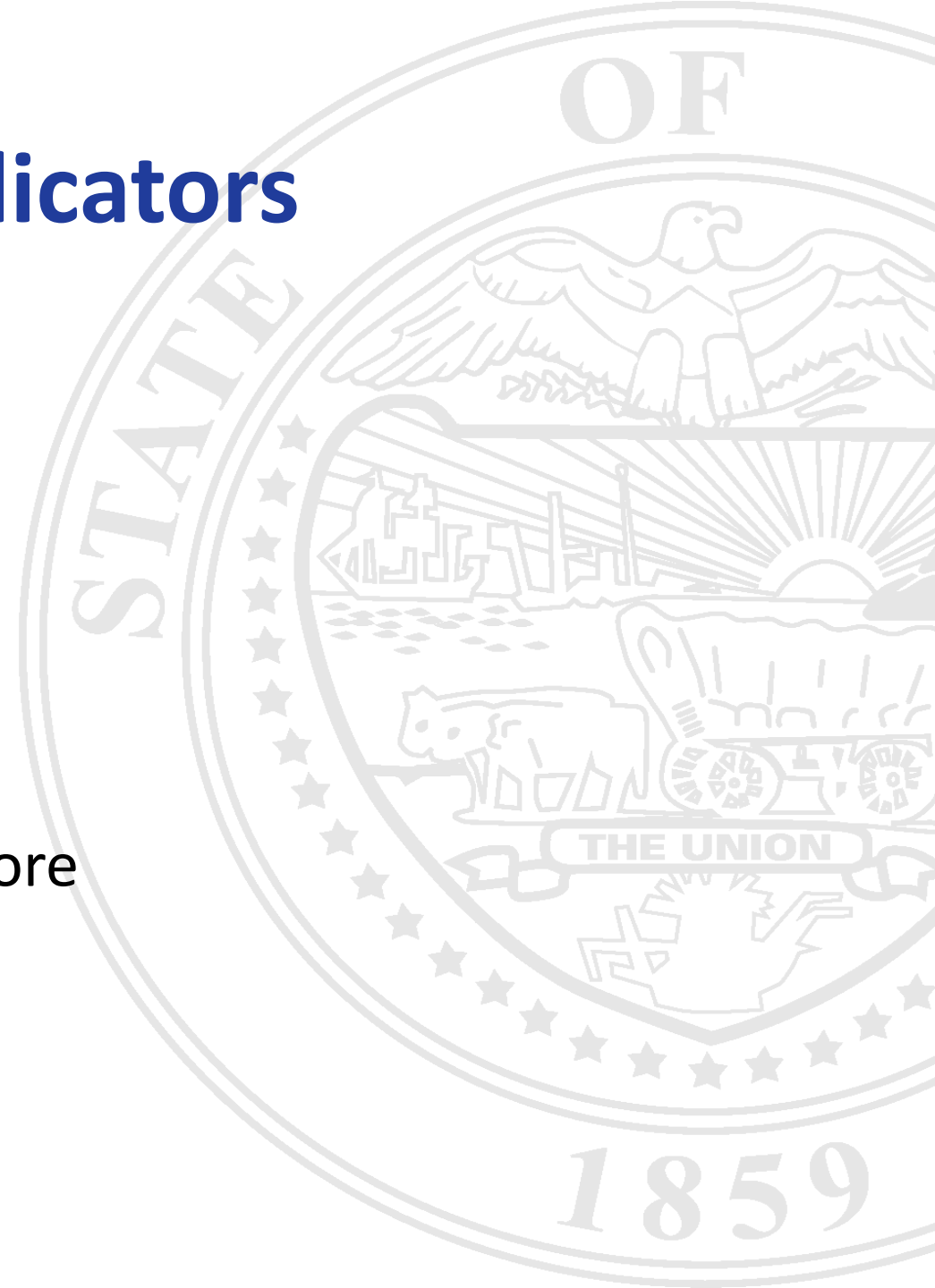
# Fraud Scheme





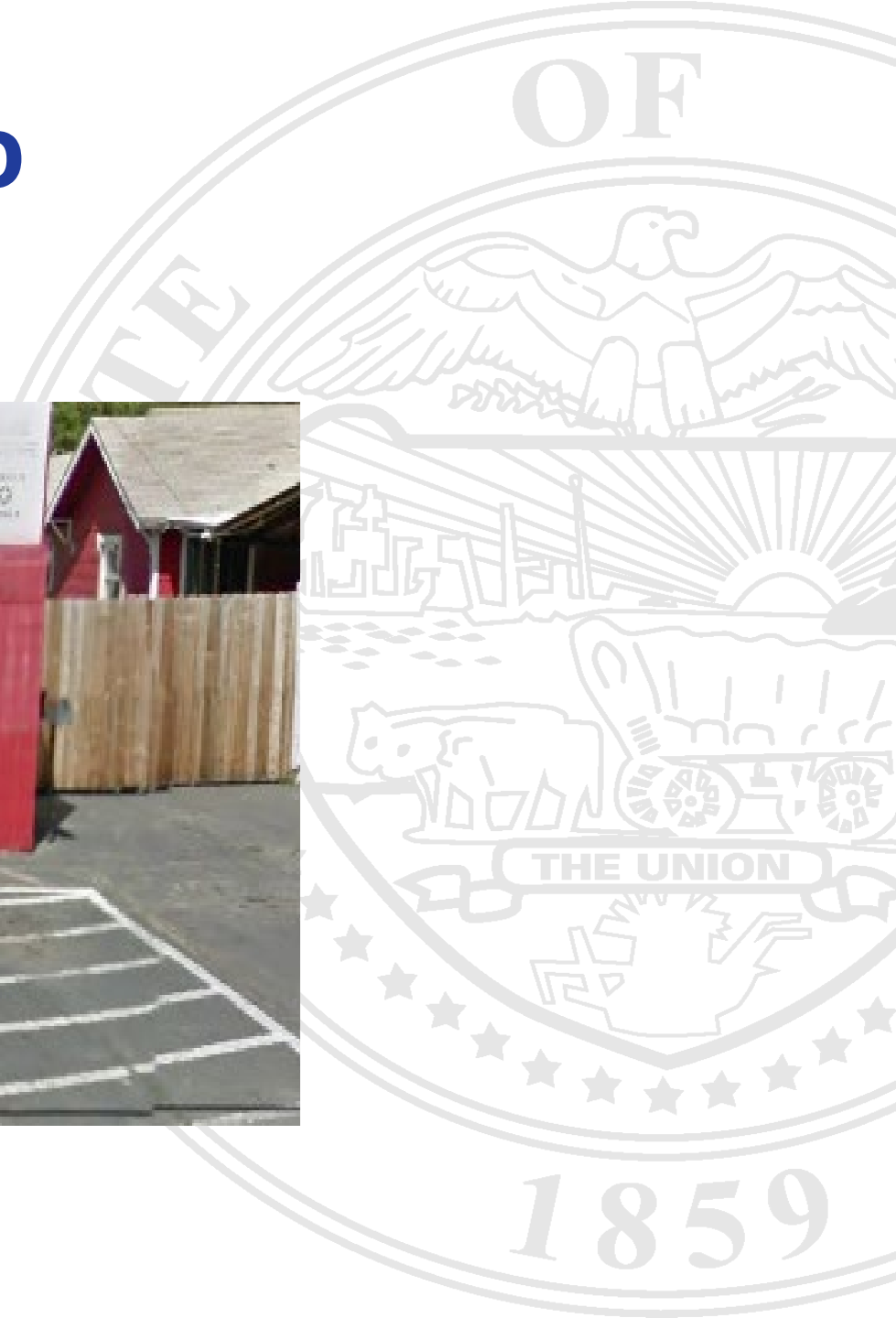
# Top 30 List – Using Data Indicators

- Average transaction amount by store
- Percent of Even Dollar Transactions
- Number of multiple cardholders
- Distance Traveled-using GIS
- Multiple same day transactions
- Merchant owner using personal card at store



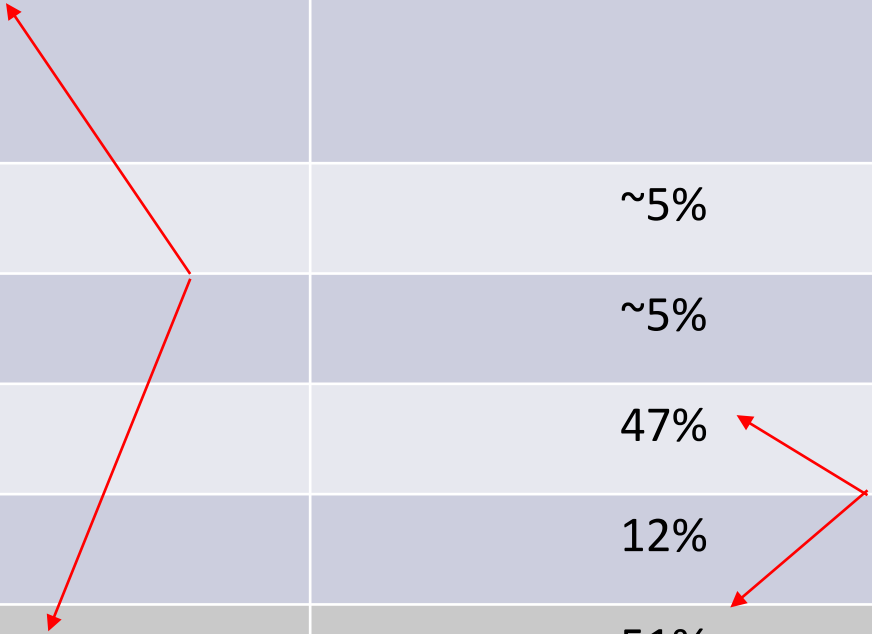
# Carniceria Mi Pueblo

#1 Merchant on our top 30 list

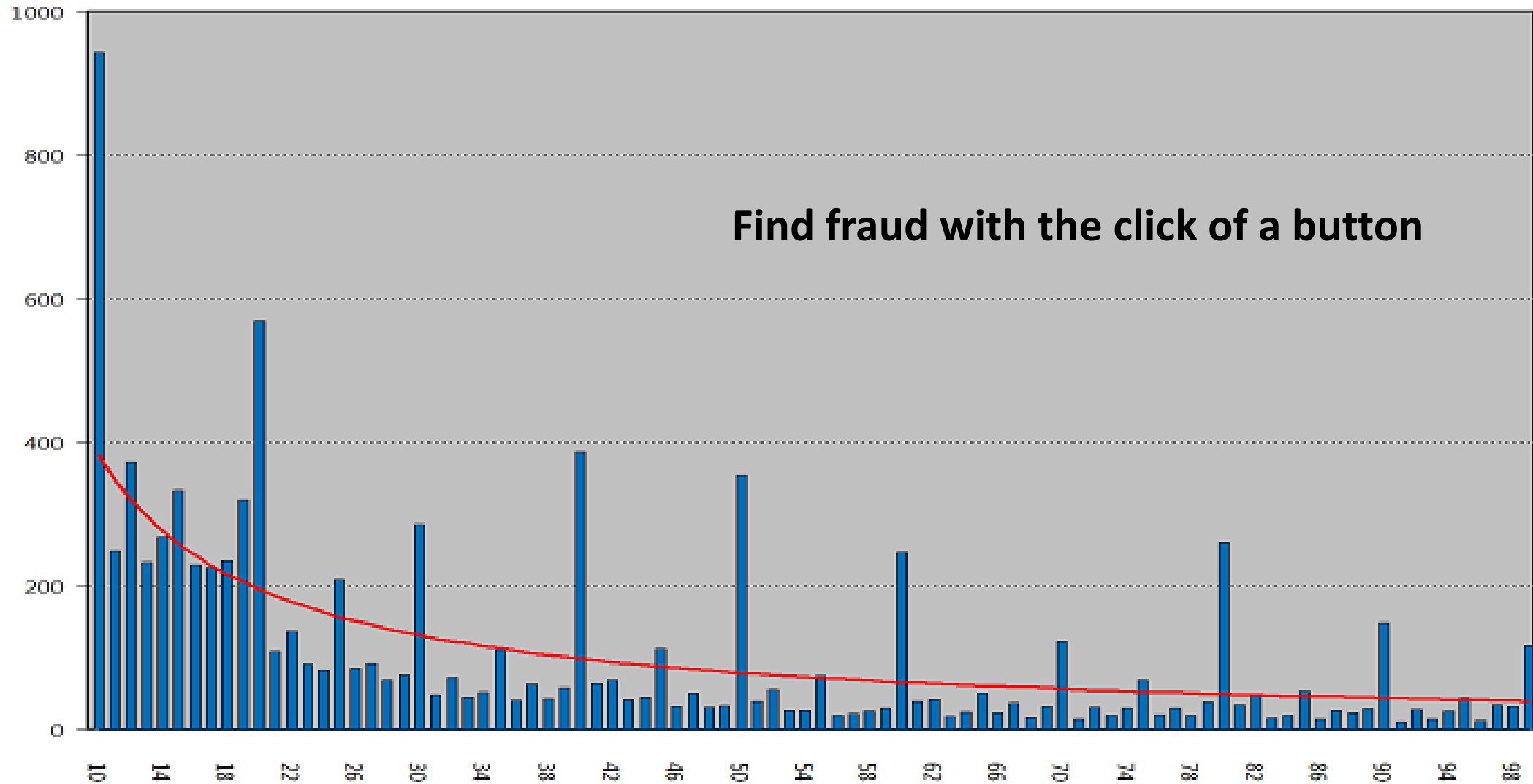


# Compelling fraud story told through data

Store Type	Average Transaction	Average % Even
Convenience stores Mini markets 7-11	\$6	~5%
Walmarts	\$33	~5%
Safeway/Albertsons	\$24	~5%
“Dollar” stores	\$8	47%
Meat markets	\$37	12%
Carniceria Mi Pueblo	\$54	51%



# Two digit Benford's Law test reveals fraud

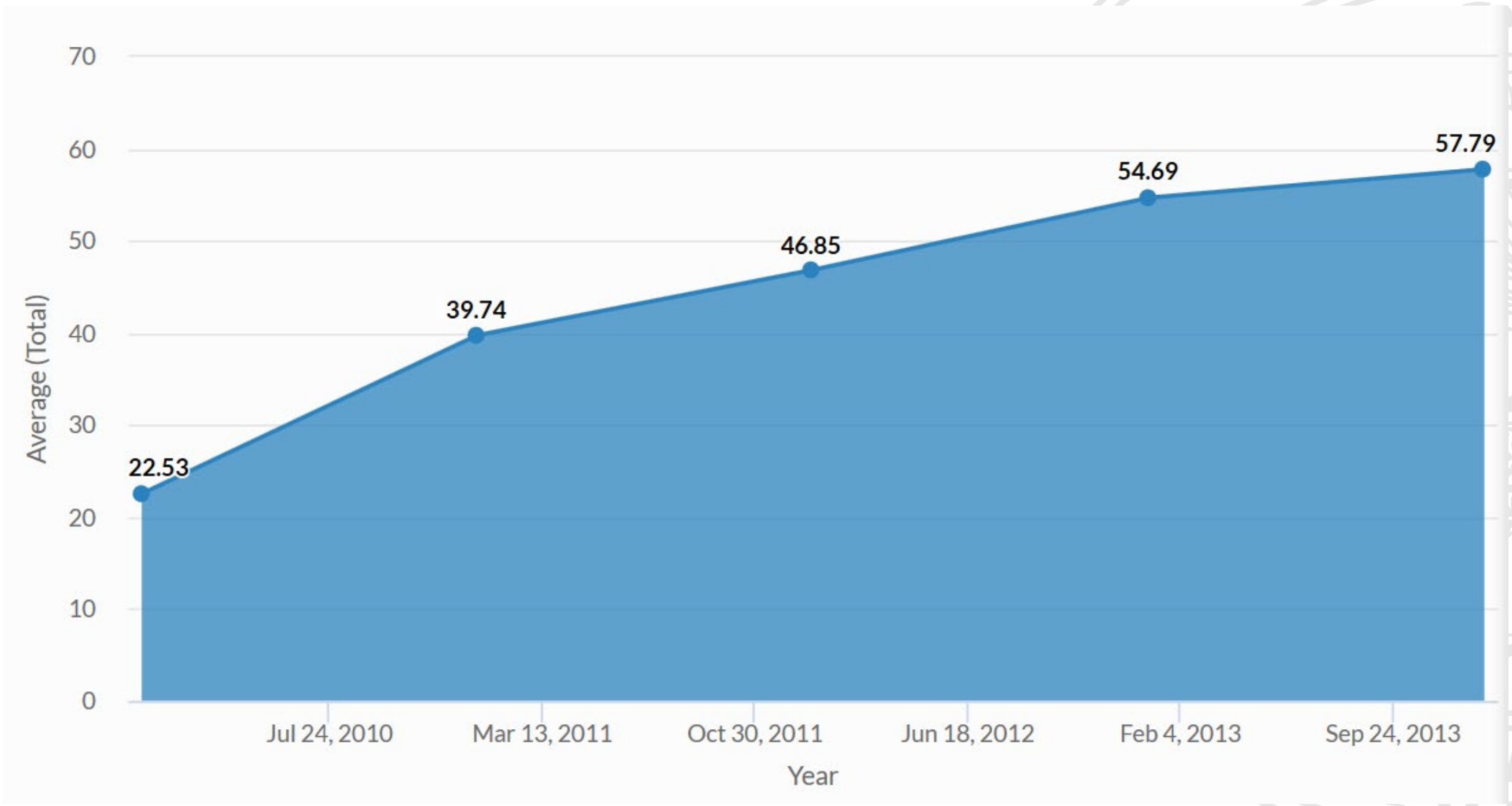


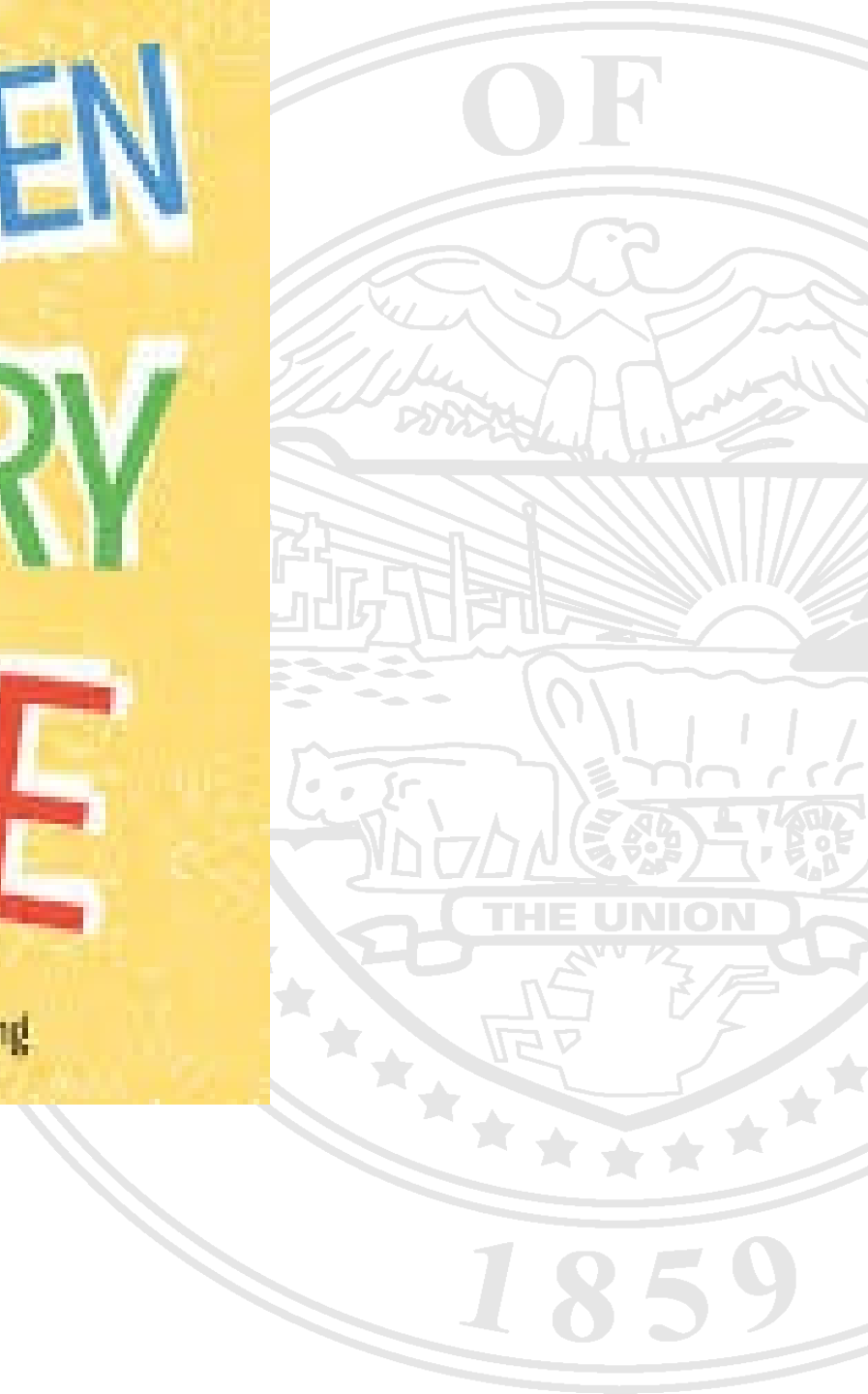
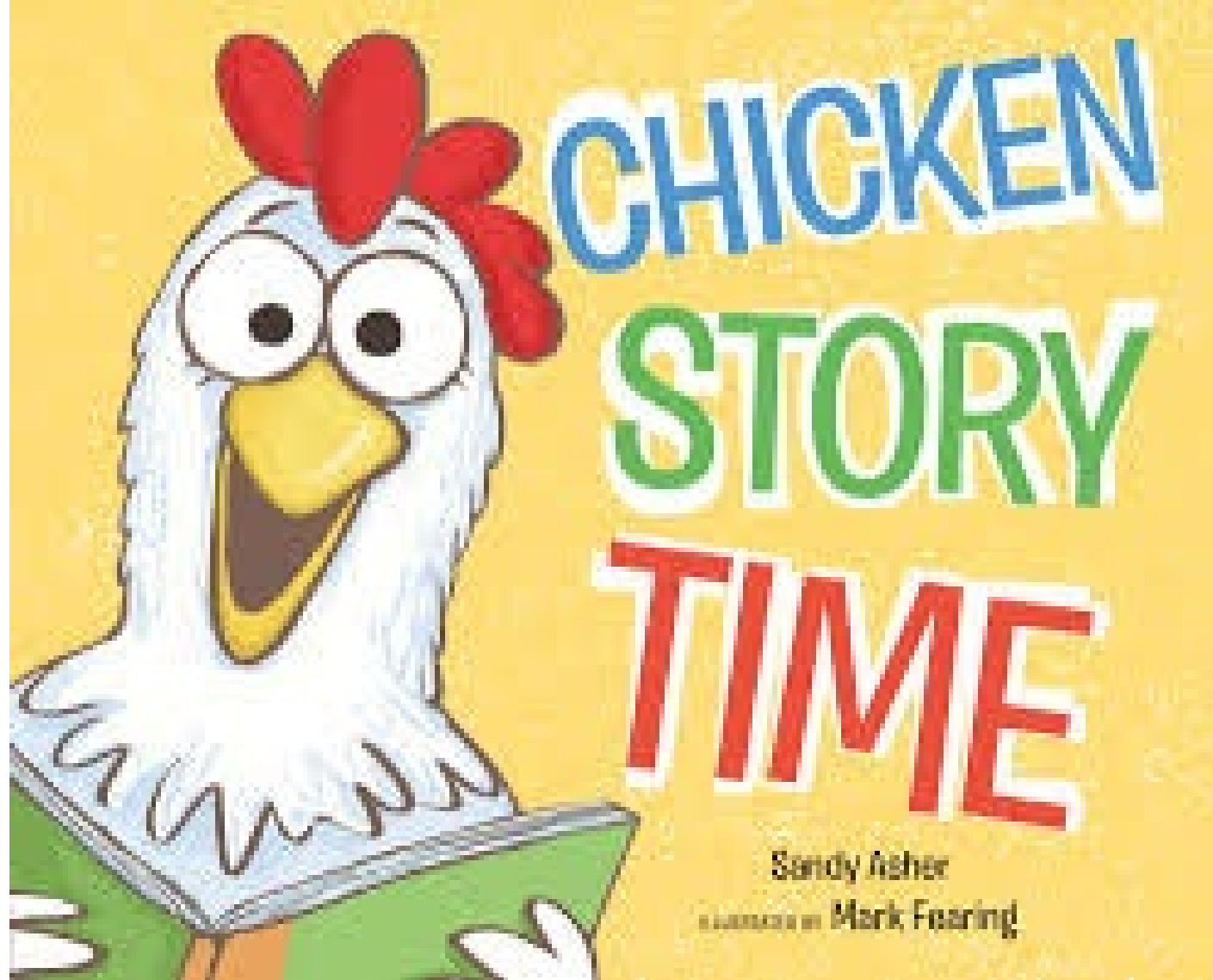
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# Visualizing transaction amounts over time



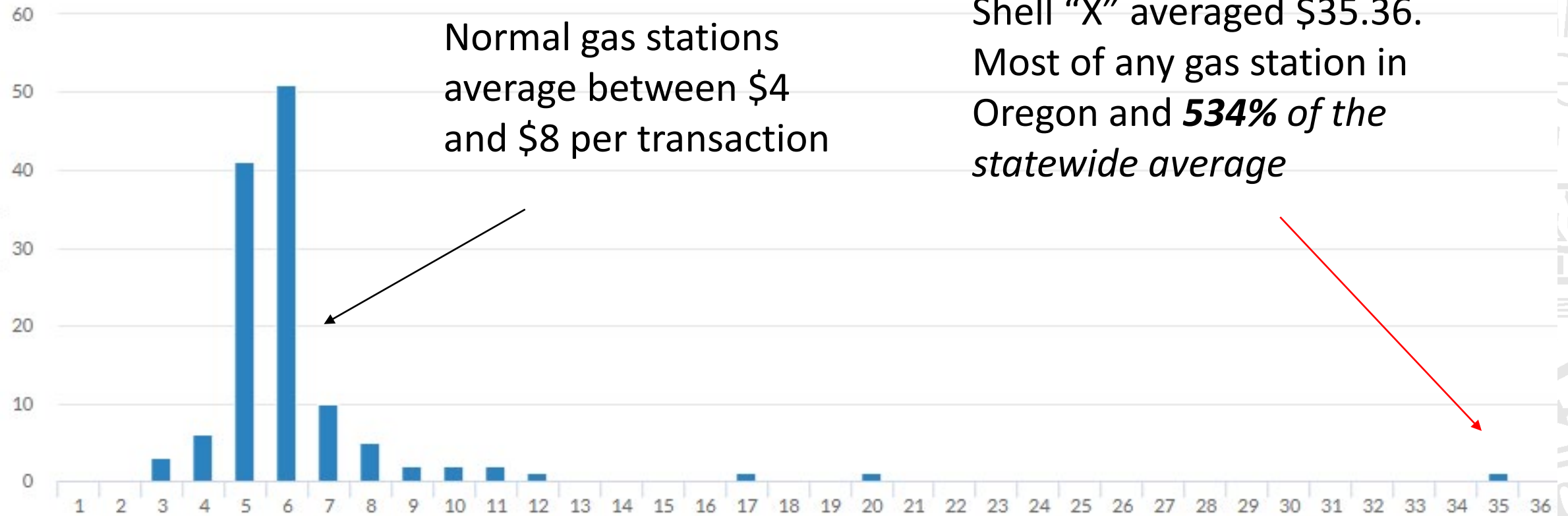


Most recent merchant suspected of fraud



# Visualizing outliers

## SNAP Fraud



# Hundred dollar transactions



# Abnormal client travel

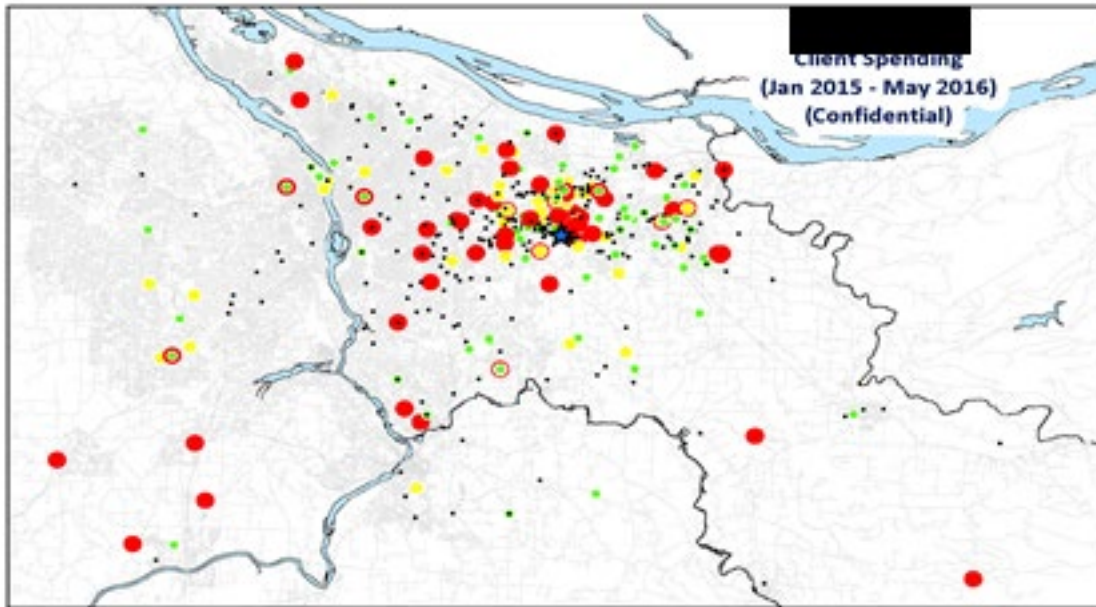
**Red** = more than \$500

**Yellow** = \$250 to \$500

**Green** = \$100 to \$250

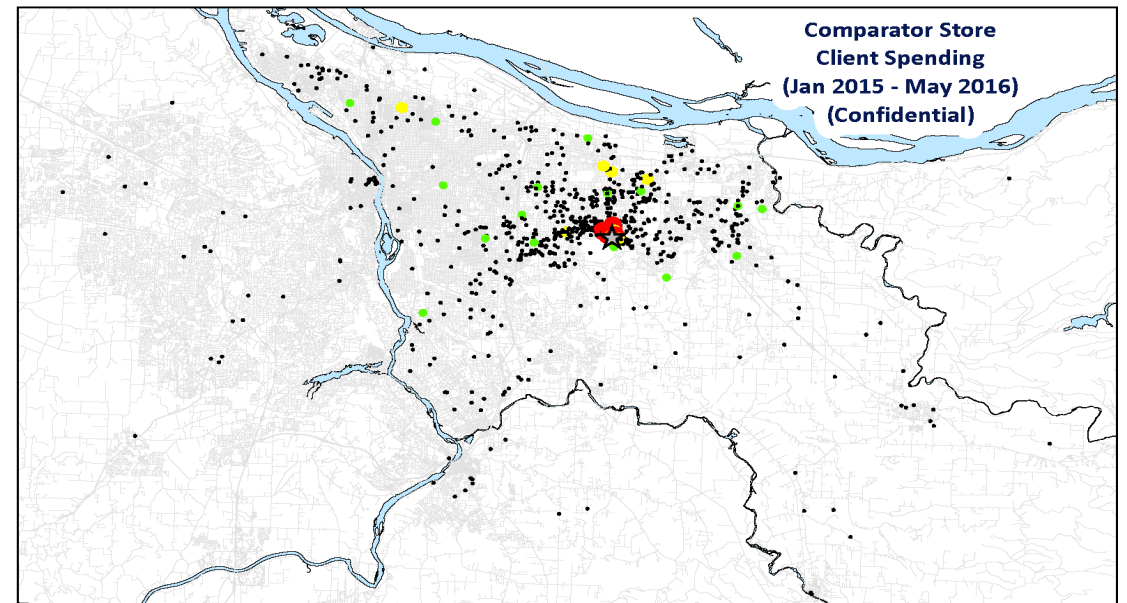
**Black** = under \$100

## Shell "X"



40 minute drive to store (each way)

## Competitor Next Door



Frequent clients live within walking distance

# More stories



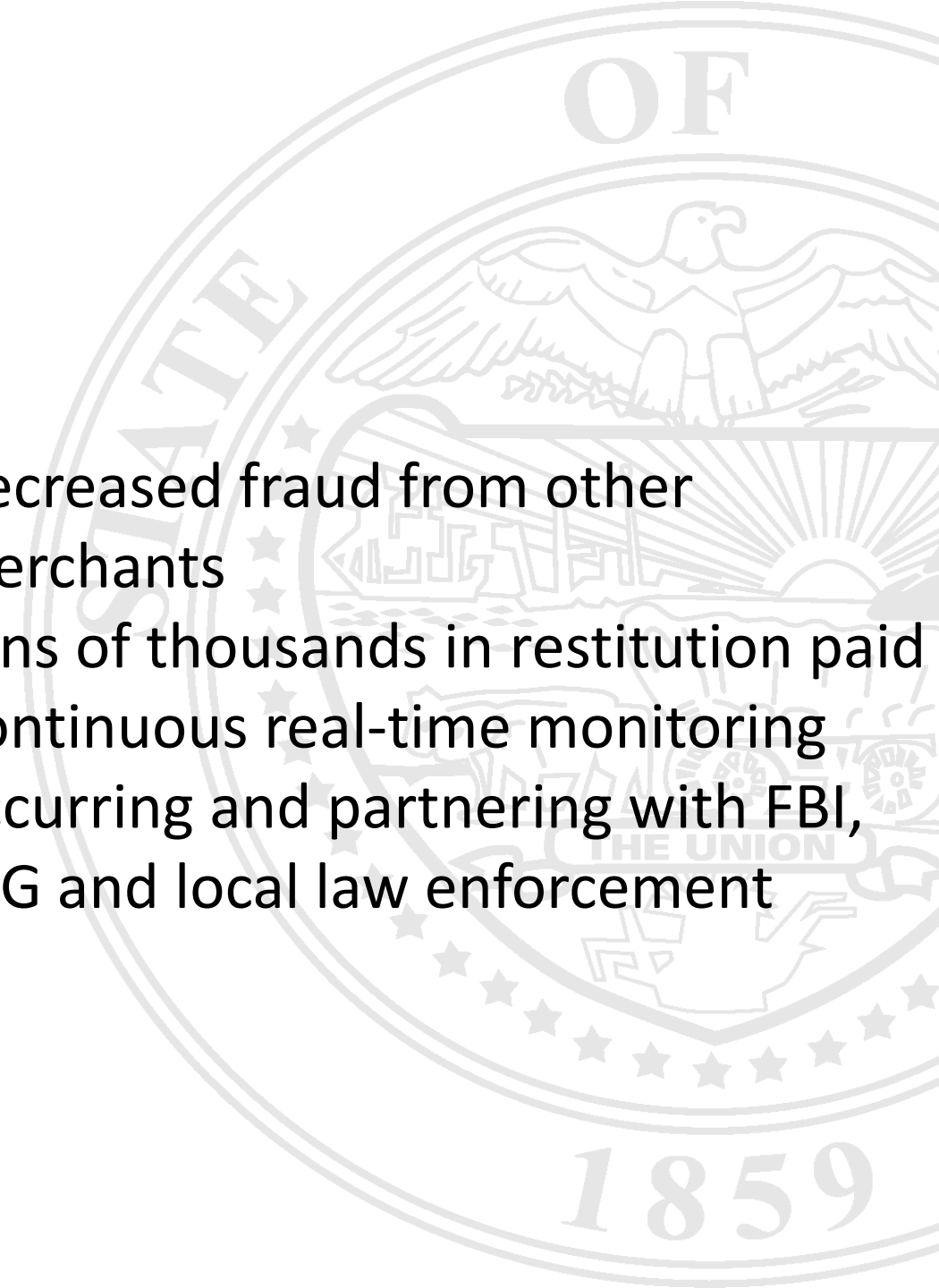
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# Results to Date

- 7 Merchants investigated
- Over 250 individuals prosecuted
- Mexican Drug Cartel operation taken down
- Oregon received \$300,000 grant to continue developing the work
- FNS working with other states to implement analytics and GIS to identify merchants/clients
- Decreased fraud from other merchants
- Tens of thousands in restitution paid
- Continuous real-time monitoring occurring and partnering with FBI, OIG and local law enforcement





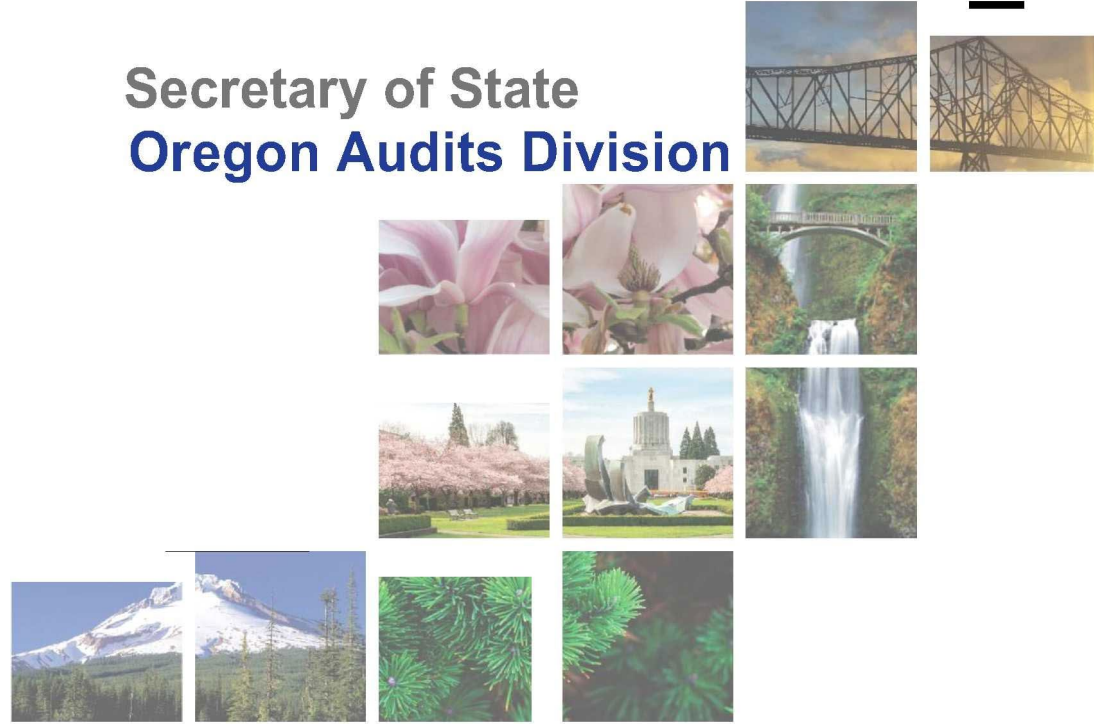
# 2<sup>nd</sup> Poll Question



# Real Time Analytics To Fight Opioid Abuse and Misuse



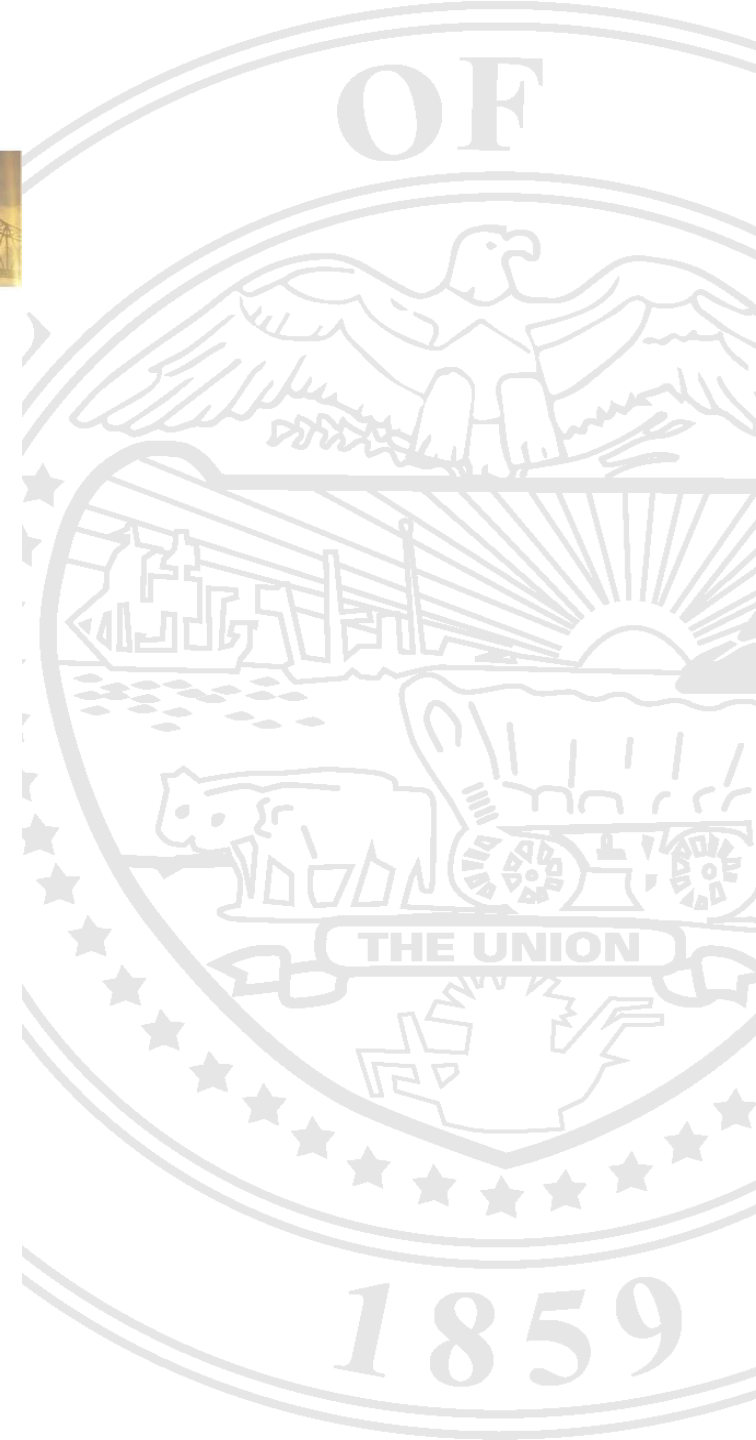
# Secretary of State Oregon Audits Division



Oregon Health Authority  
**Constraints on Oregon's Prescription Drug  
Monitoring Program Limit the State's Ability to Help  
Address Opioid Misuse and Abuse**

December 2018  
2018-40

Secretary of State Dennis Richardson  
Audits Division Director Kip Memmott



Department of Justice  
U.S. Attorney's Office  
Middle District of Florida

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FOR IMMEDIATE RELEASE

Thursday, July 13, 2017

# National Health Care Fraud Takedown Results In Charges Against Over 412 Individuals Responsible For Over \$1.3 Billion In Fraud Losses

## Largest Health Care Fraud Enforcement Action in Department of Justice History



Connect with your community. Subscribe to OregonLive.

THE LUND REPORT  
Oregon's most vital source of health news

ABOUT US SUBSCRIBE OR RENEW DONATE BROWSE ARTICLES HEALTH  
Pandemic Exacerbates Oregon's Addiction Crisis: Overdose Deaths Spike 70%  
By: Ben Botkin



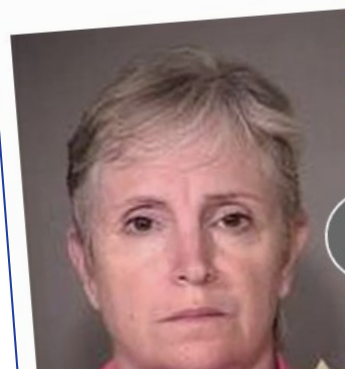
Overdose deaths spiked nearly 70% in April and May in Oregon, which already has the fourth-highest addiction rate in the country.

U.S. LEGAL NEWS JUNE 10, 2019 / 3:24 AM / UPDATED A YEAR AGO

# Opioid manufacturer Insys files for bankruptcy after kickback probe

# Former nurse practitioner who helped run 'pill mill' in Portland sentenced to 4 years

Updated Mar 26, 2019; Posted Mar 26, 2019



Quantity Dispensed	% of Qu
6,128	84.94%
1,970	13.68%
140	1.39%
8	100.00%



Health

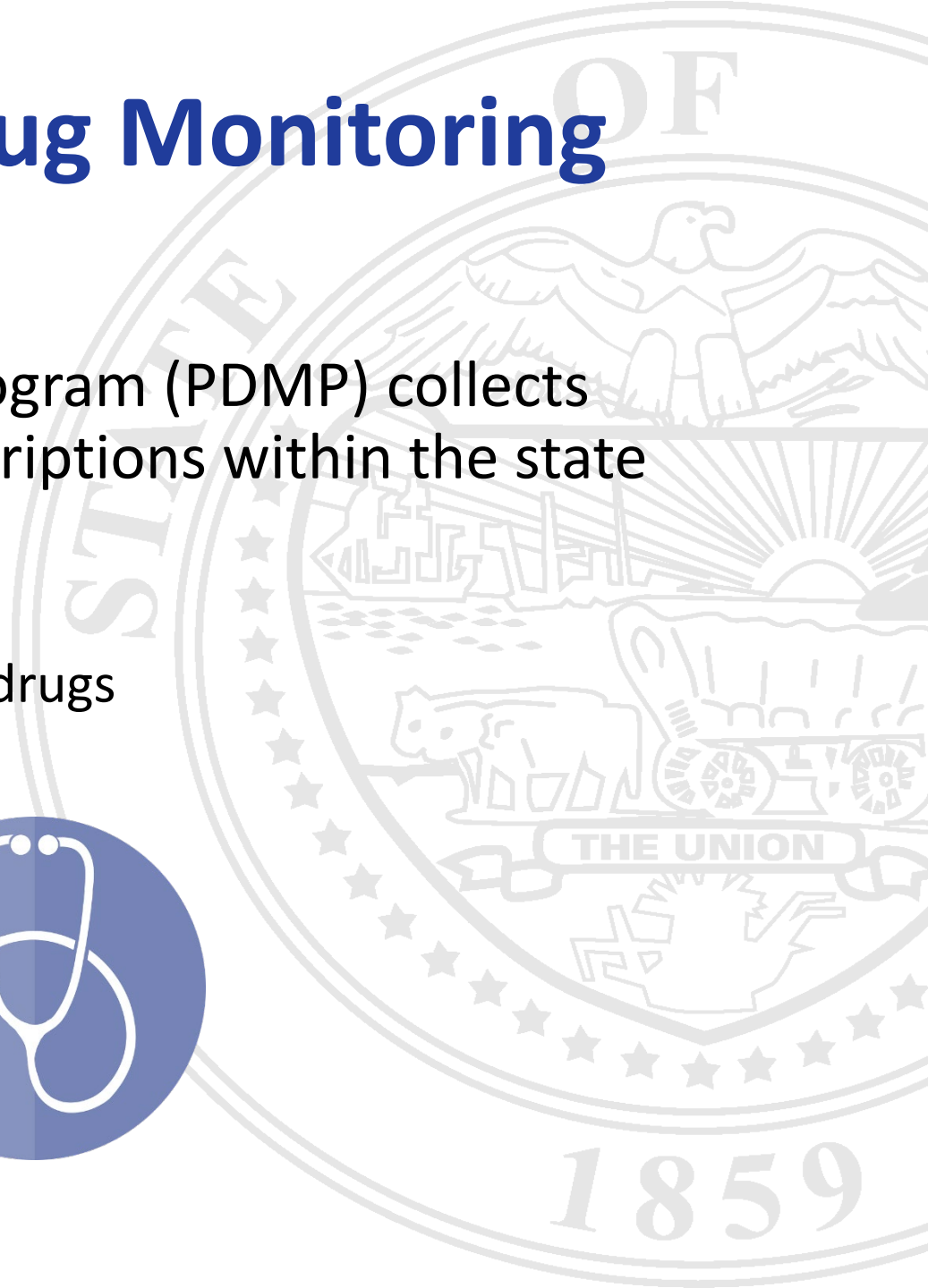
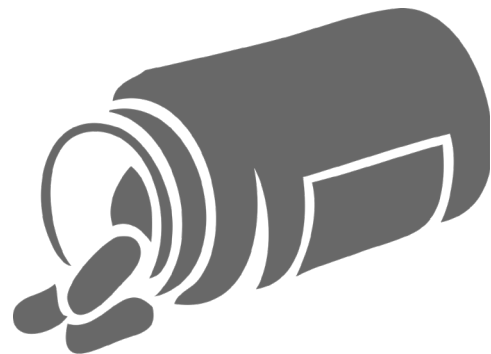
# Jackson County sees startling spike in opioid overdose deaths

Updated Jan 30, 2019; Posted Apr 26, 2018

Community. Subscribe to OregonLive.

# What is the Prescription Drug Monitoring Program?

- Oregon's Prescription Drug Monitoring Program (PDMP) collects information on controlled substance prescriptions within the state
  - Promotes public health and safety
  - Improve patient care
  - Supports the appropriate use of prescription drugs



# Opioids and Substance Abuse in Oregon

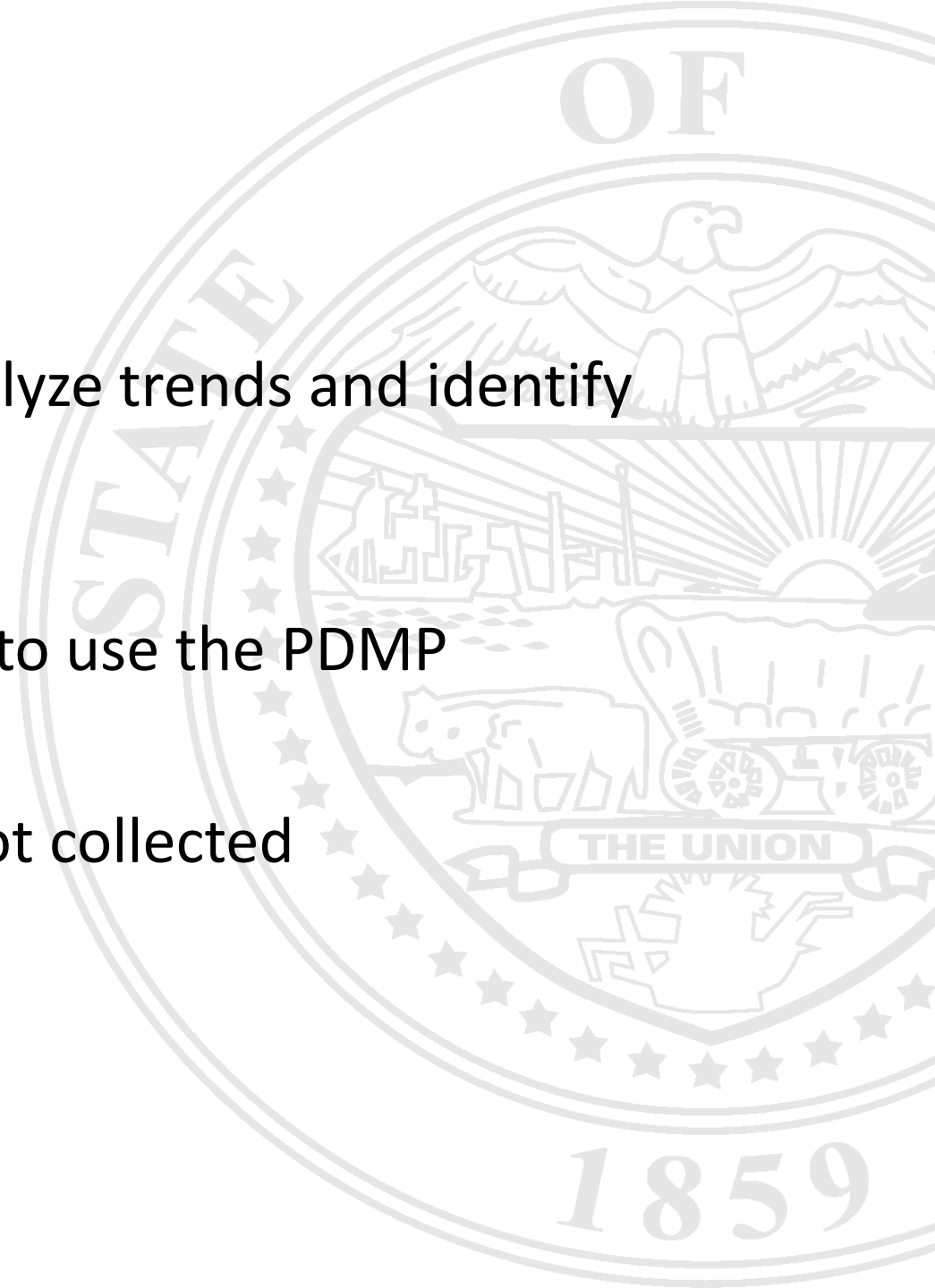
- Oregon consistently ranks high for drug misuse and abuse
- Oregon seniors and teens are significantly impacted by opioids and substance use disorders
  - 6th highest percentage of teenagers with a substance use disorder
  - Highest rate in the nation of seniors hospitalized for opioid-related issues





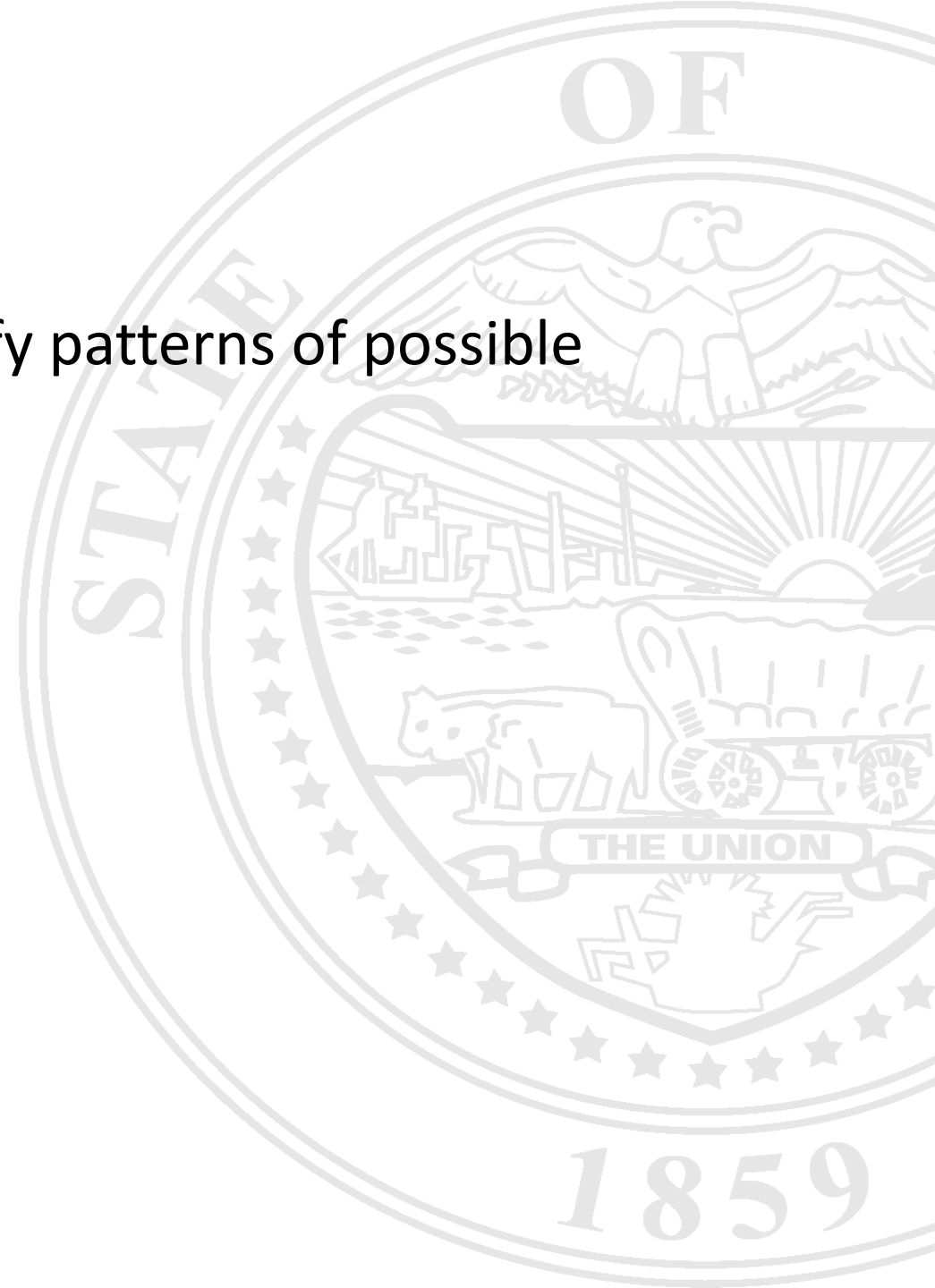
# Key Findings

1. OHA could better use PDMP data to analyze trends and identify questionable behaviors
2. There is no requirement for prescribers to use the PDMP
3. Some key prescription information is not collected



# PDMP Data

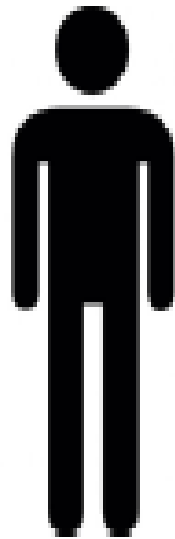
- PDMP data could be better used to identify patterns of possible opioid misuse and abuse
  - Hot spots
  - Criminal activity from Doctors
  - Criminal activity from Pharmacies
  - Doctor shopping
  - Over prescribing
  - Dangerous drug combinations





# Doctor Shopping Analysis

Average Person

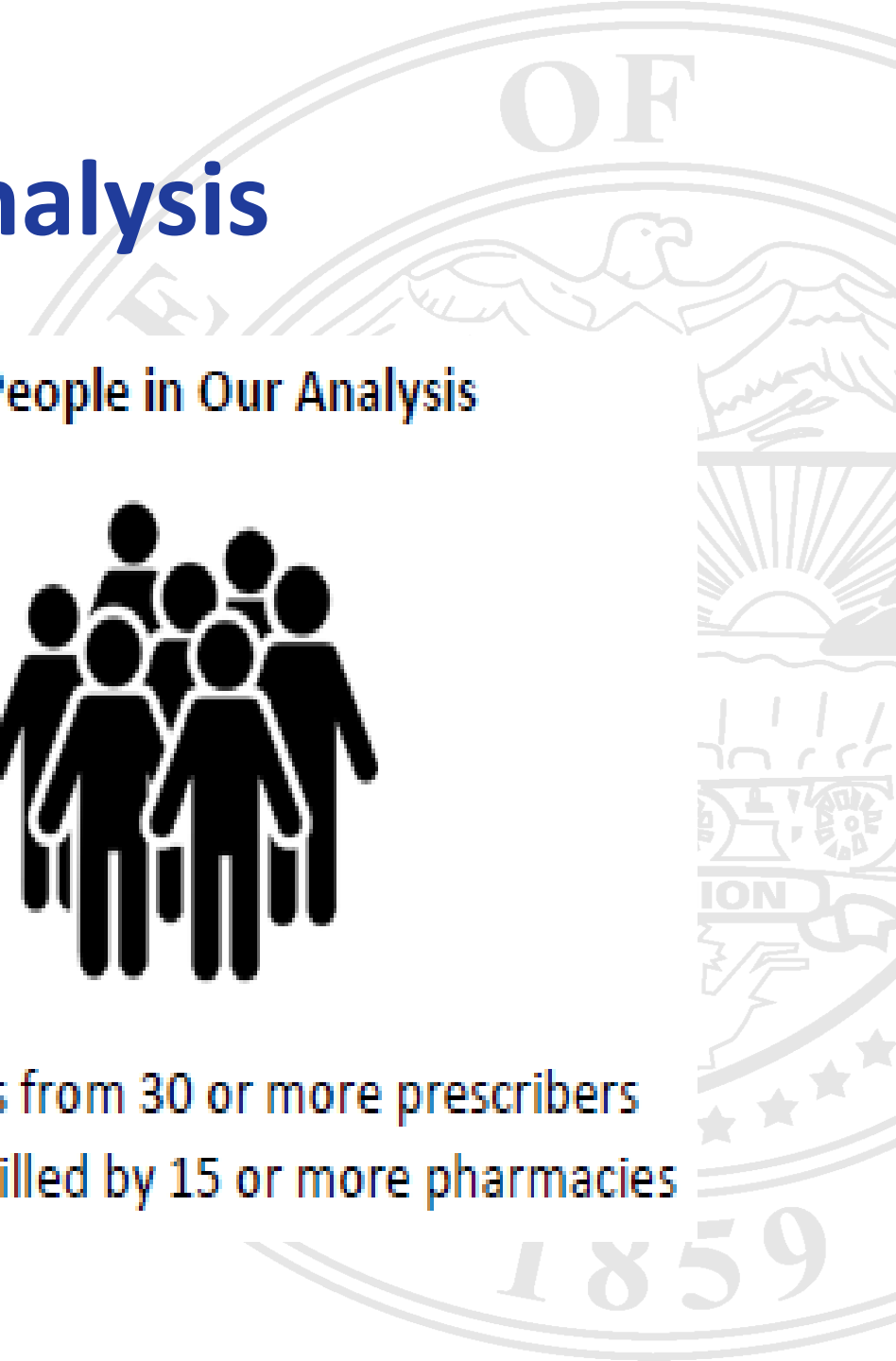


Prescriptions from 2 prescribers  
Prescriptions filled by 2 pharmacies

148 People in Our Analysis

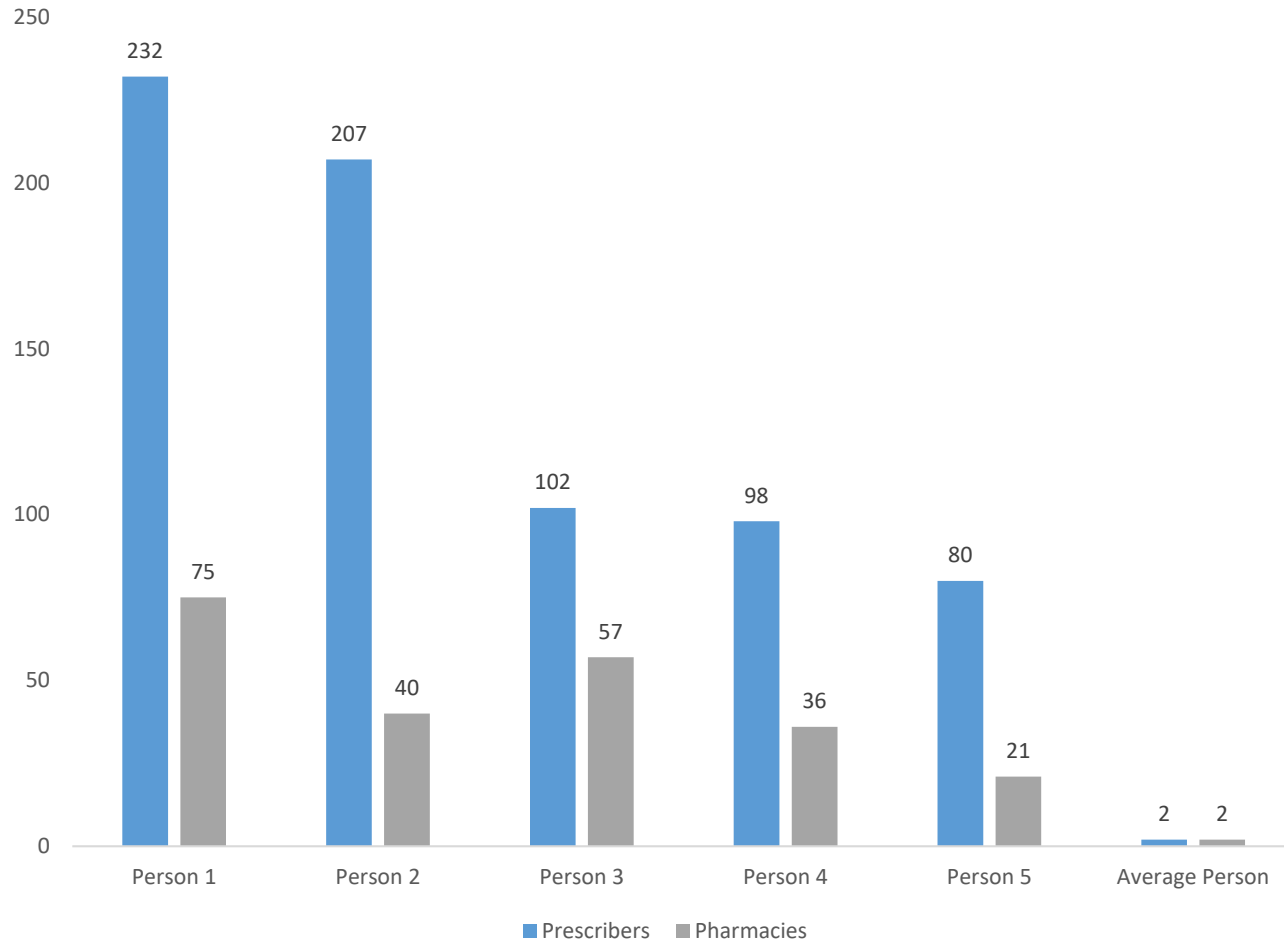


Prescriptions from 30 or more prescribers  
Prescriptions filled by 15 or more pharmacies

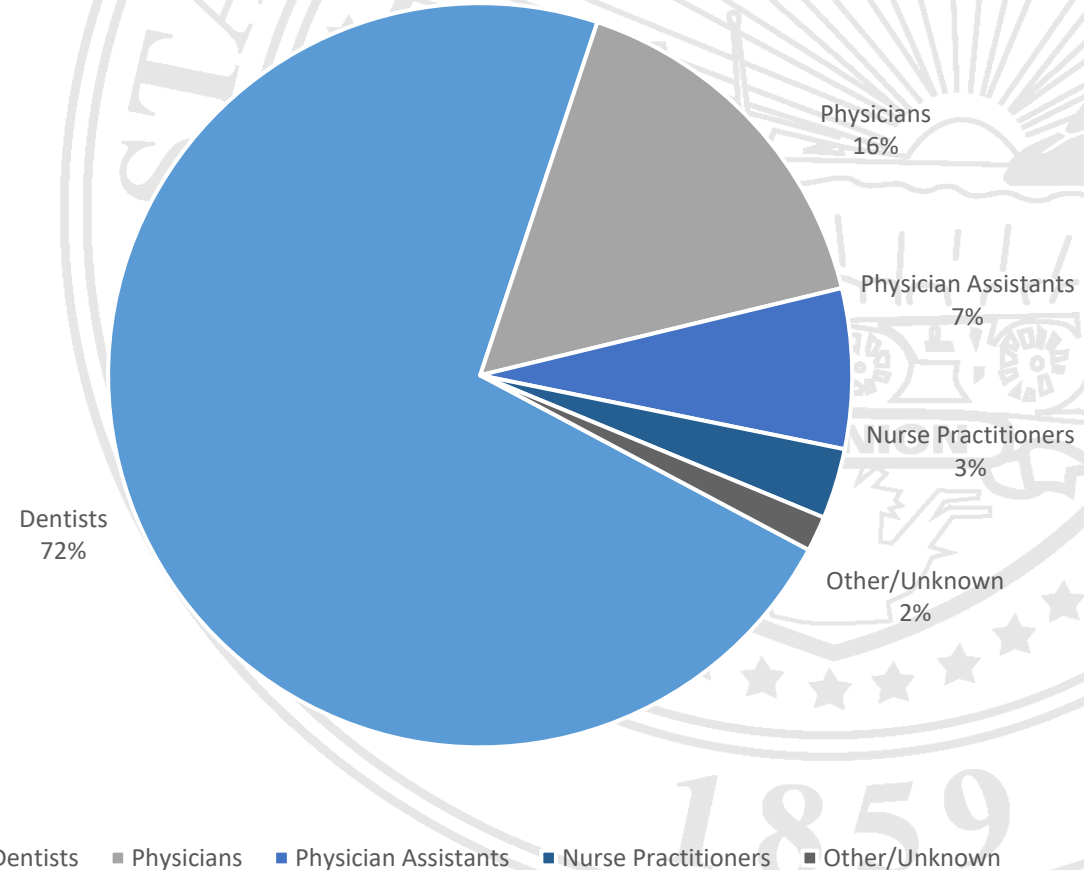


# Doctor Shopping Analysis

Top Doctor Shoppers vs. Average Patient

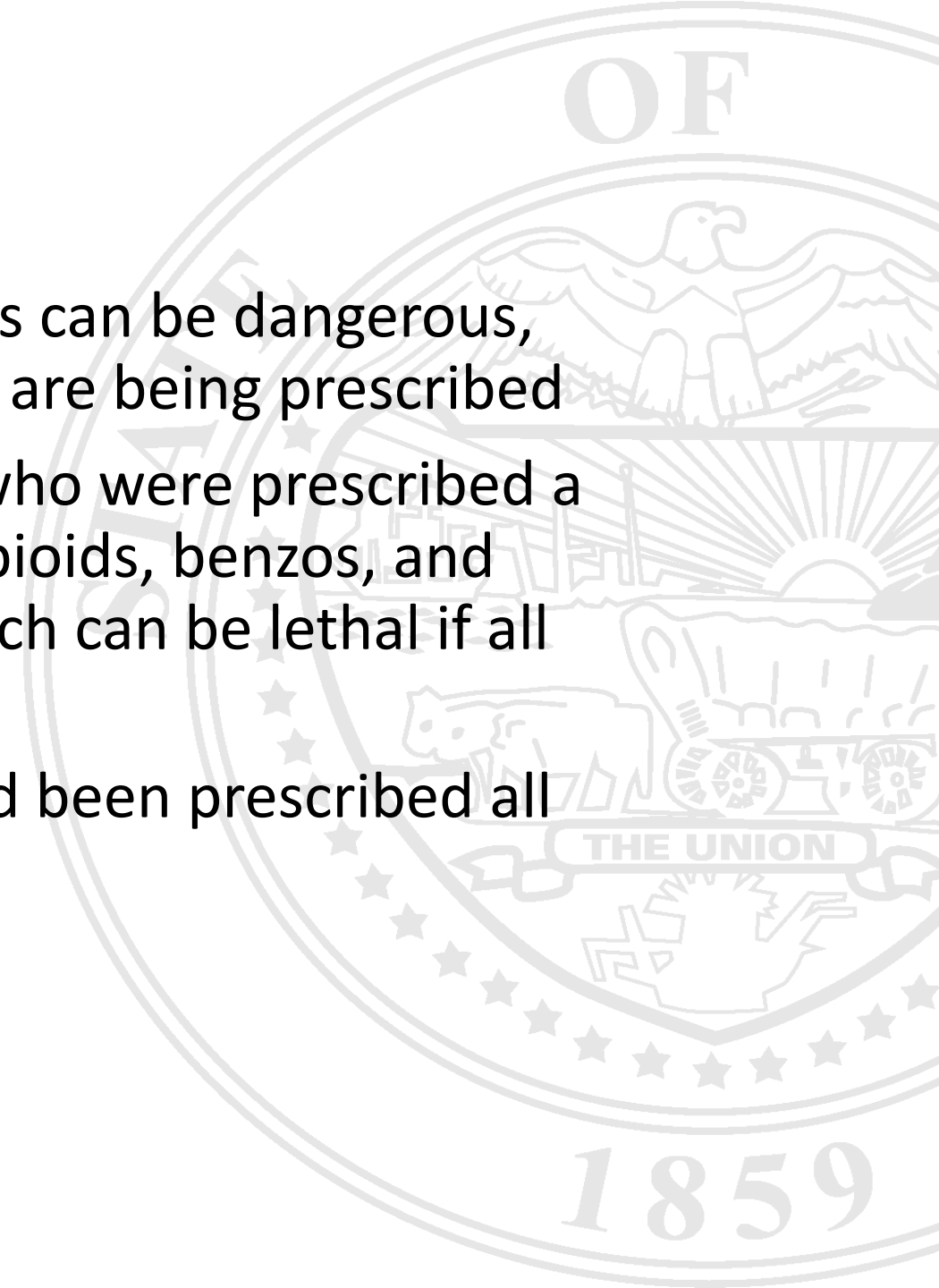


Prescribers for Top Doctor Shoppers



# Risky Prescribing Habits

- Certain combinations of prescription drugs can be dangerous, even deadly, when taken concurrently yet are being prescribed
- Our data analysis revealed 4,270 people who were prescribed a dangerous combination of three drugs (opioids, benzos, and muscle relaxants) in the same month, which can be lethal if all taken together
- During a 36 month period, 860 people had been prescribed all three for at least 10 months





# Secretary of State Oregon Audits Division

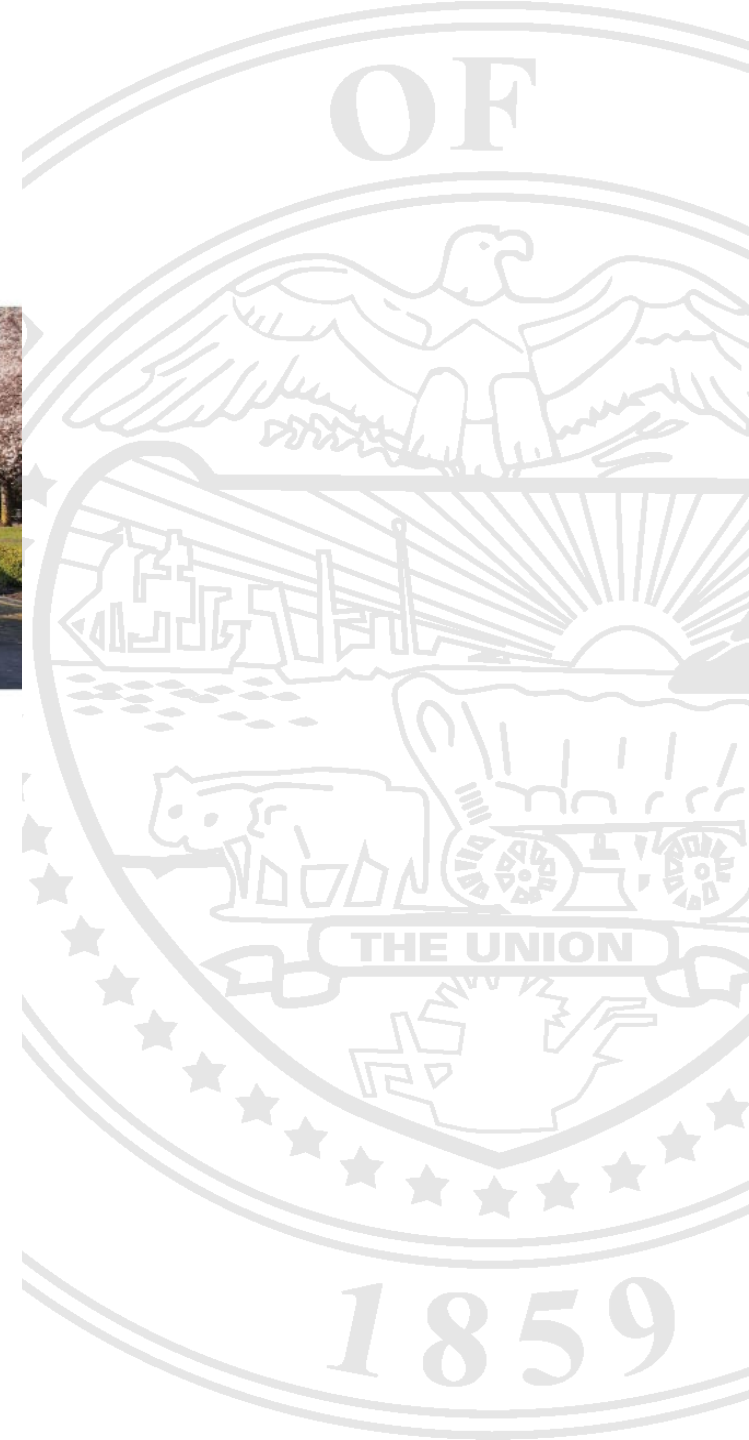


Oregon Department of Education, Oregon Department of Human  
Services, and Oregon State Police

## **Oregon Should Improve Child Safety by Strengthening Child Care Background Checks and the State's Sex Offender Registry**

June 2020  
2020-21

Secretary of State **Bev Clarno**  
Audits Division Director **Kip Memmott**



# Data analytics to ensure safety of children in care with child care providers

Audit methodology:

Matched approved day care providers to:

- Oregon sex offender registry
- Criminal history (felonies and prohibited crimes)
- Violations of child abuse and neglect
- Violations of abuse against an elderly person or a person with a disability or mental illness



# Federal law expanded background check requirements for child care providers

- For the first time the law expressly disqualify individuals with certain criminal backgrounds from caring for children. These criminal backgrounds include:
  - registered sex offender
  - convicted of a violent misdemeanor committed as an adult against a child
  - convicted of a felony consisting of murder, child abuse or neglect, crimes against children, spousal abuse, crimes involving rape or sexual assault, kidnapping, arson, physical assault or battery, or certain drug- related offenses

# Audit results – concerning crimes



From 2006 to 2011, this provider had a felony or misdemeanor conviction for trespassing, theft, possession of meth, identity theft, and failure to appear as well as multiple probation violations.



Nearly every year from 2000 to 2010, this provider had a felony or misdemeanor conviction for either criminal driving or controlled substance offenses.



From 2005 to 2009, this provider was convicted of seven felony identity theft charges and two forgery charges.



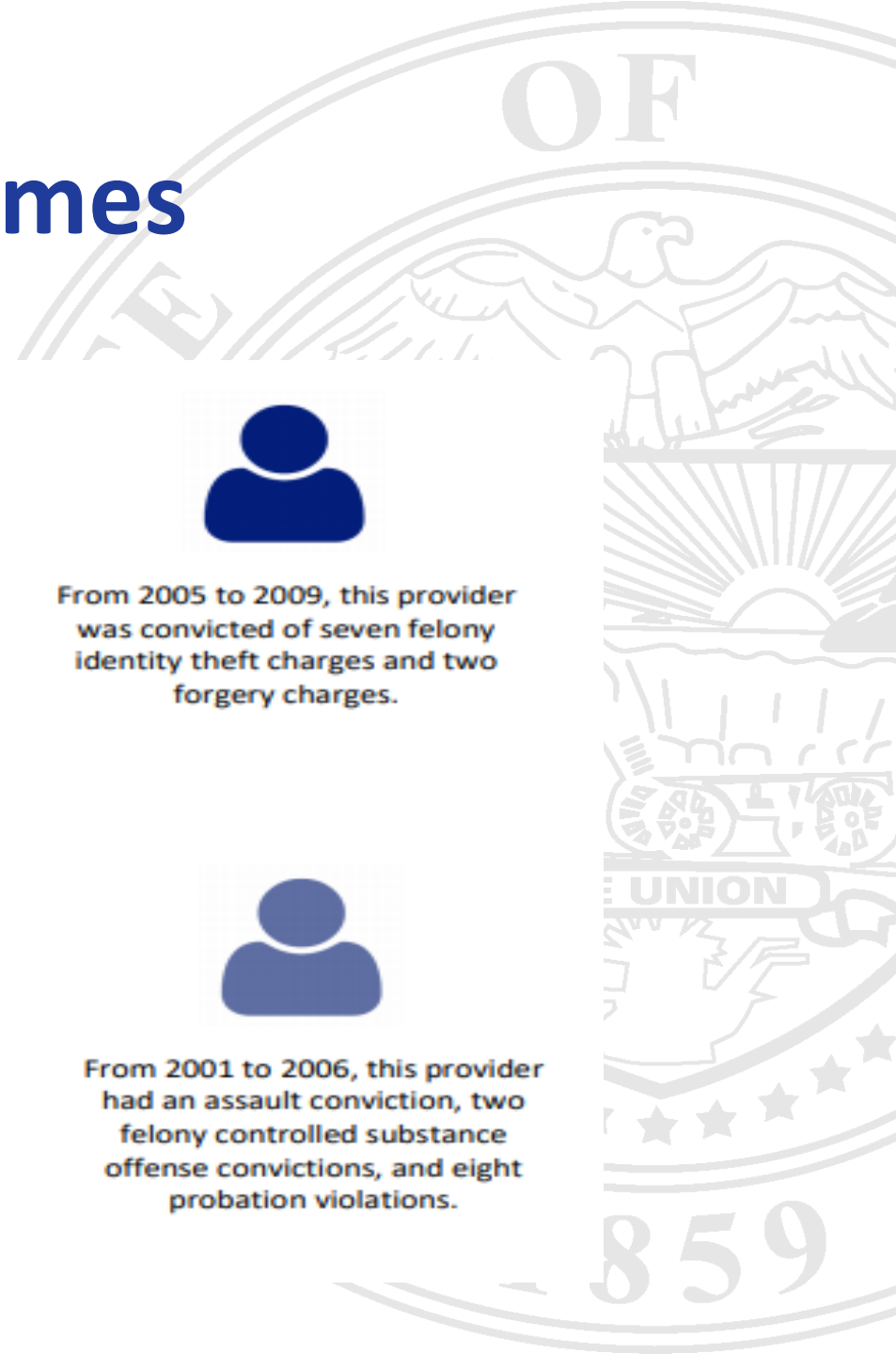
This provider had convictions in the 1980s, 1990s, and early 2000s that included robbery, theft, endangering the welfare of a minor, drug offenses, falsifying a public report, hit and run, and harassment.



This provider was convicted of about 30 felonies, misdemeanors, or violations from 1994 to 2000 for crimes including forgery, theft, escape, resisting arrest, traffic offenses, and parole violations.

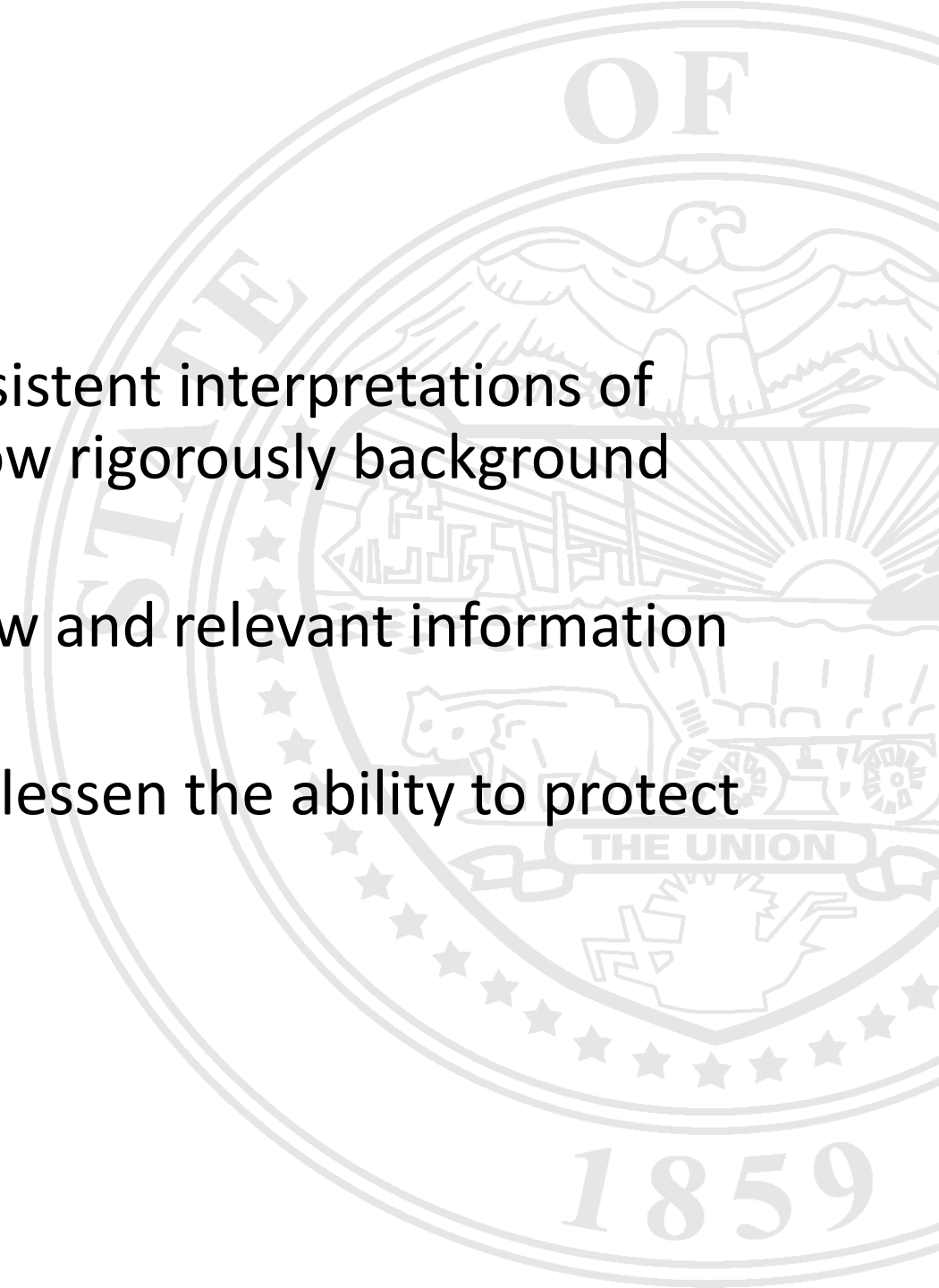


From 2001 to 2006, this provider had an assault conviction, two felony controlled substance offense convictions, and eight probation violations.



# Audit results

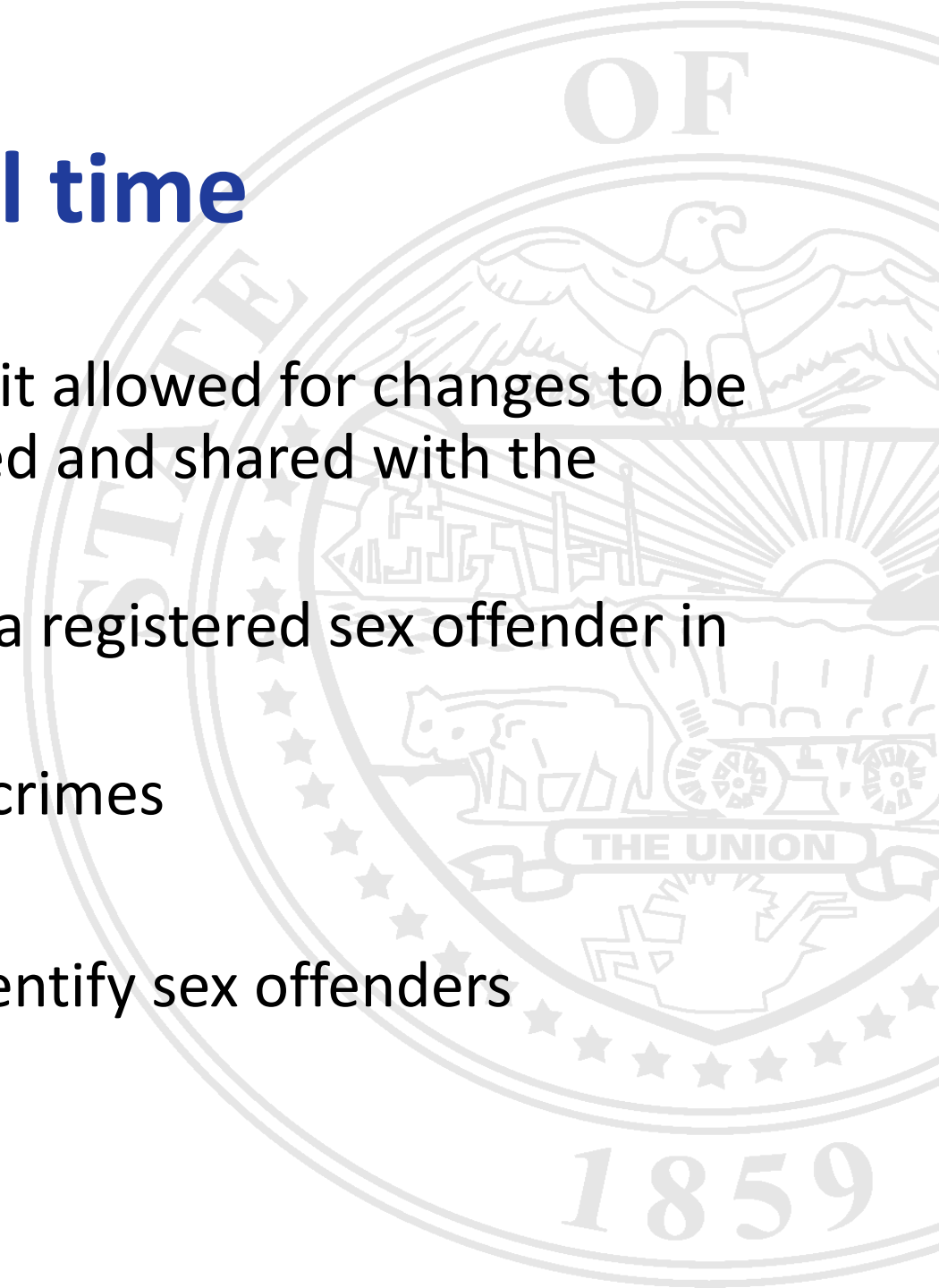
- Oregon agencies have differing and inconsistent interpretations of disqualifying crimes and rules affecting how rigorously background checks are performed
- Better coordination is needed to share new and relevant information regarding criminal activity
- Shortcomings to the sex offender registry lessen the ability to protect children





# Improvements made in real time

- Working with the agencies during the audit allowed for changes to be made immediately as they were discovered and shared with the agencies. These included:
- Following up on child care providers with a registered sex offender in the home
- Disqualifying individuals with concerning crimes
- Correcting inconsistencies in the law
- Partnering and connecting with OSP to identify sex offenders



# Wrapping up in Real-Time

- Offline follow-up and networking welcomed
- Thank AGA New York Chapter for Opportunity to Present at Virtual Fraud Conference
- Thank session attendees for your time, on and off attention during our presentation, and especially for your service to the nation
- Auditors are needed now more than ever – Let's go get it!

