

MINUTES OF THE MEETING OF THE APPROPRIATIONS SUB-COMMITTEE ON  
ELECTED OFFICIALS AND HIGHWAYS  
February 23, 1983

(Tape 88, Side B  
and Tape 89)

The Appropriations Sub-committee on Elected Officials and Highways met at 7:00 a.m. on February 23, 1983 in Room 437 with Vice Chairman Dover presiding. The following members were present:

Chairman Quilici	Senator Dover
Rep. Connelly	Senator Keating
Rep. Lory	Senator Van Valkenburg

Also present: Cliff Roessner, LFA, and JanDee May, OBPP.

WORK SESSION

DEPARTMENT OF REVENUE

Corporation Tax (Exhibit 1)

Rep. Lory made a MOTION that the committee approve 26.0 FTE's. Question being called for, the motion carried. Mr. Roessner explained that the difference in "Contracted Services" is mainly data processing charges.

(Chairman Quilici assumed the chair.)

The Department has requested an additional \$4,000 be added to the base. \$800 of the request is for increased activity in the accounts receivable due to the intensified audit program. There is also \$2,200 for printing of tax forms included in this category.

Senator Dover made a MOTION that the committee accept the OBPP budget for "Contracted Services."

Question being called for, the motion carried.

Under "Travel" \$47,000 is for out-of-state travel for the increased activity which they are proposing.

Ms. Feaver explained that this was due to the consolidation of the Natural Resource Tax Administration end of the Corporation Tax. This was previously in the Miscellaneous Tax Division and they did virtually no auditing.

Discussion.

Senator Dover made a MOTION that the committee approve the OBPP on the balance of "Operating Expenses". Question being called for, the motion carried.

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Senator Dover made a MOTION that the OBPP budget, be approved by the committee. Discussion. Question being called for, the motion carried.

Budget Modification (Exhibit 2)

This budget modification is requesting one clerical position and two auditors for increased audit activities which would generate approximately \$600,000 per year. Ms. Feaver said this would be in the royalty auditing program. One auditor would work in Casper and the other would work in both the Corporation License Tax and Natural Resource area.

Senator Dover made a MOTION that the committee approve the OBPP budget for three FTE's.

Discussion.

Senator Keating noted that he has heard from his constituents that the independent auditors are haphazard, arbitrary and inconsistent. He asked if it would be possible for the department to be consistent in interpretation and reasonable in the expenses that are allowed on the properties. He said people who come from out-of-state who do not have leases are denied expenses that are attributable to the leases.

Ms. Feaver responded that in most cases when the department has asked for specifics as far as inconsistencies are concerned, they have not been provided with this information. She said to make things different the law will have to be changed and that the implementation of those laws depends upon interpretations.

Question being called for, the motion carried.

The Chairman asked the LFA to keep track of whether or not these FTE's will produce the revenue that is projected.

Senator Van Valkenburg made a MOTION that the Corporation Tax budget, as amended, be approved. Question being called for, the motion carried.

Legal Division (Exhibit 3)

Mr. Roessner said the difference in the FTE's is a paralegal and an administrative aide. An explanation of this issue is found on page 1 of Exhibit 4.

Senator Dover made a MOTION that the committee approve the OBPP's recommendation for FTE's. Discussion. Questions being called for, the motion carried. (326)

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Senator Van Valkenburg expressed the committee's desire to hold back on all agencies using Westlaw until they had a project analysis done with two heavy users during the biennium to see whether or not this would be cost-effective. Jon Meredith, Administrator of the Legal Division, said they had estimated their usage as 40 hours per year.

Discussion of Westlaw by the committee.

Senator Van Valkenburg made a MOTION that the committee approve \$1,500 in each year of the biennium for Westlaw for the Legal Division under the LFA budget. This would result in \$12,450 in FY84 and \$13,098 in FY85 under "Contracted Services". Question being called for, the motion carried.

Ms. Feaver explained the need for additional "Travel" and "Supplies and Materials" which appears on Exhibit 4.

Rep. Lory made a MOTION that the committee approve the OBPP recommendation under "Supplies and Materials". Discussion. (Tape 89, Side A) The motion carried.

Mr. Roessner said there was an amount in the "Rent" figure which the LFA had not included that should be included.

Ms. Feaver explained the Medicaid Fraud Control Bureau and the justification for continued funding of this program. (Exhibit 5)

Senator Dover made a MOTION that the committee approve the balance of OBPP recommendation in "Operating Expenses".

Mr. Meredith and Senator Van Valkenburg discussed the problem of increasing costs for law books and the use of Westlaw. Senator Van Valkenburg's concern was that agencies are duplicating the Law Library by having their own sets of law books and not utilizing the Law Library itself. The LFA figures reflect for FY84 an expense of \$6,307 which does not include \$1,335. Discussion by the committee.

Question being called for, the motion carried.

Mr. Meredith explained that under "Equipment" this would include desk replacement, calculators, etc. They are also trying to find second-hand typewriters for the regional offices.

Rep. Lory made a MOTION that the committee approve the OBPP recommendation for "Equipment". Question being called for, the motion did not pass. Senator Dover, Senator Van Valkenburg, and the Chairman voted "no". (159)

Senator Van Valkenburg made a MOTION that the committee approve the LFA budget for "Equipment". Motion carried.

The committee noted that they could not approve additional money for used typewriters, etc. However, if, within the Department's budget they can find money to purchase this equipment, the committee had no objection to this purchase.

Mr. Roessner said that in reviewing the LFA's recommendation on the funding split, a false assumption was made and he would recommend the committee take the OBPP figures on the funding split.

Senator Dover made a MOTION that the committee approve the OBPP figures for the funding split. Question being called for, the motion carried.

Budget Modification (Exhibit 6)

This budget modification is for three additional investigators for the Welfare Fraud Program. A further explanation of the program can be found on pages 2, 3 and 4 of Exhibit 6. In answer to a question from Senator Keating, Ms. Feaver said that there is more money going back to the general fund than is expended from the general fund in this program. In answer to a question from Senator Keating, Ms. Feaver said this modified is included in the Governor's budget.

Senator Keating made a MOTION that the committee approve the OBPP for the modification for the Welfare Fraud Program. Question being called for, the motion carried. Senator Van Valkenburg voted "no".

Child Enforcement (Exhibit 7)

Ms. Feaver distributed Exhibit 8 to the committee which contains boilerplate language which should be included for the committee's consideration. Mr. Roessner distributed Exhibit 9 which contains last session's recommendation for additional investigators. This is listed under "Recovery Services" which is now "Child Enforcement". Mr. Roessner explained that in addition to the \$16,000 in general fund and \$48,000 in federal funds referred to in Exhibit 9, there is a 6% inflation factor. The department's request would add an additional \$25,000 to this total. Ms. Feaver said that with the change in the funding split they are receiving 25% from general fund but are required by the feds to pay 30% of the costs. She explained that the difference is so great because last session these 4 FTE would only cost the general fund 25%. If you reinsert them in the budget now, they will cost the general fund 30%. Mr. Roessner said this was a funding change that Ms. Feaver did not know about before and that is why it is being treated as an issue.

Ms. May told the committee that instead of the \$1.05 return they were asked to meet they returned \$1.34. She said this budget is at current level and in spite of the fact that they were having problems, they didn't ask for any exceptions.

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Elected Officials and Highways, February 23, 1983, Page 5

Senator Dover made a MOTION that the OBPP budget be approved for this entire program. Discussion. It was noted that in approving the OBPP budget the committee is including the four new investigators.

Discussion of office in Flathead County. (Tape 89, Side B)

Question being called for the motion carried.

Budget Modification (Page 3 of Exhibit 7)

This modification is for \$40,000 to develop a new accounts receivable system designed specifically for the needs of the bureau.

Senator Keating noted that this program has proved to be cost effective.

Senator Keating made a MOTION that the committee approve the \$40,000 for this budget modification. Question being called for, the motion carried.

Ms. Feaver brought the committee's attention to Exhibit 8 which contains boilerplate to allow the department, if there is a cut-off in federal funding, to borrow money from the Department of Administration to allow them to continue to use the money they are receiving in fees and collections. This money would be paid back in the same biennium. Discussion by the committee.

This money would be paid back in the same biennium. Discussion by the committee.

Senator Keating made a MOTION that the committee approve the language set forth on Exhibit 8. Question being asked for, the motion carried.

Mr. Roessner called the committee's attention to their approval of the "Communications" costs for the first quarter which had been approved without a specific figure. Mr. Roessner said this figure was now determined to be \$130,000 for the change-over from Mountain Bell to Centel. He requested approval to plug in the specific amounts in the budgets.

Rep. Lory made a MOTION that the committee accept the \$130,000 figure and authorize Mr. Roessner to plug the appropriate figures into the budget. Discussion. Question being called for, the motion carried.

The meeting was adjourned at 8:15 a.m. (99)

*Joe Quilici*  
Joe Quilici, Chairman



EXHIBIT 2  
2-23-83

REPORT FBSR100  
PROGRAM : 07  
CONTROL : 00071  
DATE : 6/1/83  
TIME : 16/26/30

OFFICE OF BUDGET & PROGRAM PLANNING  
EXECUTIVE BUDGET SYSTEM  
AGENCY/PROGRAM/CONTROL --- BUDGET WORKSHEET

AGENCY : 5801 DEPARTMENT OF REVENUE  
PROGRAM : 07 CORPORATION TAX  
CONTROL : 00071 N.R. &C. I. -DATA BASE SYS.

MODIFIED LEVEL SERVICES ONLY					
AF/OC	DESCRIPTION	LFA FY 84	DIFF. FY 84	SUB-CMT. FY 84	OBPP FY 85
00000	FULL TIME EQUIVALENT (FTE)	3.00	-3.00	—, —, —	3.00
11000	SALARIES	49,573	-49,573	—, —, —	49,383
14000	EMPLOYEE BENEFITS	7,376	-7,376	—, —, —	7,437
15000	HEALTH INSURANCE	2,880	-2,880	—, —, —	2,880
	TOTAL LEVEL	59,829	-59,829	—, —, —	59,700
21000	CONTRACTED SERVICES	10,500	-10,500	—, —, —	30,000
22000	SUPPLIES & MATERIALS	1,124	-1,124	—, —, —	1,191
24000	TRAVEL	20,975	-20,975	—, —, —	21,506
	TOTAL LEVEL	32,599	-32,599	—, —, —	52,697
31000	EQUIPMENT	750	-750	—, —, —	—, —, —
	TOTAL LEVEL	750	-750	—, —, —	—, —, —
	TOTAL PROGRAM	93,178	-93,178	—, —, —	112,397
01100	GENERAL FUND	93,178	-93,178	—, —, —	112,397
	TOTAL PROGRAM	93,178	-93,178	—, —, —	112,397

EXPLANATION:

Our modified budget request is for two additional auditors and one additional clerical position. Both the Governor's Office of Budget And Program Planning and the Governor's Council on management have agreed with the need to increase the audit staff within this division.

This division has recently experienced a reorganization in which the corporation license tax and the natural resource taxes were merged into one division. The primary purpose for the reorganization was to consolidate and emphasize the audit programs. As a result, this division has become extremely active in the current areas of auditing and have also expanded the auditing into the area of royalties on state and federal owned leases.

Since each audit collects approximately \$600,000/year, this budget request will generate approximately \$1.2 million/year in additional revenue for the state.

AGENCY : 5801 DEPARTMENT OF REVENUE  
PROGRAM : 004 LEGAL DIVISION  
CONTROL : 00041 LEGAL AND INVESTIGATION

CURRENT LEVEL SERVICES ONLY						
AC/OC	DESCRIPTION	BUDGET FY 85	CHG FY 84	LFA FY 84	DIFF. FY 85	DIFF. FY 85 SUB-CMT. FY 85
0000 FULL TIME EQUIVALENT (FTE)	24.50	23.00	-1.50	23.50	23.00	-.50
1100 SALARIES	55,125	54,617	522,891	-21,726	532,605	-11,787
1400 EMPLOYEE BENEFITS	113,731	80,494	74,245	-6,249	75,317	-4,319
1500 HEALTH INSURANCE	23,520	22,080	-1,440	22,560	22,080	-480
1800						
TOTAL LEVEL	664,886	648,631	561,896	-86,735	634,881	-58,634
2000 OPERATING EXPENSES			-11,991	-11,991		-12,266
2100 CONTRACTED SERVICES	49,707	13,692	10,950	-2,742	14,514	11,598
2200 SUPPLIES & MATERIALS	24,186	28,968	25,116	-3,852	31,325	7,354
2300 COMMUNICATIONS	22,185	30,200	27,869	-2,331	35,084	32,306
2400 TRAVEL	22,715	21,836	17,762	-4,074	22,397	18,175
2500 RENT	592	28,561	20,685	-7,876	30,873	21,926
2700 REPAIR & MAINTENANCE	5,223	9,671	6,793	-878	10,251	9,314
2800 OTHER EXPENSES	2,432	3,969	6,229	2,260	3,985	6,600
TOTAL LEVEL	136,674	136,897	105,413	-31,484	148,429	114,807
3100 EQUIPMENT		9,495	10,490	9,200	-1,290	10,325
TOTAL LEVEL	9,495	10,490	9,200	-1,290	11,020	10,325
TOTAL PROGRAM	803,035	796,018	676,509	-119,509	794,330	684,793
01100 GENERAL FUND	325,265	334,328	345,138	10,810	333,619	349,539
03040 LEGAL BUREAU	59,855	55,721	41,623	-14,098	55,603	42,168
03051 WELFARE FRAUD	57,258	55,721	53,516	-2,205	55,603	54,215
03053 LEGAL/MEDICAID FRAUD	112,710	111,443	35,375	-76,068	111,206	35,345
06005 LIQUOR DIVISION	244,757	238,805	200,857	-37,948	238,299	203,526

ISSUES: Recommended Changes To LFA Budget

1. Para-Legal Position & .50 Clerical - Add 1.50 F.T.E. for Para-Legal and Administrative Aide (84&85)
2. Contracted Services - Add \$2,742(84) and \$2,916(85) to cover cost of expected computer legal research charges

3. Supplies & Materials - Add \$2,984 (84) and \$3,163 (85) for gasoline to fund investigators travel and for books and reference materials needed for yearly updates to existing sets of legal books
4. Travel - Add \$4,074 (84) and \$4,222 (85) to cover travel for investigators
5. Repair & Maintenance - Add \$878 (84) and \$937 (85); maintenance on word processing equipment
6. Equipment - Add \$1,290 (84) and \$695 (85) for modest equipment replacement
7. Funding - Based on FY 82 the funding ratios for FY 84 and FY 85 should be approximately as follows based on the OBPP budget:

	*	
01100	General Fund	48.2%
03043	Federal - Child Support -	5.1
03051	Federal - Welfare Fraud -	7.5
03053	Federal - Medicaid Fraud -	11.8
06005	Liquor	27.4
		<u>100.0%</u>

\* Federal/State Funding Ratios

- Medicaid Fraud Funding

EXHIBIT 4  
2-23-83  
DISCUSSION OF ISSUES

Control: 00041 Legal and Investigation

FTE - During the last several years a department paralegal position has become more and more necessary. Magnitude of caseload has been such that a research assistant and draft opinion writer (much like those in private firms) can provide enough relief for attorneys to spend more productive hours in actual document preparation, negotiation and litigation. Bankruptcy files and administrative rule procedures have also achieved such importance and reached such proportions they need constant attention. The paralegal position was determined to be a priority position in the summer of 1982.

The Welfare Fraud Investigations program requires a full time secretary (it should be noted the investigations program was required to give up an FTE last biennium).

Contracted Services - In addition to normal contracted services (liquor testing, finger print identification, medical expert testimony, hand writing analysis) the division wishes to take advantage of the Westlaw computerized research tool available in the Supreme Court Law Library. Eventually this rapid search capability could save a considerable amount of money (primarily book expenditures).

Supplies and Materials - In order to maintain the required level of liquor regulatory activity and continue with welfare fraud investigations throughout the entire fiscal year the requested amount of gasoline funds is needed. For the past two years the investigations program has had to curtail necessary activity in May and June because the supplies and material budget was in danger of being overspent. Law book set additions are becoming more frequent and more expensive. In order to maintain library currency the legal bureau requires funding for law books.

Legal and Investigation --  
(Continued)

Travel - As the investigations program now has a full compliment of investigators and is trying to maintain at least a minimum level of services, the travel funds requested are needed.

Rent - It is understood by the division, rent amounts for this cost center will be reconciled.

Repair and Maintenance - In order to maintain the new IBM word processing equipment (3732 terminal, 5210 printer) the funding level requested is necessary.

Equipment - The amount recommended by the LFA is not sufficient to meet the cost of replacement or new vehicles (trade-in values are nominal) and the need for even modest office equipment replacement.

Legal/Medicaid Fraud Funding - The issue in this area becomes the very existence of the Medicaid Fraud Control Bureau (not just current level funding). Federal regulation sets a minimum personnel requirement for establishing and maintaining a state unit. The four person bureau in Montana just meets the minimum requirement and the amount recommended by the LFA will not fund such a group. (See attachment A).

Overall Funding - Based on FY 82 the funding ratios for FY 84 and FY 85 should be approximately as follows:

01100	General Fund	48.2%
03048	Federal - Child Support	5.1
03051	Federal - Welfare Fraud	7.5
03053	Federal - Medicaid Fraud	11.8
06005	Liquor	<u>27.4</u>
		100.0%

## EXHIBIT 5

2-23-83

Attachment A

JUSTIFICATION FOR CONTINUED FUNDING OF THE  
MEDICAID FRAUD CONTROL BUREAU

The Montana Medicaid Fraud Control Bureau was established in late 1979 as a result of federal legislation providing for the creation and funding of state medicaid fraud units. Under federal and state laws the Bureau investigates alleged instances of fraud committed by medicaid providers (nursing homes, pharmacies, doctors, dentists, psychologists, etc.), prepares files for prosecution, and in most cases prosecutes the offenders.

Funding: During its first three years of operation the Bureau was 90% federally funded and the state contribution was 10%. Federal participation after three years was originally scheduled to drop to 50%, the same level as for other medicaid administrative expenses. However, in 1980 Congress determined state medicaid fraud units important enough to justify an increase in the permanent federal funding level to 75%. This funding level for the Montana Bureau commenced January 1, 1983 and the 25% state match for the second half of the 1983 fiscal year was provided in the 1982-83 biennium budget.

Federally Mandated Personnel Requirements: Minimum personnel requirements for medicaid fraud units are specified in federal law. The Bureau is presently operating with the minimum staff required; i.e. one attorney, one investigator, and one auditor, with one secretary to serve the three of them. The budget proposed by the Legislative Fiscal Analyst would eliminate essential staff, result in federal decertification of the Bureau, and cause the loss of the approximately \$90,000 in federal funding for the Bureau. Maintenance of the required number of personnel and level of operations is dependent upon funding of the Bureau at least in the amount proposed in the Governor's budget.

Bureau Performance: Investigations by the Bureau have resulted in six criminal convictions. Additionally in 1982 the Bureau documented \$77,234 in overpayments to providers and to date \$44,571 has been recovered. In 1981 the Bureau documented \$88,690 in overpayments to providers, of which \$77,669 was recovered. Thus, total overpayment identified by the Bureau for the two year period was \$165,924, while Montana's portion of Bureau funding for the period was \$22,000.

The Bureau has not attempted to estimate the deterrent effect of its prosecutions and investigations.

Continued Need for the Bureau: The investigation and prosecution of medicaid fraud requires detailed knowledge and skill in the investigation of complex and secretive schemes for defrauding the medicaid program. In recommending federal funding of state medicaid fraud control units, the Commerce Committee of the United States House of Representatives stated:

"The committee wishes to emphasize the need for the employment of highly skilled auditors, attorneys, and investigators specially trained in the area of medicaid fraud. The committee has received substantial evidence of the complex schemes employed by those engaging in fraudulent activities and notes that the only way such practices can be effectively addressed is by utilizing persons specially skilled in uncovering these activities."

Virtually no prosecutions of medicaid provider fraud took place until specialized state medicaid fraud units were established. In 1980, when Congress increased the permanent federal funding level to 75%, the House Commerce Committee again emphasized the need for specialized, dedicated medicaid fraud control units.

Montana medicaid expenditures for fiscal 1983 are currently estimated at \$80 million dollars. It is popularly estimated that fraud and abuse in medicaid programs account for 10-25% of total medicaid expenditures. While there is good reason to doubt these high estimates apply in Montana, even a substantially lesser rate of fraud and abuse still means significant amounts of state and federal medicaid dollars are lost by the Montana program every year.

Present Operations: Given the experience and knowledge gained in the past three years the Bureau anticipates making even larger contributions in future years. The caseload is determined by referrals from other state and federally agencies and the Bureau is aggressively promoting closer cooperation and coordination with those agencies in order to foster increased and earlier detection of potential fraud. Included in those efforts are investigations coordinated with the FBI and with other federal and state agencies. At present the Bureau is investigating annually that number of cases having enough dollar potential for recovering overpayments equal to or greater than the Bureau's total budget.

REPORT #08100  
DATE : 01/08/83  
TIME : 16/26/30

OFFICE OF BUDGET & PROGRAM PLANNING  
EXECUTIVE BUDGET SYSTEM  
AGENCY/PROGRAM/CONTROL --- BUDGET WORKSHEET

		MODIFIED LEVEL SERVICES ONLY			
AE/OC	DESCRIPTION	OBPP FY 84	LFA FY 84	DIFF. FY 84	OBPP FY 85
0000 FULL TIME EQUIVALENT ( FTE )		3.00	-3.00	-3.00	-3.00
1100 SALARIES		55,404	-55,404	55,191	55,191
1400 EMPLOYEE BENEFITS		8,189	-8,189	8,251	8,251
1500 HEALTH INSURANCE		2,880	-2,880	2,880	2,880
TOTAL LEVEL		66,473	-66,473	66,322	66,322
2100 CONTRACTED SERVICES		1,686	-1,686	1,786	1,786
2200 SUPPLIES & MATERIALS		1,675	-1,675	1,829	1,829
2300 COMMUNICATIONS		2,494	-2,494	2,607	2,607
2400 TRAVEL		1,500	-1,500	1,500	1,500
2700 REPAIR & MAINTENANCE		562	-562	596	596
2800 OTHER EXPENSES		303	-303	321	321
TOTAL LEVEL		8,220	-8,220	8,639	8,639
3100 EQUIPMENT		8,960	-8,960	—	—
TOTAL LEVEL		8,960	-8,960	—	—
TOTAL PROGRAM		83,653	-83,653	74,961	74,961
01100 GENERAL FUND		41,827	-41,827	37,481	37,481
03051 WELFARE FRAUD		41,826	-41,826	37,480	37,480
TOTAL PROGRAM		83,653	-83,653	74,961	74,961

All Line Items - The investigations program (especially Welfare Fraud) field staffing has needed bolstering for some time. Caseload has continued to climb to the point where the welfare fraud section is facing a three year backlog. When one considers the backlog along with the 173% per annum increase in collections using current staff, a modest staffing increase could well lead to a sizeable gain in return on investment. (See attachment B).

DEPARTMENT OF REVENUE  
WELFARE FRAUD UNIT

PROGRAM ACTIVITY REPORT

The Department of Revenue Welfare Fraud Program provides support service for the Department of Social and Rehabilitative Services. The Department of Revenue, when requested, investigates allegations of welfare fraud. This activity is performed in compliance with Section 53-2-501, MCA.

At the present time the Welfare Fraud Unit is comprised of a unit supervisor, a secretary, and the equivalent of two additional investigators. The investigative function is assigned on a percentage of available time to the investigative field staff which is comprised of eight investigators located in six regional offices. With the budget available these investigators devote 20% of their total work hours to welfare fraud. This activity has been very successful in terms of overall accomplishment, but when considered with the magnitude of the problem not enough investigative time is available to handle welfare fraud in Montana. Over a two year period the Department investigated 449 cases of which 127 were filed with county attorneys and an additional 55 involved voluntary repayments. The collections arranged through this effort amounted to \$237,484.40 plus an additional \$76,867 currently pending with county attorneys for a total figure of \$314,353.00 (see attached).

Welfare fraud in Montana has increased dramatically in the last two years. The number of cases requiring investigation went from 53 in 1979 to 247 in 1981. With this type of increase in caseload and no additions to staff, the backlog is rapidly building. The backlog as of June 30, 1982 was 336 cases of potential fraud. Over the two year period from July 1, 1980 to June 30, 1982 the average dollar return per case referred was \$700.00. The projected loss to the state welfare program would be \$235,200.00 in cases that cannot be investigated at current staffing levels. For these reasons the Department is asking for the three additional FTE's and the funding necessary to provide adequate operation of the program. The Welfare Fraud Unit has been quite cost effective over the past two years and will continue to be just as cost effective with additional staff.

The following information is a program overview for a period from July 1, 1980 to June 30, 1982.

Program Budget for Period 7-1-80 to 6-30-82

FY81 \$126,670

FY82 103,849

Total Budget \$230,519

Funds Identified in Fraud and Overpayment Cases  
from 7-1-80 to 6-30-82

Collections arranged through County Attorney actions	\$181,466.73
Voluntary repayment	56,017.67
Cases filed with County Attorneys	<u>76,867.00</u>
Total	\$314,353.40

Ratio of Fraud Identified and Filed to Program Budget

<u>Cases filed</u>	<u>Cost of program</u>	<u>Return</u>
\$314,353.40	\$230,519	1.36

Total Cases Involving Fraud from 7-1-80 to 6-30-82

County Attorney Action	
Successful prosecution with restitution	67
Successful prosecution without restitution	5
Deferred prosecution with restitution	17
Repayment arranged for	5
Unsuccessful prosecution	<u>1</u>
	95
Voluntary repayment	55
Currently filed with County Attorney Offices	<u>32</u>
Total	182

DEPARTMENT OF REVENUE  
WELFARE FRAUD UNIT  
SUMMARY OF INVESTIGATION ACTIVITY  
July 1, 1980 to June 30, 1982

BACKLOG OF CASES AS OF JULY 1, 1980	360
NEW CASES RECEIVED DURING REPORTING PERIOD	425
CASES CLOSED DURING FRAUD PERIOD*	449
BACKLOG OF CASES AS OF JUNE 30, 1982	<u>336</u>
TOTAL CASES AVAILABLE FOR INVESTIGATION	785

\*METHODS OF CLOSING CASES

CASES WITH RECOVERY ARRANGED BY:	
CLOSURE THROUGH COUNTY ATTORNEY ACTION	127
CLOSURE WITH VOLUNTARY REPAYMENT AGREEMENT	<u>55</u>
TOTAL CASES WITH RECOVERY	182

CASES CLOSED WITHOUT PROSECUTION OR  
RECOVERY BY REASON OF:

INSUFFICIENT EVIDENCE TO PROVE FRAUD	129
OUT OF JURISDICTION	26
REFERRED IN ERROR	22
RETURNED TO S.R.S. FOR CIVIL ACTION	20
OTHER	<u>70</u>
TOTAL CASES CLOSED WITHOUT RECOVERY	<u>267</u>
TOTAL CASES CLOSED	<u>449</u>

AGENCY : 5801 DEPARTMENT OF REVENUE  
PROGRAM : 04 LEGAL DIVISION  
CONTROL : 00042 LEGAL-CHILD SUPPORT-ENFOR

CURRENT LEVEL SERVICES ONLY								
AGENCY/OE	DESCRIPTION	BUDGET FY 83	OBPP FY 84	LFA FY 84	SUB-CMT. FY 84	LFA FY 85	DIFF. FY 85	SUB-CMT. FY 85
00000 FULL TIME EQUIVALENT (FTE)	390	43.00	39.00	-4.00	4.00	39.00	-4.00	4.00
11000 SALARIES	614,201	691,068	631,211	-59,857	689,196	628,805	-60,391	60,391
14000. EMPLOYEE BENEFITS	126,559	101,172	89,809	-11,363	102,139	91,102	-11,037	11,037
15000. HEALTH INSURANCE	41,2380	37,440	-3,840	41,280	37,440	-3,840	41,280	37,440
TOTAL LEVEL	740,760	833,520	758,460	-75,060	832,615	757,347	-75,268	757,347
21000 CONTRACTED SERVICES	62,155	73,779	66,070	-7,709	78,206	70,027	-8,179	70,027
22200. SUPPLIES & MATERIALS	29,440	18,783	18,786	-3	20,029	20,030	1	20,030
23300 COMMUNICATIONS	59,854	65,936	59,780	-6,156	77,587	69,884	-7,703	77,587
24100 TRAVEL	13,775	11,824	13,911	2,087	12,060	14,233	2,173	14,233
25000 RENT	43,440	50,277	39,944	-10,333	53,654	42,337	-11,317	42,337
27100 REPAIR & MAINTENANCE	3,046	4,175	4,165	-10	4,427	4,410	-17	4,410
28200 OTHER EXPENSES	3,000	7,166	4,563	-2,603	7,363	4,834	-2,529	4,834
TOTAL LEVEL	205,710	231,940	207,219	-24,721	253,326	225,755	-27,571	225,755
31100 EQUIPMENT	7,600	3,000	2,700	-300	3,000	2,400	-600	2,400
TOTAL LEVEL	7,600	3,000	2,700	-300	3,000	2,400	-600	2,400
52200 FROM FEDERAL SOURCES	-	120,000	-	-120,000	-	120,000	-	120,000
TOTAL LEVEL	-	120,000	-	-120,000	-	120,000	-	120,000
61100 FROM STATE SOURCES	-	-	120,000	-	120,000	120,000	-	120,000
TOTAL LEVEL	-	-	120,000	-	120,000	120,000	-	120,000
01100 GENERAL FUND	255,74	320,538	242,095	-78,443	326,682	246,375	-80,307	246,375
03050 CHILD SUPPORT	103,154	717,922	726,284	-21,638	762,259	739,127	-23,132	739,127

ISSUES: Recommended Changes To LFA Budget

1. Personal Services - Add 4.00, investigators to return F.T.E. level to authorized base
2. Contracted Services - Add \$7,709 (84) and \$8,179 (85) to cover cost of paternity determinations
3. Communications - Add \$6,156 (84) and \$7,703 (85) for inflationary increases on telephone calls initiated outside Helena

4. Rent - Add \$10,333(84) and \$11,317(85) for building rent based on actual costs
5. Other Expenses- Add \$2,603(84) and \$2,529(85) for training costs
6. Funding Level - Include Federal/State percentage at 70/30

DISCUSSION OF ISSUES

Control: 00042 Legal - Child Support Enforcement

FTE - The current FTE authorization for the CSEB is 43 and not 39 as has been indicated by the LFA report. The LFA was aware of the 1981 legislative contingency authorization and has granted at least tacit approval of the additional positions in subsequent meetings. Even though the bureau has been forced to operate 6-7 positions (overall) below full staffing due to the federal funding cutback in October, 1982, several of the four investigator positions have for the sake of efficient operation already been filled as vacancies occurred elsewhere.

Contracted Services - The requested amount of funding is also necessary in this area. With full staffing, paternity testing and paternity establishment will be possible again. Not only will this aspect of child support be reemphasized because it is desirable but because the federal auditors demand more activity in the area. The program is not in total compliance with federal regulation if only cosmetic attempts at paternity establishment are being made.

Communications - Evidently the LFA has not taken into account the fact a majority of phone contacts initiated by the bureau occur outside Helena. With four regional and two satellite offices in other than the Helena area, the smaller inflationary increase attributed to central office (because of a change in service) will not apply.

Rent - The inflationary increase suggested by the LFA in this line item is not adequate even without considering full staffing office requirements and newly executed rental agreements.

Other Expenses - Training is vitally necessary in the child support enforcement field due to the constant state of flux in federal regulation. Public assistance rules (federal and state) are revised quarterly and sometimes even monthly or weekly. Without update training errors occur, efficiency and therefore return drops, and the risk of penalty or decertification becomes greater.

Funding - It should be noted CSEB federal/state funding percentages are currently 70/30 and should be projected as such for the coming biennium.

REPORT EBSR100  
DATE : 01/08/83  
TIME : 16/26/30

OFFICE OF BUDGET & PROGRAM PLANNING  
EXECUTIVE BUDGET SYSTEM  
AGENCY/PROGRAM/CONTROL --- BUDGET WORKSHEET

*Approved 2/27/83*

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AGENCY : 5801 DEPARTMENT OF REVENUE  
PROGRAM : 0141 LEGAL DIVISION  
CONTROL : 00101 CHILD SUPP. SYSTEM

AE/OE	DESCRIPTION	OBPP FY 84	LFA FY 84	DIFF. FY 84	SUB-CMT. FY 84	OBPP FY 85	LFA FY 85	DIFF. FY 85	SUB-CMT. FY 85
2100	CONTRACTED SERVICES	40,000		-40,000	—, —, —			—, —, —	
	TOTAL LEVEL	40,000		-40,000	—, —, —			—, —, —	
	TOTAL PROGRAM	40,000		-40,000	—, —, —			—, —, —	
01100	GENERAL FUND	12,000		-12,000	—, —, —			—, —, —	
03050	CHILD SUPPORT	28,000		-28,000	—, —, —			—, —, —	
	TOTAL PROGRAM	40,000		-40,000	—, —, —			—, —, —	

COMMENTS : All Line Items -- The Child Support Enforcement Bureau has been using an automated case management system (Bradford) for about five years. The system was originally designed in the early 1970's for use in Massachusetts and efforts to adapt it to the Montana situation have not been fruitful. In general the system is cumbersome, vastly outdated and does not produce useful and timely information. Its shortcomings have, thus far, been only partially overcome by much diligent effort on the part of program personnel. This proposal seeks funding to develop a new, streamlined accounts receivable system specifically designed for the needs of the bureau. Implementation of such a system would free staff time which could be devoted to an increasingly productive collection effort. (See attachment C).

## Attachment C

FY 80 thru 82  
 Montana Child Support Enforcement  
 5801 - 0405  
 Total Costs And Net Collections

Quarter	FY 80 Total Cost	FY 81 Total Cost	FY 82 Total Cost	% Increase or Decrease FY 80 - FY 82
1st	172,407.00	183,338.00	197,495.00	
2nd	290,311.00	386,499.00	252,241.00	
3rd	269,411.00	248,383.00	295,550.00	
4th	305,421.00	331,839.00	322,700.00	
<b>FY</b>	<b>1,037,550.00</b>	<b>1,150,059.00</b>	<b>1,067,986.00</b>	
			FY 82% cost <u>increase</u> over FY 80 =	2.93%
			FY 82% cost <u>decrease</u> over FY 81 =	7.14%

Quarter	FY 80 AFDC NET Retained	FY 81 AFDC Net Retained	FY 82 AFDC NET Retained	% Increase or Decrease FY 80 - FY 82
1st	180,183.00	184,620.00	244,283.00	
2nd	190,872.00	213,786.00	242,461.00	
3rd	223,438.00	247,871.00	260,481.00	
4th	220,424.00	274,798.00	381,638.00	
<b>FY</b>	<b>814,917.00</b>	<b>921,075.00</b>	<b>1,128,863.00</b>	
			FY 81% distribution <u>increase</u> over FY 80 =	13.03%
			FY 82% distribution <u>increase</u> over FY 81 =	22.56%
			FY 82% distribution <u>increase</u> over FY 80 =	38.52%

Combined Total EffectivenessRatio Return % Cost

	FY 80	FY 81	FY 82
County	.79	.80	1.06
State			
Federal			

Montana General  
Fund Effectiveness

G.F. Return	FY 80	FY 81	FY 82
% G.F. Cost	1.01	1.09	1.34

Fees charged for service  
and deposited in the gen-  
eral fund when credited.  
Convert this ratio to  
1.41.

add NADC fees

add incentives \$1.59

EXHIBIT 8  
2-23-83

DEPARTMENT OF REVENUE  
APPROPRIATIONS LANGUAGE

RELATED TO: Child Support Enforcement

PURPOSE: Because the Congress is expected to pass legislation in the current year that would require State Child Support Enforcement Programs to pay operating expenses from collections, appropriations language is necessary that would provide for continued operation of the program at the level funded by the Montana Legislature.

APPROPRIATIONS LANGUAGE: If the Child Support Enforcement Program is required by a change in federal legislation to pay operating costs from collections, the program is authorized to substitute the Child Support fees and collections for the federal appropriation up to the total amount authorized by the Legislature for operations in the 1984-85 biennium.

In the event established cut-off dates related to the change in funding do not allow for adequate funding of the operating costs from fees and collections, the Department of Administration is authorized to make a loan to the Child Support Enforcement Program from the General Fund. The loan shall not exceed an amount equal to deposits made by the Child Support Enforcement Program to the General Fund for the six-month period prior to the funding change and must be paid back within two years.

EXHIBIT 9  
2-23-83

fund and 40 percent highway earmarked funding. Legal costs of \$25,000 per year are line itemed.

Audit and Accounting

FTE within the audit and accounting division increase by 1.5 FTE as a part-time cashier and a full-time bad debt collector were added.

Recovery Services

The recovery service division, which administers the child support enforcement effort, received three lawyers to replace private legal counsel. A savings of \$20,000 per year should be realized. In fiscal 1980, this program returned to the state \$1.01 for every \$1.00 spent. Should this program return \$1.05 per \$1.00 of expense in fiscal 1982, the program may increase staff by four investigators with a maximum appropriation increase of \$16,000 in general fund and \$48,000 in federal funds for fiscal 1983. This expansion, if instituted, will not automatically become part of current level but will be evaluated by the next legislature.

Legal Division

The responsibilities of the legal division were expanded in fiscal 1980 with the transfer of the medicaid fraud unit from SRS. These additional four FTE (lawyer, auditor, investigator, para-legal) and related operating expenses are included within current level. Funding allows for the purchase of one car per fiscal year.

Liquor Division

The liquor division is again given blanket spending authorization for purchase of adequate inventories as well as operating expenses. A profit goal of \$13 million for the 1983 biennium is established with a requirement