

5056

2015-2016 Regular Sessions

I N A S S E M B L Y

February 10, 2015

Introduced by M. of A. HEVESI -- read once and referred to the Committee
on Governmental Operations

AN ACT to amend the state finance law and the public authorities law, in
relation to authorizing an enterprise approach to the detection and
prevention of fraud, waste and abuse in state government and the
detection and prevention of improper payments of public moneys

THE PEOPLE OF THE STATE OF NEW YORK, REPRESENTED IN SENATE AND ASSEM-
BLY, DO ENACT AS FOLLOWS:

1 Section 1. Legislative findings. (a) Fraud, waste, abuse and improper
2 payments are pervasive, and often on the rise, in many government
3 programs.
4 (1) According to the Centers for Medicare and Medicaid Services (CMS),
5 the 2011 Medicaid improper payment rate was 8.1%;
6 (2) According to the Government Accountability Office (GAO), over \$70
7 billion in improper payments are made each year in Medicaid and Medi-
8 care;
9 (3) According to the U.S. Department of Labor, the 2011 unemployment
10 insurance payment error rate was 11.2%, resulting in \$5.7 billion of
11 improper payments;
12 (4) According to the Internal Revenue Service (IRS), the tax gap for
13 federal income tax is at least \$270 billion per year;
14 (5) In the 2012 filing season, IRS estimated losses due to identity
15 theft alone at \$5 billion, and detected an additional \$12 billion.
16 (b) Entities involved in perpetrating fraud and abuse of government
17 programs are becoming increasingly more sophisticated in their schemes
18 and tactics, and often work in organized and collusive fraud rings or
19 networks to attack any and all government programs. The fraud schemes
20 can be massive, as illustrated in the following recent cases:
21 (1) October 2010: 73 defendants, \$163 million in false
22 Medicare/Medicaid billings, Armenian-American fraud ring;

EXPLANATION--Matter in *ITALICS* (underscored) is new; matter in brackets
[] is old law to be omitted.

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(2) February 2011: 20 defendants, \$200 million in false Medicare/Medicaid billings, Florida;

(3) February 2011: 111 defendants, \$225 million in false Medicare/Medicaid billings, 7 cities;

(4) April 2011: 3 defendants, \$3.9 million in food stamp 47 fraud, Texas;

(5) September 2011: 91 defendants, \$295 million in false Medicare/Medicaid billings, 8 cities;

(6) October 2012: 91 defendants, \$430 million in false Medicare/Medicaid billings, 7 cities.

(c) Fraud, waste, abuse and improper payments can adversely affect the state budget, impede economic development, and deplete benefits intended for citizens in need.

(d) The state constitution requires the state comptroller to, among other things, audit all vouchers before payment and all official accounts and, in such respect, the legislature shall define the powers and duties of the office and may assign to the state comptroller administrative duties incidental to the performance of these functions and the state comptroller has the constitutional authority to supervise the accounts of public corporations commonly referred to as public authorities. Statutorily, the state comptroller has the duty to superintend the fiscal concerns of the state.

(d-1) In the performance of the state comptroller's constitutional and statutory functions, duties and responsibilities, the state's citizens expect state agencies to utilize modern techniques and technology to prevent tax dollars from being spent on fraudulent or improper payments.

(e) Identifying possible waste, fraud, abuse and the improper payments of public moneys at the earliest point possible will reduce losses and possibly prevent erroneous payments from being made, thus providing potentially millions of dollars in cost-savings to the state.

(f) State-supported citizen and employee benefits programs, workers' compensation, Medicaid, unemployment insurance, tax compliance, and discretionary grants to community-based programs are areas where it is important for the state to identify and prevent waste, fraud, abuse and improper payments.

(g) Modern technologies and best practices exist, and have been deployed successfully in the commercial sector for many years, that can greatly reduce the losses associated with fraud, waste, abuse and improper payments.

(h) An enterprise approach to reducing waste, fraud, abuse, and improper payments coordinates efforts with more than one agency and incorporates data from multiple data sources within an agency and between two or more agencies. This type of approach allows state government to utilize its rich data assets across agencies and programs to better detect improper behaviors, and to leverage economies of scale to reduce overall costs for fraud detection and prevention across all state government programs and functions.

S 2. The state finance law is amended by adding a new section 8-c to read as follows:

S 8-C. ENTERPRISE FRAUD PREVENTION AND DETECTION SYSTEM. 1. IN FURTHERANCE OF THE COMPTROLLER'S CONSTITUTIONAL AND STATUTORY FUNCTIONS, DUTIES AND RESPONSIBILITIES, THE COMPTROLLER MAY, WITHIN HIS OR HER DISCRETION, ESTABLISH, IMPLEMENT AND UPDATE AS NECESSARY AN ELECTRONIC DATA ANALYTICAL ENTERPRISE FRAUD PREVENTION AND DETECTION SYSTEM FOR THE PREVENTION OF FRAUD, WASTE AND ABUSE IN STATE GOVERNMENT AND THE DETECTION AND PREVENTION OF IMPROPER PAYMENTS OF PUBLIC MONEYS.

1 2. STATE AGENCIES SHALL FULLY SUPPORT AND COOPERATE WITH THE STATE
2 COMPTROLLER BY PROVIDING THE STATE COMPTROLLER WITH ACCESS TO DATA
3 REQUESTED BY THE STATE COMPTROLLER, IN ACCORDANCE WITH APPLICABLE STATE
4 AND FEDERAL LAW, TO ALLOW SUCH DATA TO BE INTEGRATED INTO SUCH ANALYTIC
5 EFFORTS AS THE STATE COMPTROLLER MAY DEEM NECESSARY. FOR THIS PURPOSE,
6 THE TERM "STATE AGENCY" SHALL MEAN ANY OF THE FOLLOWING PERFORMING A
7 GOVERNMENTAL OR PROPRIETARY FUNCTION FOR THE EXECUTIVE DEPARTMENT OF THE
8 STATE: A STATE DEPARTMENT, THE STATE UNIVERSITY OF NEW YORK, THE CITY
9 UNIVERSITY OF NEW YORK, AND ANY BOARD, BUREAU, DIVISION, COMMISSION,
10 COMMITTEE, COUNCIL, OFFICE OR SIMILAR GOVERNMENTAL ENTITY.

11 3. IN SUPPORT OF THE ENTERPRISE FRAUD PREVENTION AND DETECTION SYSTEM,
12 THE STATE COMPTROLLER SHALL ESTABLISH PROTOCOLS:

13 (A) FOR DATA SHARING, SECURE FILE TRANSFERS AND/OR OTHER METHODS TO
14 OBTAIN REAL-TIME, REGULAR AND/OR PERIODIC DATA FROM STATE AGENCIES,
15 PROVIDED, HOWEVER, THAT ACCESS TO SUCH DATA BY THE STATE COMPTROLLER
16 SHALL NOT WAIVE ANY PRIVILEGE OR RIGHT OF CONFIDENTIALITY;

17 (B) TO ENSURE THE SAFETY, SECURITY, INTEGRITY AND PRIVACY OF ALL DATA
18 SHARED WITH HIS OR HER OFFICE IN ACCORDANCE WITH THE SYSTEM; AND

19 (C) FOR THE AUTHORIZED RETENTION AND DELETION OF DATA OBTAINED FROM
20 STATE AGENCIES.

21 4. IN CONNECTION WITH SUCH SYSTEM, THE STATE COMPTROLLER, IN HIS OR
22 HER DISCRETION, MAY:

23 (A) DEVELOP A LONG-RANGE PLAN FOR PREVENTING OR DETECTING IMPROPER
24 PAYMENTS OF PUBLIC MONEYS, AND THE PREVENTION AND DETECTION OF WASTE,
25 FRAUD AND ABUSE IN GOVERNMENT OPERATIONS;

26 (B) ACQUIRE TECHNOLOGY INCLUDING, BUT NOT LIMITED TO, SOFTWARE THAT
27 ENHANCES THE FOLLOWING CAPABILITIES: (I) AUTOMATED DETECTION AND ALERT-
28 ING; (II) CONTINUOUS MONITORING OF PROGRAM TRANSACTIONS AND ACTIVITY, TO
29 DETECT FRAUD AND IMPROPER PAYMENTS BOTH PROSPECTIVELY (BEFORE THE
30 PAYMENT IS MADE) AND RETROSPECTIVELY (AFTER PAYMENTS ARE MADE); (III)
31 DETECTION OF NON-TRANSACTIONAL FRAUD SUCH AS PROGRAM ELIGIBILITY ISSUES
32 AND IDENTIFY THEFT; AND

33 (C) EVALUATE POTENTIAL SAVINGS RESULTING FROM SUCH EFFORTS.

34 5. THE STATE COMPTROLLER SHALL REPORT ANNUALLY TO THE LEGISLATURE NO
35 LATER THAN THE FIRST DAY OF SEPTEMBER, TWO THOUSAND SIXTEEN AND ANNUALLY
36 THEREAFTER ON THE PROGRESS, STATUS AND RESULTS OF THE SYSTEM CREATED
37 PURSUANT TO THIS SECTION AND SUBDIVISION TWO OF SECTION TWENTY-EIGHT
38 HUNDRED THREE OF THE PUBLIC AUTHORITIES LAW.

39 S 3. Section 2803 of the public authorities law, as added by chapter
40 327 of the laws of 1958 and as renumbered by chapter 838 of the laws of
41 1983, is amended to read as follows:

42 S 2803. Examination of the books and accounts of public authorities by
43 the state comptroller. 1. Notwithstanding any other provision of this
44 chapter, the state comptroller shall, from time to time but not less
45 than once in every five years, examine the books and accounts of every
46 authority or commission heretofore or hereafter continued or created by
47 this chapter, including its receipts, disbursements, contracts, leases,
48 sinking funds, investments and any other matters relating to its finan-
49 cial standing. In lieu of such an examination, the state comptroller is
50 hereby authorized to accept from every such authority or commission an
51 external examination of its books and accounts made at the request of
52 such authority or commission.

53 2. (A) THE STATE COMPTROLLER MAY, PURSUANT TO SUBDIVISIONS TWO AND
54 THREE OF SECTION EIGHT-C OF THE STATE FINANCE LAW, IN HIS OR HER SOLE
55 DISCRETION, APPLY TO STATE AUTHORITIES THE ELECTRONIC DATA ANALYTICAL
56 ENTERPRISE FRAUD PREVENTION AND DETECTION SYSTEM AS PROVIDED FOR IN SUCH

1 SECTION EIGHT-C OF THE STATE FINANCE LAW. PUBLIC AUTHORITIES SHALL FULLY
2 SUPPORT AND COOPERATE WITH THE STATE COMPTROLLER BY PROVIDING THE STATE
3 COMPTROLLER WITH ACCESS TO DATA OF THE AUTHORITY REQUESTED BY THE STATE
4 COMPTROLLER, IN ACCORDANCE WITH STATE AND FEDERAL LAW, TO ALLOW SUCH
5 DATA TO BE INTEGRATED INTO SUCH ANALYTIC EFFORTS AS THE STATE COMP-
6 TROLLER MAY DEEM NECESSARY.

7 (B) FOR PURPOSES OF THIS SUBDIVISION, THE TERM "STATE AUTHORITY" SHALL
8 HAVE THE SAME MEANING AS IN SUBDIVISION ONE OF SECTION TWO OF THIS CHAP-
9 TER, PROVIDED THAT FOR PURPOSES OF THIS SUBDIVISION, THE TERM "PUBLIC
10 BENEFIT CORPORATION" AS USED IN SUCH SUBDIVISION ONE OF SECTION TWO OF
11 THIS CHAPTER SHALL HAVE THE SAME MEANING AS IN SUBDIVISION FOUR OF
12 SECTION SIXTY-SIX OF THE GENERAL CONSTRUCTION LAW.

13 S 4. Nothing in this act shall be construed to in any way alter or
14 diminish any statutory or constitutional power, duty or authority of the
15 state comptroller.

16 S 5. This act shall take effect on the one hundred twentieth day after
17 it shall have become a law; provided, however, that effective immediate-
18 ly, the addition, amendment and/or repeal of any rule or regulation
19 necessary for the implementation of this act on its effective date are
20 authorized to be made and completed on or before such effective date.