

**GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2011**

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SENATE DRS35170-LR-43C* (02/17)

Short Title: Statewide Enterprise Fraud/Waste Detection.

(Public)

Sponsors: Senator Brunstetter.

Referred to:

1 A BILL TO BE ENTITLED
2 AN ACT PROVIDING FOR AN ENTERPRISE APPROACH FOR DETECTION OF
3 FRAUD, WASTE, ABUSE, AND IMPROPER PAYMENTS IN STATE GOVERNMENT
4 PROGRAMS AND APPROPRIATING FUNDS FOR THAT PURPOSE.

5 The General Assembly of North Carolina enacts:

6 **SECTION 1.** The General Assembly finds that:

- 7 (1) Waste, fraud, and abuse can diminish multiple functional and program areas
8 of State government by adversely affecting the State budget, impeding
9 economic development, and depleting benefits for citizens in need.
10 (2) Identifying possible fraud or abuse at an early stage will alert State agencies
11 and prevent them from making payments or releasing funds inappropriately,
12 thus providing potentially millions of dollars in cost-savings to the State.
13 (3) Existing efforts to combat fraud and abuse are underway in the State's
14 Medicaid program, with a focus on providers and identifying proper claims
15 payments on a postpayments basis. In addition, the State has expanded its
16 efforts to target ineligible Medicaid participants before the point of entry
17 into the program to avoid costs associated with both maintaining and
18 providing services to ineligible recipients.
19 (4) State-supported social services programs, workers' compensation,
20 unemployment insurance, tax compliance, and discretionary grants to
21 community-based programs are other areas where it is important for the
22 State to prevent waste, fraud, and abuse.
23 (5) An enterprise approach to eliminating waste, fraud, and abuse, coordinated
24 by a central compliance and oversight body, is the best course for the State
25 in these economic times.

26 **SECTION 2.(a)** There is created the Expenditure Control Compliance Committee
27 (Committee). The purpose of the Committee is to provide for the deployment of an
28 enterprise-wide system to detect fraud, waste, and improper payments across State agencies,
29 departments, institutions, and programs in order to leverage a common infrastructure and a
30 common set of data integration points across multiple program areas, thus providing a faster
31 and more comprehensive fraud prevention regime at minimal cost to the State. The Committee
32 shall focus initially on the following areas: (i) Medicaid claims and other health care-related
33 claims such as the State Health Plan and Health Choice, (ii) unemployment insurance, (iii)
34 workers' compensation, (iv) revenue and tax collection, (v) discretionary grants and other
35 community-based programs.



1 **SECTION 2.(b)** The Expenditure Control Compliance Committee shall consist of
2 five voting members as follows:

- 3 (1) The State Budget Officer, who serves as chair.
- 4 (2) The State Controller, who serves as vice-chair.
- 5 (3) The State Treasurer.
- 6 (4) The Secretary of the Department of Health and Human Services.
- 7 (5) The State Chief Information Officer.

8 Service on the Committee requires the full expertise and attention of each member
9 such that the members may not appoint a designee to attend or to participate instead of the
10 member. The Committee shall terminate on December 31, 2016.

11 **SECTION 2.(c)** The Expenditure Control Compliance Committee shall:

- 12 (1) Solicit and review proposals from State agencies for allocation of funds from
13 the Enterprise Fund (i) to establish programs and opportunities to identify
14 improper claims prior to disbursement of State funds and (ii) to eliminate
15 fraud, waste, abuse, and improper payments, subsequent to disbursement of
16 State funds.
- 17 (2) Ensure that staff supporting the Committee works directly with State
18 agencies where programs have been identified to assist them with the
19 specific tasks involved to achieve the outcomes desired under the enterprise
20 fraud and waste program.
- 21 (3) Approve projects identified by State agencies to meet goals of the program
22 and to assure that procurement activity is consistent with State law. The
23 Committee may expand upon existing statewide licensing for projects that
24 provide immediate and confirmed benefits to the State.
- 25 (4) Utilize advanced analytical technology and modeling techniques, such as
26 link analyses and social network analyses, to allow staff to be more efficient
27 and effective at cost containment.
- 28 (5) Establish metrics, measures, and outcomes focused on return on investment
29 as an evaluation component for projects to be approved from the Enterprise
30 Fund.

31 **SECTION 2.(d)** The Office of State Budget and Management (OSBM) shall
32 provide staff dedicated to the Committee. OSBM staff assistance to the Committee includes
33 providing reports, analytics, procurements, evaluation, agency support, access to required data
34 resources, and any other requirements determined by the Committee.

35 **SECTION 3.** Within 90 days from the effective date of this act, the Committee
36 shall report to the Joint Legislative Commission on Governmental Operations on the
37 identification and progress on at least five projects implemented under this act. Within 180
38 days from the effective date of this act, the Committee shall report to the Joint Legislative
39 Commission on Governmental Operations on the activity of programs instituted and the status
40 of benefits of each program. These reports shall continue quarterly unless otherwise directed
41 by the General Assembly. These reports shall be developed by the Committee and presented
42 by the State Budget Director or the State Controller.

43 **SECTION 4.** Direct General Fund savings realized from these projects shall be
44 placed in a nonreverting reserve in the OSBM and shall not be utilized except by an
45 appropriation of the General Assembly. Other benefits such as cost avoidance shall be
46 identified and reported quarterly to the Joint Legislative Commission on Governmental
47 Operations.

48 **SECTION 5.** There is appropriated from the General Fund to the Office of State
49 Budget and Management the sum of four million dollars (\$4,000,000) for the 2011-2012 fiscal
50 year and the sum of four million dollars (\$4,000,000) for the 2012-2013 fiscal year to be used
51 to fund the Expenditure Control Compliance Committee established by this act and as start-up

1 funds for the development and deployment of an enterprise-wide information technology
2 system to detect fraud, waste, abuse, and improper payments in State government programs.
3 **SECTION 6.** This act becomes effective July 1, 2011.