

STATE OF OHIO
OFFICE OF THE INSPECTOR GENERAL

RANDALL J. MEYER, INSPECTOR GENERAL

**REPORT OF
INVESTIGATION**



**AGENCY: OHIO DEPARTMENT OF JOB AND FAMILY SERVICES
FILE ID NO.: 2012-CA00053
DATE OF REPORT: JULY 1, 2013**

The Office of the Ohio Inspector General ... The State Watchdog

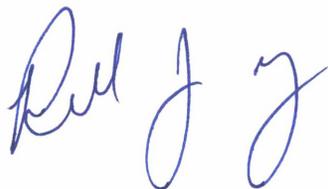
“Safeguarding integrity in state government”

The Ohio Office of the Inspector General is authorized by state law to investigate alleged wrongful acts or omissions committed by state officers or state employees involved in the management and operation of state agencies. We at the Inspector General’s Office recognize that the majority of state employees and public officials are hardworking, honest, and trustworthy individuals. However, we also believe that the responsibilities of this Office are critical in ensuring that state government and those doing or seeking to do business with the State of Ohio act with the highest of standards. It is the commitment of the Inspector General’s Office to fulfill its mission of safeguarding integrity in state government. We strive to restore trust in government by conducting impartial investigations in matters referred for investigation and offering objective conclusions based upon those investigations.

Statutory authority for conducting such investigations is defined in *Ohio Revised Code §121.41* through *121.50*. A *Report of Investigation* is issued based on the findings of the Office, and copies are delivered to the Governor of Ohio and the director of the agency subject to the investigation. At the discretion of the Inspector General, copies of the report may also be forwarded to law enforcement agencies or other state agencies responsible for investigating, auditing, reviewing, or evaluating the management and operation of state agencies. The *Report of Investigation* by the Ohio Inspector General is a public record under *Ohio Revised Code §149.43* and related sections of *Chapter 149*. It is available to the public for a fee that does not exceed the cost of reproducing and delivering the report.

The Office of the Inspector General does not serve as an advocate for either the complainant or the agency involved in a particular case. The role of the Office is to ensure that the process of investigating state agencies is conducted completely, fairly, and impartially. The Inspector General’s Office may or may not find wrongdoing associated with a particular investigation. However, the Office always reserves the right to make administrative recommendations for improving the operation of state government or referring a matter to the appropriate agency for review.

The Inspector General’s Office remains dedicated to the principle that no public servant, regardless of rank or position, is above the law, and the strength of our government is built on the solid character of the individuals who hold the public trust.



Randall J. Meyer
Ohio Inspector General



STATE OF OHIO
OFFICE OF THE INSPECTOR GENERAL

RANDALL J. MEYER, INSPECTOR GENERAL

REPORT OF INVESTIGATION

FILE ID NUMBER: 2012-CA00053

SUBJECT NAME: Xerox Business Services

POSITION: State Contractor

AGENCY: Ohio Department of Job and Family Services

BASIS FOR INVESTIGATION: Complaint

ALLEGATIONS: Failure to follow terms of contract

INITIATED: May 29, 2012

DATE OF REPORT: July 1, 2013

INITIAL ALLEGATION AND COMPLAINT SUMMARY

On April 9, 2012, the Office of the Ohio Inspector General received a complaint from an individual reporting her Ohio child support debit card containing more than \$8,700 was diverted to a fraudulent address and the funds were stolen. The complainant alleged the theft was an “internal job” and that neither the Ohio Department of Job and Family Services (ODJFS) nor Xerox® Business Services (Xerox), the contractor overseeing the child support debit card program, assisted her in reaching a resolution in reimbursing her for the stolen funds. A preliminary inquiry was opened on April 18, 2012.

On April 24, 2012, the Office of the Ohio Inspector General contacted the ODJFS Office of the Chief Inspector to inquire if the department had an open investigation regarding this incident, to which ODJFS responded that the agency was unaware of the matter. ODJFS provided the Office of the Ohio Inspector General with the contact information for the Xerox project manager of the Ohio child support contract, Daphne Ralyea, who also indicated she was unaware of the incident. Furthermore, the Office of the Ohio Inspector General was informed this incident was required to be reported to ODJFS by Xerox as part of the contract between ODJFS and Xerox.

The Office of the Ohio Inspector General opened an investigation on May 29, 2012, to examine the allegations of Xerox’s failure to report the incident to ODJFS as required under the contract. This investigation only focused on the issues related to the contract and not the theft, as it is the subject of an ongoing federal investigation.

BACKGROUND

Ohio Department of Job and Family Services¹

The Ohio Department of Job and Family Services (ODJFS) is responsible for developing and overseeing adoption, child care, child and adult protective services, child support, public assistance, unemployment compensation, and workforce development programs. Most of these programs are supervised by ODJFS with county and other local agencies administering the programs. The majority of the programs are federally mandated and funded. The director of

¹ Source: Biennial budget documents

ODJFS is appointed by the governor and confirmed by the Ohio Senate. ODJFS is funded through General Revenue Funds, federal funds, and fees charged for services performed.

Child Support Program²

ODJFS operates Ohio's human service programs, including the Title IV-D Support Program,³ hereinafter referred to as the child support program. Ohio's child support system is a state-supervised, county-administered program with 88 local county Child Support Enforcement Agencies (CSEAs) and a central state supervisory office. The ODJFS Office of Child Support is responsible for the collection and disbursement of virtually all child support payments in Ohio.

The ODJFS Child Support Payment Central (CSPC), which is operated by Xerox, was created in response to the federal government mandating the implementation and operation of a unit for collecting and disbursing child support payments. All child support payments must be processed by CSPC, which is located in the Columbus metropolitan area. About 95 percent of Ohio's child support disbursements are made electronically. Child support payments are also made directly to the custodial parent/guardian by CSPC. On receipt of any amount from a non-custodial parent or financial institution, the Office of Child Support must distribute the amount to the custodial parent within two business days of receipt.

ODJFS offers two primary methods for receiving support payments: direct deposit and the Ohio e-QuickPay[®] Debit MasterCard[®].⁴ The Ohio e-QuickPay[®] Debit MasterCard[®] provides the custodial parent with a debit card to receive and use support payments. Support payments are credited to the e-QuickPay[®] card automatically after the state receives and posts a payment to the custodial parent or custodian's case. The cardholder can use the card at any business that accepts MasterCard[®] debit cards. Cash withdrawals can be made at any ATM or bank teller window that accepts the debit card.

² Source: ODJFS website.

³ As appropriated by the U.S. Social Security Administration and described more fully at: http://www.socialsecurity.gov/OP_Home/ssact/title04/0451.htm

⁴ ODJFS does allow recipients to opt-out of the electronic disbursement under certain situations: the custodial parent is in a nursing home, incarcerated, or under 18 years of age.

Through a competitively bid contract, Affiliated Computer Services (ACS), which was subsequently purchased by Xerox, performs many of the CSPC functions, including the debit card process and operating customer call service centers. The original customer call centers handling the Ohio child support debit card program were located in Sandy, Utah, and San Antonio, Texas.⁵

The contract between ODJFS and Xerox included a section regarding the safeguarding of confidential or personally identifiable (PI) information. The contract also included the following procedure regarding notifying ODJFS if a breach occurs:

F. Disclosure Notification. If the Contractor determines that there is any actual or suspected theft of, accidental disclosure of, loss of, or inability to account for any PI by Contractor or any of its subcontractors (collectively “Disclosure”) and/or any unauthorized intrusions into Contractor’s or any of its subcontractor’s facilities or secure systems (collectively “Intrusion”), Contractor must immediately :

1. Notify the State within 24 hours of the Contractor becoming aware of the unauthorized disclosure;
2. Fully cooperate with the State in estimating the effect of the Disclosure or Intrusion’s effect on the State and fully cooperate to mitigate the consequences of the Disclosure or Intrusion;
3. Specify corrective action to be taken;
4. Investigate and determine if an intrusion and/or Disclosure has occurred; and
5. Take corrective action to prevent further Disclosure and/or Intrusion.

Contractor must, as soon as is reasonably practicable, make a report to the State including details of the Disclosure and/or Intrusion and the corrective action Contractor has taken to prevent further Disclosure and/or Intrusion. Contractor must, in the case of a Disclosure cooperate fully with the State to notify the effected persons as to the fact of and the circumstances of the Disclosure of the PI. Additionally, Contractor must cooperate fully

⁵ A third call center located in Tallahassee, Florida was also handling Ohio child support calls. However, Xerox contract management in Ohio and ODJFS were unaware of this third center.

with all government regulatory agencies and/or law enforcement agencies having jurisdiction to investigate a Disclosure and/or any known or suspected criminal activity.

INVESTIGATIVE SUMMARY

Information provided to the Office of the Ohio Inspector General on April 9, 2012, by the complainant indicated she had contacted Xerox Business Services upon learning of the theft of her debit card containing child support payments. After receiving “little help” from Xerox, the complainant stated she contacted the Ohio Department of Job and Family Services who offered “no assistance,” stating it was an issue with Xerox and out of the department’s control. As a result, she contacted the Office of the Ohio Inspector General for assistance.

Upon receiving the complaint, the Office of the Ohio Inspector General initially contacted the ODJFS Office of Chief Inspector on April 24, 2012, to inquire if the department had an open investigation into the matter. On May 3, 2012, the Office of the Ohio Inspector General met with the chief inspector who indicated that ODJFS did not have an open investigation and suggested contacting the ODJFS Office of Child Support. A meeting was held with Joyce Ellinwood, the ODJFS child support program’s project manager who oversees the Xerox contract, to discuss the allegations. Ellinwood stated she was unaware of the issue, and when informed the theft occurred at a call center in Tallahassee, Florida, she was unaware Xerox had a third call center handling Ohio child support accounts.

Ellinwood also explained she had been in contact with Daphne Ralyea, the Xerox project manager of the Ohio child support program contract. Ellinwood said Ralyea was also unaware of the allegations or the existence of the third call center. The Office of the Ohio Inspector General contacted Ralyea, who confirmed Ellinwood’s assertion. Ralyea stated that a separate investigation involving a theft in a processing center located in central Ohio had been reported to ODJFS as soon as it was identified. When first notified by ODJFS regarding the new allegation, she contacted other Ohio-based employees assigned to the child support contract, and all asserted they had no knowledge of the theft.

On May 15, 2012, the Office of the Ohio Inspector General received a phone call from Wendi Kaye of Xerox, who was based in Dallas, Texas, and served as the lead coordinator for the Xerox internal investigation. Kaye stated, based on their internal query, a referral had been made to federal authorities for further investigation. The Office of the Ohio Inspector General contacted the agent in charge of the federal investigation and found that investigators were informed of the incident on May 2, 2012, almost two months after the occurrence of the theft. The Office of the Ohio Inspector General was also informed there were two other thefts from victims residing in Ohio. In total, federal investigators were reviewing more than \$45,000 in theft from child support debit cards related to the Ohio victims.

On June 26, 2012, the Office of the Ohio Inspector General subpoenaed Xerox for copies of various records, including any internal reports related to their investigation, recorded phone calls between the victims and any Xerox customer service representatives (CSR), and print screens or other information recorded in the computer system by the CSRs. The Office of the Ohio Inspector General subpoenaed the information to determine if there was a breach in the contract between Xerox and ODJFS, and if so, how it occurred.

Included with the subpoenaed information from Xerox was a security incident report completed by Xerox employees in Texas dated March 29, 2012. There was no indication the security incident report had been forwarded to the individuals managing the Ohio contract. The report was finally forwarded to Ralyea in January 2013.

On January 11, 2013, the Office of the Ohio Inspector General met with John Polk, senior vice president and managing director of Xerox's child support solutions group. Polk expressed concern and displeasure when he learned of the failure by Xerox's debit card section to notify the Ohio Xerox project manager of the theft. He explained that all Xerox entities were obligated to adhere to the ODJFS contract which required such notification.

Failure to Cooperate with Law Enforcement

The same section of the contract between Xerox and ODJFS that required notification of a suspected theft also states Xerox must cooperate in any investigation conducted by a government

regulatory or law enforcement agency. The Office of the Ohio Inspector General spoke to the three victims about the actions they took after discovering personal confidential information had been used in the thefts. The victims described similar circumstances where, shortly after they called the child support customer service number, their addresses were changed in the computer system and new debit cards were delivered to addresses not associated with the victims. All victims stated that after discovering they were victims of theft, they were required to complete a fraud packet provided by Xerox and file a police report in their local jurisdiction.

The third victim,⁶ who made the initial complaint to the Office of the Ohio Inspector General, filed a report with the Cuyahoga Falls Police Department on February 18, 2012. The victim stated the detective requested that she contact Xerox to try and obtain information regarding the change in address. When the victim contacted Xerox approximately 10 days later, she was informed the information was not available, as the fraudulent address had been erased from the system when she requested a change back to her correct address. The Office of the Ohio Inspector General spoke to the Cuyahoga Falls detective on March 14, 2013, who confirmed he requested the victim contact Xerox, and also stated he attempted to coordinate his investigation with local law enforcement in the area where the fraudulent address was located. However, Xerox refused to provide the information to the victim, so the case was not pursued. When the detective was able to obtain the information at a later date from another source, he again attempted to coordinate with the out-of-state law enforcement officials, but the agencies were already involved in the federal investigation and declined to participate in a separate investigation.

From the subpoenaed information obtained from Xerox, documents show address history is maintained in the computer system. However, the CSR who took the call from the third victim also wrote in the case file that the victim was informed "... once new address is on file there is no record of the old address that was on file."

⁶ The original complainant is referred to as the "third victim" based on the time period when the thefts occurred. She was the third individual in Ohio to have their replacement debit card diverted in a six-month time period.

The second victim stated she filed a police report with the City of Cincinnati on November 2, 2011. The Office of the Ohio Inspector General contacted the detective assigned to the case on March 13, 2013, who stated she contacted the Xerox customer service center requesting information. She was informed Xerox did not record phone calls between customers and CSRs. In addition, she was told that Xerox could not release any information to the police. When the detective asked to speak to a fraud investigator at Xerox, the CSR refused to transfer the call.

However, information subpoenaed by the Office of the Ohio Inspector General showed phone calls were recorded and maintained by Xerox. In this second victim's incident, a law enforcement official was specifically told by a Xerox CSR that Xerox could not release information to them. This is in direct violation of the contract, which states cooperation with law enforcement is required.

CONCLUSION

When Xerox Business Services officials became aware of a theft by a customer service representative in their Tallahassee, Florida call center, they conducted an internal investigation. The Office of the Ohio Inspector General spoke with officials at Xerox, who informed the investigators that the Xerox call center was to immediately notify the individual managing the Ohio child support contract of the suspected activity. However, Xerox officials in Florida and Texas failed to do so. As a result, both the Ohio Xerox office and ODJFS were unaware of the situation until the Office of the Ohio Inspector General inquired as to whether ODJFS and/or Xerox had an open case regarding this incident. Failure to notify ODJFS of the theft is a direct violation of the contract requiring notification.

Accordingly, the Office of the Ohio Inspector General finds reasonable cause to believe a wrongful act or omission occurred in this instance.

In speaking to the victims, all related similar circumstances about their respective thefts. When each of the victims contacted the child support customer service number, each was asked to provide his or her full date of birth and Social Security number to the customer service representative handling the call. Xerox customer service representatives are required to ask for

this information to verify the individual's identity. However, after providing the information, the CSR is only able to see a portion of the number on the screen. They are not permitted to have any writing materials at their desk with which to copy the information.

Each of the victims was instructed by Xerox to complete a fraud packet, as well as file a police report in the victim's local jurisdiction. A detective with the City of Cincinnati stated she contacted Xerox to obtain documents and recorded phone calls related to the theft. The detective informed the Office of the Ohio Inspector General that Xerox said the company did not record phone calls and Xerox representatives would not provide information to law enforcement. However, in response to a subpoena from the Office of the Ohio Inspector General, phone calls and information from the Xerox computer system were provided, documenting events related to the thefts. Failure to cooperate with the request of a law enforcement agency investigating potential fraud is in direct violation of the contract between Xerox and ODJFS.

Accordingly, the Office of the Ohio Inspector General finds reasonable cause to believe a wrongful act or omission occurred in this instance.

The victims in Ohio have been reimbursed by Xerox for the amounts alleged to have been stolen.

RECOMMENDATION(S)

The Office of the Ohio Inspector General makes the following recommendations and asks the Ohio Department of Job and Family Services to respond within 60 days with a plan detailing how these recommendations will be implemented. The Ohio Department of Job and Family Services should:

1. Review the actions of Xerox, in conjunction with the contract, and seek any and all remedies available to the state of Ohio, including but not limited to Specific Remedies and Liquidated Damages.
2. Work with Xerox to implement a system where both ODJFS and Xerox would be notified at the same time of any suspected activity that violates the terms of the contract.

3. Consider including language in the contract between Xerox and ODJFS so that moving or adding call center locations can only be done with prior ODJFS approval.
4. Work with Xerox to consider a different way to verify the caller's identity besides asking for the full Social Security number or date of birth.



STATE OF OHIO
OFFICE OF THE INSPECTOR GENERAL

RANDALL J. MEYER, INSPECTOR GENERAL

NAME OF REPORT: Ohio Department of Job and Family Services

FILE ID #: 2012-CA00053

KEEPER OF RECORDS CERTIFICATION

This is a true and correct copy of the report which is required to be prepared by the Office of the Ohio Inspector General pursuant to Section 121.42 of the Ohio Revised Code.

Jill Jones
KEEPER OF RECORDS

CERTIFIED
July 1, 2013

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