

2009-10 Grand Jury Report
**“Fraud Made Easier: A Study of Fraud Prevention and Eligibility
Screening of CalWORKS”**
Social Services Agency
Responses to Findings and Recommendations

Background

The following represents the County of Orange responses to the seven Findings (identified as F.1 – F.7 below) and the seven Recommendations (identified as R.1 – R.7 below) in the 2009—2010 Orange County Grand Jury report, entitled *Fraud Made Easier: A Study of Fraud Prevention and Eligibility Screening of CALWORKS Recipients*.

As a point of background, the Social Services Agency (SSA), as all County departments, has been significantly impacted by the prevailing economic recession. SSA has been particularly affected as its programs, including CalWORKs, are reliant on Federal and State funding. In fiscal year 2008-09, funding shortfalls necessitated severe budget cuts that included staff layoffs, unpaid furloughs, facility closures, as well as \$9.6 million in cuts to contracted and outsourced services. Concurrently, applications for all public assistance programs have continued to rise at historic levels.

In spite of such challenges, SSA continues to administer public assistance programs at a very high level, maintaining core services within Federal and State mandates. SSA takes the issue of welfare fraud very seriously. SSA has developed more cost-effective and efficient methods to identify and deter welfare fraud, including maximizing the capabilities of its electronic data systems and utilizing the expertise and interviewing skills of eligibility professionals to evaluate case facts for potential fraud prior to making formal referrals. SSA maintains its commitment to program integrity by delivering timely and accurate benefits and quality services to the County’s most vulnerable residents.

The County of Orange Board of Supervisors and the Social Services Agency appreciate the opportunity to respond to the Grand Jury regarding the important matter of welfare fraud detection and prevention.

Responses to Findings F.1 through F.7

F.1 There is no reference to fraud prevention in the Mission statement or the vision of the Social Services Agency. This lack of emphasis on fraud detection by management results in welfare funds going to ineligible individuals.

Response: *Disagrees wholly with the finding.*

The SSA Mission Statement is: “To deliver quality services that are accessible and responsive to the community, encourage personal responsibility, strengthen

individuals, preserve families, and protect vulnerable adults and children.” SSA believes that the term “quality services” is representative of a wide range of concepts inclusive of benefit accuracy and program integrity, and includes making appropriate referrals for fraud investigations as case circumstances dictate.

SSA disagrees with the finding that a lack of emphasis on fraud detection by management has resulted in welfare funds going to ineligible individuals. Among SSA’s stated Core Values are: Integrity, Thoroughness, and Efficiency. These emphasized values speak to SSA management’s dedication to accurate distribution of public assistance which includes making appropriate referrals for fraud investigations as case circumstances dictate. In addition, the Grand Jury report describes SSA’s “laudatory record” of welfare fraud detection in 2008. In 2008, SSA operated under the same Mission Statement, Vision Statement, and Core Values.

- F.2** The Social Services Agency has not performed any meaningful analyses to determine the cost effectiveness of its efforts to detect and deter fraud in the CalWORKS and food stamp programs. The only statistics that are used by the Social Services Agency, other than the number of applications, are those recorded and kept by the District Attorney’s office as required by the state.

Response: Disagrees partially with the finding.

As recently as 2009, SSA fully participated in a California Bureau of State Audits (BSA) analysis of fraud detection and prevention activities in six counties. This analysis included site visits by State auditors, interviews and conference calls with key staff in SSA and the Office of the District Attorney (DA). State auditors reviewed 120 Orange County public assistance cases for the 2008 calendar year, various official and internal data reports, SSA fraud review staffing structures, DA fraud investigation staffing structure, fraud training practices, and SSA fraud referral and follow-up policies. Overall, the BSA report holds Orange County’s welfare fraud system in high regard. Among its findings, the report states: “...the net savings for CalWORKs early fraud activities in Orange and San Diego counties significantly exceed the statewide average, as well as the savings of the other four counties we reviewed.” This report recommends that the State Department of Social Services determine cost-effective efforts and seek to replicate the most cost-effective practices among all counties.

Additionally, the Orange County processes, identified in the BSA report as contributing to SSA’s success, continue in current policy. These processes include a policy to complete all early fraud activities on a case within 15 business days of receiving the referral; and co-locating fraud investigators with eligibility staff so that issues can be resolved quickly. SSA will continue to consider all cost-effective practices to maximize the available resources.

In fiscal year 2008-09 SSA was required to implement wide-ranging budget cuts in order to operate within limited funding allocations. All budget reduction decisions, including the necessity to reduce funding for DA welfare fraud activities, were done with appropriate analyses considering federal and state mandates, impact to Agency goals and outcomes, cost benefits, and comparison to other counties' practices.

SSA agrees that the fraud statistics utilized are those recorded and kept by the District Attorney's office. The compilation of fraud statistics is the responsibility of the District Attorney's office as the DA is the designated and funded welfare fraud investigative entity in Orange County. SSA is not required nor funded to compile welfare fraud statistics or to submit welfare fraud statistics to the State of California.

- F.3 There is no structured cross-training or sharing between social workers and investigators with regard to the role each plays in the investigative process.

Response: Disagrees wholly with the finding.

SSA delivered Fraud Refresher Training electronically to all CalWORKs, Food Stamps, and General Relief staff in November and December 2009. This training included a segment entitled "Worker Responsibility" and a segment entitled "District Attorney – Public Assistance Division (DA-PAD) Responsibility." These segments provided information regarding the responsibilities of each party in the investigative process.

SSA conducts induction training for new SSA employees. DA fraud investigators routinely attend selected training sessions. These opportunities provide comprehensive information on the roles of SSA staff, as well as technical information on SSA program elements.

DA welfare fraud investigators and supervisors are co-located in SSA Regional Offices. Supervising investigators regularly attend Regional Program and supervisory meetings. This operational structure provides instant communication between SSA and DA staff and establishes an environment of interagency collaboration. Roles are often clarified and issues resolved in an informal and cooperative approach.

Upper management staff from SSA and DA attend scheduled meetings to discuss welfare fraud activities and interagency issues. Discussions routinely involve Regional Office operational issues, major SSA programmatic issues, problem resolutions, as well as clarification of the roles of staff in both departments, as necessary. Decisions and clarifications from the SSA/DA coordination meetings are then communicated formally to appropriate staff.

F.4 There is no evidence of fraud detection training in an organized, periodic fashion that meets the State requirement, beyond the initial orientation training each new employee receives as required by California DSS MANUAL CFC 98 01 20 005 24.

Response: Disagrees wholly with the finding.

SSA delivered Fraud Refresher Training electronically to all CalWORKs, Food Stamps, and General Relief Staff in November and December 2009. The training included the following topics:

- Terminology
- Preventing Fraud
- Potential Fraud Indicators
- Other Fraud Indicators
- Worker Responsibility
- Face-To-Face Interview Required
- When a Face-To-Face Interview is not Required
- How to Prepare for a Fraud Interview
- Conducting a Fraud Interview
- Actions After Fraud Interview
- When to Make an Investigation Referral to District Attorney Investigation
- Regional Fraud Investigation Referral
- District Attorney – Public Assistance Division (DA-PAD) Responsibility
- Referrals for Criminal Prosecution
- Criminal Prosecution Unit Referral
- New Applications
- CalWORKs and Food Stamps Scenario
- The Investigator's Findings
- Combo Case Scenario
- The Investigator's Findings

Monthly Program Meetings and Program Summaries provide routine training, instructions, and information to staff in all SSA public assistance programs. Each Program Meeting and Program Summary involves directives designed to improve benefit accuracy and program integrity. Monthly Program Meetings and Program Summaries specifically address training and staffing items related to fraud prevention and detection. Examples include:

- March 2010 – Fraud policies updates, including Policy 100-H1 Intentional Program Violation and Policy 100-H4 CalWORKs Fraud Referrals
- January 2010 – IEVS Policies update, including Applicant Match, Integrated Fraud Detection, Payment Verification System, and New Hire Registry
- September 2009 – IEVS Payment Verification System update
- March 2009 – Income and Eligibility Verification System (IEVS) update
- January 2009 – Instructions on Policy 100-H4 CalWORKs Fraud Referrals

- December 2008 – Actions required upon receiving an application containing a Fraud Alert

All SSA Regional Office staff conduct regular All-Supervisors Meetings and Unit Meetings. Each of these meetings involves training, instructions, and information dedicated to improving benefit accuracy and program integrity. All-Supervisors Meetings and Unit Meetings specifically address training and staffing items related to fraud prevention and detection.

- F.5 The fiduciary responsibility to protect tax funds from abuse should not be mitigated by budget cuts. It is the responsibility of the Social Services Agency to ensure the integrity of the fraud detection and prevention program.

Response: Agrees with the finding.

- F.6 Social Services Agency does not effectively utilize statistical records that would assist in management of the program and evaluating employee performance.

Response: Disagrees wholly with the finding.

SSA utilizes a wide variety of data reports, including State-mandated reports, systems generated reports, and custom designed reports that are utilized for program management and employee performance evaluation. Attachment 1 to this response document provides a wide example of such statistical reports. Copies of reports are available upon request.

- F.7 In the last half of 2009, Social Services Agency cut the fraud detection and prevention function by \$900,000 in staffing, resulting in an estimated \$9.6 million paid out in fraudulent claims during the last six months of 2009.

Response: Disagrees partially with the finding.

SSA agrees that as a part of comprehensive, Agency-wide budget cuts necessitated by funding reductions, SSA reduced the financial agreement with the DA for fraud services by approximately \$900,000 in 2009. However, SSA disagrees that this budget reduction resulted in \$9.6 million paid out in fraudulent claims.

It is noted that Chart 9 of the Grand Jury report supports Finding 7 and is based on the District Attorney's Public Assistance Investigations Division Early Detection/Prevention Statistics report. While the "cost avoidance" figures are based on State-provided formulas, these formulas include several assumptions that have not been or cannot be quantified, including:

- An assumption that a case is actually denied, discontinued, or reduced based on the fraud investigator's recommendation. At times the

investigators' recommendations may not be consistent with eligibility rules and therefore cases remain eligible, while the DA statistics on this report reflect the recommended actions of the investigators.

- An assumption that a case would have stayed on assistance for an established period of time at an established benefit amount. At times the periods of assistance are shorter and the benefit amounts lower than the established levels in the cost avoidance formula.

The DA's cost avoidance statistical report is used for internal purposes only and is not requested by or submitted to the State as a part of official reporting. The official required report submitted to the State is the *Fraud Investigation Activity Report* (DPA 266) which is completed and submitted by the District Attorney's office. When comparing the same time period as Chart 9, Line 21 of the DPA 266 reports more identified fraud overpayments/issuances in the 2009 period than in the 2008 period as follows:

July-08	\$ 43,164	July-09	\$ 46,908
August-08	\$ 9,279	August-09	\$ 54,307
September-08	\$ 1,669	September-09	\$ 77,430
October-08	\$ 12,431	October-09	\$ 15,897
November-08	\$ 26,707	November-09	\$ -
December-08	\$ 33,551	December-09	\$ 36,042
Total	\$ 126,801	Total	\$ 230,584
		Difference	\$ 103,783

According to this data from an official State-mandated report, identified fraud overpayments/issuances actually increased from 2008 to 2009.

Further, in its letter to the Governor regarding the Bureau of State Audits report on the California Department of Social Services' oversight of counties' antifraud efforts, the State Auditor writes, "Our calculations do not include any savings from the fraud that these activities may deter because there is no way to measure deterrence with any certainty." SSA agrees with the State Auditor's assessment of cost avoidance formulas and believes that it would be contrary to its fiduciary responsibilities to formulate comprehensive policy changes based on the estimated \$9.6 million cost avoidance identified in this finding.

Responses to Recommendations: R.1 through R.7

- R.1 Social Services Agency should include in its Mission Statement references to fraud detection, prevention, prosecution and the roles such efforts will play in the overall strategy of the agency.

Response: *This recommendation will not be implemented because it is not warranted or is not reasonable.*

SSA's Mission Statement is "To deliver quality services that are accessible and responsive to the community, encourage personal responsibility, strengthen individuals, preserve families, and protect vulnerable adults and children." SSA successfully operates under its mission statement which is a clear and succinct representation of the Agency's purpose. It incorporates socially meaningful concepts and is based on the concepts addressed in the County of Orange Mission Statement: "Making Orange County a safe, healthy, and fulfilling place to live, work, and play, today and for generations to come, by providing outstanding, cost-effective regional public services." SSA believes that the term 'quality' in its Mission Statement is representative of the concept of benefit accuracy and program integrity, and includes making appropriate referrals for fraud investigations as case circumstances dictate.

Among SSA's stated Core Values are: Integrity, Thoroughness, and Efficiency. These emphasized values speak to SSA management's dedication to accurate distribution of public assistance which includes making appropriate referrals for fraud investigations as case circumstances dictate.

- R.2 Social Services Agency should develop management reporting systems that monitor the performance of the fraud detection and prevention program.

Response: *This recommendation will not be implemented because it is not warranted or is not reasonable.*

The Bureau of State Audits (BSA) November 2009 report on The California Department of Social Services' oversight of counties' antifraud efforts identifies the California Department of Social Services (CDSS) as having responsibility for performing welfare fraud performance and cost-effectiveness analyses. Specifically, the report recommends: "*To ensure that all counties consistently gauge the cost-effectiveness of their early fraud activities and ongoing investigation efforts for the CalWORKs and food stamp programs, Social Services should work with the counties to develop a formula to perform a cost-effective analysis using information that the counties currently submit.*"

The CDSS response was as follows: "*Social Services has been working with its internal stakeholders to develop a formula to evaluate the cost effectiveness of county fraud operations. We hope to have this formula completed soon, as resources permit. Additionally, Social Services has established a workgroup, with county participation, to improve the accuracy of the data collected in the*

Investigative Activity Report (DPA-266). This data would be used in conducting any cost-effective analysis of the counties' fraud operations. However, due to limited state and county resources, it may take quite some time to complete this process."

As CDSS acknowledges its responsibility to develop a statewide system, SSA will be responsive to CDSS directives and management reporting mandates in efforts to complete cost-effectiveness analyses and to monitor the performance of the fraud detection and prevention program.

- R.3** Social Services Agency should develop cross training and cross sharing between the Social Services intake workers and the fraud investigators.

Response: The recommendation has been implemented.

SSA has developed cross training and cross sharing between Social Services intake workers and fraud investigators as described in the response to Finding 3. SSA also has begun development of enhanced methods of improving cross-program knowledge and communication between SSA and DA staff. The enhanced training will be initially implemented at the SSA CalWORKs East facility at 1928 South Grand Ave, Santa Ana by September 30, 2010. Upon the initial implementation, the training material and presentation methods will be monitored for any necessary enhancements and Agency-wide implementation is expected to be completed by December 31, 2010.

- R.4** Social Services Agency should provide annual ongoing fraud detection training in accordance with the California-DSS-MANUAL-CFC-98-01 20-005.24.

Response: The recommendation has been implemented.

SSA has provided annual ongoing fraud detection training in accordance with the California-DSS-MANUAL-CFC-98-01 20-005.24, as described in the response to Finding 4. SSA has also begun development of enhanced training curriculum as described in the response to Recommendation 3.

- R.5** Social Services Agency should develop a plan that maintains program integrity in fraud detection at the 2008 level or greater.

Response: This recommendation will not be implemented because it is not warranted or is not reasonable.

While SSA disagrees with the estimated \$9.6 million paid out in fraudulent claims during the last six months of 2009, SSA agrees with the Bureau of States Audit finding that it is more cost-effective to allocate fraud prevention resources to the intake application process. The BSA report states, "*Counties generally realize greater savings per dollar spent on early fraud activities than on ongoing investigations. This difference is due largely to the fact that according to the data*

that counties report, early fraud activities generally result in a much greater number of denials, discontinuances, and reductions of aid than ongoing investigations produce, and also because early fraud activities cost less."

SSA believes that it is providing the DA with adequate resources to complete their fraud detection and prevention responsibilities, including an emphasis on early fraud activities. The current welfare fraud staffing level in Orange County is 1 investigator/supervising investigator per 737 CalWORKs cases. This per staff caseload is approximately 26% less than the recommended ratio of at least one investigator for every 1,000 CalWORKs cases, per State regulation 20-007.1. The following table, based on information from other counties and collected in December 2008, provides a comparison of caseloads around the State.

County	Number of cases per investigator
San Diego	694
Orange	737
State Recommended	1,000
Yolo	1,000
Riverside	1,003
Sacramento	1,260
Fresno	3,125

SSA notes that under the current DA structure, some funding that could be used for welfare fraud detection and prevention is currently being utilized by the DA for criminal prosecution to address a backlog of cases. While the DA is obligated by law to investigate and prosecute these criminal violations, State regulation 20-007.3 enumerates the fraud investigators' funded authority and responsibility in relation to the prosecuting authority, as follows:

.34 Prepare investigative reports on completed investigations in accordance with forms and procedures prescribed by the local CWD and/or the prosecuting authority.

.35 Request issuance of criminal complaints from the prosecuting authority on all cases showing evidence of fraud or other criminal activity, providing the prosecuting authority with all records and reports pertinent to the case.

Considering the State regulations and the BSA audit report, SSA will work collaboratively with the DA to evaluate that resources are effectively dedicated to fraud detection and prevention activities, including the program intake process. This will ensure that funding is dedicated to the most efficient and appropriate fraud detection activities. To this end, SSA will work with the DA to develop a plan and revise its memorandum of understanding, if necessary

- R.6** Social Services Agency should better utilize statistical records to assist them in management of the fraud detection and prevention program and evaluation of employee performance.

Response: The recommendation has been implemented.

SSA utilizes an abundance of management reporting tools that allow the Agency to effectively manage its programs and evaluate employee performance, as described in the response to Finding 6.

- R.7** Social Services Agency needs to restore fraud detection staffing to the 2008 level.

Response: This recommendation will not be implemented because it is not warranted or is not reasonable.

As noted above, SSA has maintained its dedication to program integrity and the delivery of accurate benefits per its fiduciary responsibilities. SSA has developed new and more efficient methods of identifying and deterring welfare fraud, including utilization of electronic data systems and engaging the expertise and skills of existing eligibility staff. SSA has also maintained cost-effective welfare fraud practices identified in a State audit as contributing to a successful system, including policies for a 15-day response time for early fraud referrals, and co-location of fraud investigators with eligibility staff. SSA maintains a welfare fraud staffing level that exceeds the State recommended level.

Further, as indicated in response to Recommendation 5, SSA believes that it is providing the DA with adequate resources to complete their fraud detection and prevention responsibilities, including an emphasis on early fraud activities. SSA intends to work collaboratively with the DA to evaluate that resources are effectively dedicated to fraud detection and prevention activities, including the program intake process.