



## Follow-Up— California Department of Social Services

It Has Not Corrected Previously Recognized  
Deficiencies in Its Oversight of Counties' Antifraud  
Efforts for the CalWORKs and CalFresh Programs

Report 2015-503

COMMITMENT  
INTEGRITY  
LEADERSHIP

The first five copies of each California State Auditor report are free. Additional copies are \$3 each, payable by check or money order. You can obtain reports by contacting the California State Auditor's Office at the following address:

California State Auditor  
621 Capitol Mall, Suite 1200  
Sacramento, California 95814  
916.445.0255 or TTY 916.445.0033

OR

This report is also available on our website at [www.auditor.ca.gov](http://www.auditor.ca.gov).

The California State Auditor is pleased to announce the availability of an online subscription service.  
For information on how to subscribe, visit our website at [www.auditor.ca.gov](http://www.auditor.ca.gov).

Alternate format reports available upon request.

Permission is granted to reproduce reports.

For questions regarding the contents of this report,  
please contact Margarita Fernández, Chief of Public Affairs, at 916.445.0255.

For complaints of state employee misconduct, contact the California State Auditor's  
Whistleblower Hotline: 1.800.952.5665.

June 23, 2015

2015-503

The Governor of California  
President pro Tempore of the Senate  
Speaker of the Assembly  
State Capitol  
Sacramento, California 95814

Dear Governor and Legislative Leaders:

This report presents the results of a follow-up audit of the California Department of Social Services (Social Services) subsequent to recommendations made in 2009 by the California State Auditor (state auditor). In November 2009 the state auditor issued a report titled *Department of Social Services: For the CalWORKs and Food Stamp Programs, It Lacks Assessments of Cost-Effectiveness and Misses Opportunities to Improve Counties' Antifraud Efforts*, Report 2009-101. The 2009 audit included recommendations aimed at improving Social Services' oversight of counties' antifraud efforts for the California Work Opportunities and Responsibility to Kids (CalWORKs) and CalFresh programs.

This report concludes that Social Services' oversight of counties' antifraud efforts has fallen short. More than five years later Social Services has fully implemented only one of the 15 recommendations in our 2009 audit, and has either not fully implemented, taken no action, or decided that it will not implement the other 14 recommendations. For example, Social Services has either not fully implemented or taken no action regarding all six of our recommendations aimed at ensuring that counties receive the greatest benefit from the resources they spend on their antifraud efforts such as investigations. In addition, in the absence of effective, documented procedures, Social Services has not consistently monitored or corrected problems with counties' processing of information that may affect CalWORKs and CalFresh recipients' eligibility, nor has it sufficiently monitored counties' reporting of important information regarding their investigation activities and their overpayment collection efforts. Social Services also has not determined whether the Statewide Fingerprint Imaging System (SFIS) is cost-effective, even though SFIS produces limited measurable results at a high cost. Specifically, in 2014 SFIS cost \$12 million to maintain and resulted in only 57 instances of fraud being detected. As a result of the weaknesses we identified in our 2009 audit, and that we determined during this follow-up audit still continue, Social Services diminishes the efficiency and effectiveness of its guidance and oversight of counties' antifraud efforts.

Respectfully submitted,



ELAINE M. HOWLE, CPA  
State Auditor

Blank page inserted for reproduction purposes only.

## Contents

Summary	1
Introduction	3
<b>Audit Results</b>	
The California Department of Social Services Does Not Consistently Identify or Share Cost-Effective Best Practices for Antifraud and Prosecution Activities	5
Social Services Does Not Ensure That Counties Correct Findings From Its Reviews and Does Not Effectively Enforce Counties' Prompt Processing of Match Lists	9
Social Services Has Not Addressed Problems With the Match Lists That Create Unnecessary Additional Work for Counties	12
Social Services Risks Inaccurate Reconciliation of Funds Owed to State, Local, and Federal Governments	13
Social Services Has Not Ensured That Counties Accurately Report Investigation Activity	15
Social Services Has Chosen Not to Evaluate the Cost-Effectiveness of the Statewide Fingerprint Imaging System	17
Recommendations	19
<b>Response to the Audit</b>	
California Department of Social Services	23
California State Auditor's Comments on the Response From the California Department of Social Services	47

Blank page inserted for reproduction purposes only.

## Summary

### Results in Brief

The California Department of Social Services (Social Services) is responsible for managing the California Work Opportunities and Responsibility to Kids (CalWORKs) program and the federal Supplemental Nutrition Assistance Program, known as CalFresh in the State of California. CalWORKs provides cash assistance for living expenses while CalFresh provides financial assistance for purchasing food. These programs are administered by counties under Social Services' oversight and serve many who legitimately qualify for assistance. However, state and federal agencies recognize that some fraud exists, and federal law requires that states develop ways to detect fraud within these programs. This report presents the results of a follow-up audit of Social Services' implementation of recommendations the California State Auditor (state auditor) made in 2009 related to fraud prevention in the CalWORKs and CalFresh programs.

In November 2009 the state auditor released an audit report titled *Department of Social Services: For the CalWORKs and Food Stamp Programs, It Lacks Assessments of Cost-Effectiveness and Misses Opportunities to Improve Counties' Antifraud Efforts*, Report 2009-101. The audit recommended that Social Services identify cost-effective antifraud practices and replicate these practices among all counties. In addition, the audit recommended that Social Services improve its oversight of counties' use of match lists, which help eligibility workers to identify current aid recipients who may be ineligible for that aid, and improve its oversight of counties' reporting of investigation activities. The audit also recommended that Social Services improve its process for reconciling and distributing the CalFresh overpayments that the counties collect, as well as monitor the county reports that Social Services uses to perform this reconciliation, to ensure that the information in these reports is accurate. Finally, the audit recommended that Social Services gauge the cost-effectiveness of the Statewide Fingerprint Imaging System (SFIS).

Despite the findings and recommendations of our 2009 audit to improve Social Services' oversight of counties' antifraud efforts, we found that more than five years later Social Services has fully implemented only one of the 15 recommendations, and that it either has not fully implemented, taken no action, or will not implement the other 14 recommendations. For example, we found that Social Services still has not developed a formula that enables it to analyze the cost-effectiveness of counties' antifraud efforts and to subsequently work to replicate the most cost-effective practices among all the counties. Social Services also has not

### Audit Highlights . . .

*Our audit of the California Department of Social Services' (Social Services) progress in addressing issues we raised in our 2009 audit revealed the following:*

- » *More than five years later Social Services has fully implemented only one of the 15 recommendations we made in 2009, and it either has not fully implemented, taken no action, or will not implement the other 14 recommendations.*
- » *Deficiencies exist in Social Services' oversight of counties' antifraud activities for the California Work Opportunities and Responsibility to Kids (CalWORKs) program and the federal Supplemental Nutrition Assistance Program, known as CalFresh in the State of California.*
  - *Lack of documented procedures has caused inconsistencies in Social Services' ability to monitor and correct problems with counties' processing of information that may affect recipients' eligibility.*
  - *Social Services has still not developed a formula to analyze the cost-effectiveness of counties' antifraud efforts, which would enable it to work to replicate the most cost-effective practices among all the counties.*
  - *Social Services does not always ensure that counties correct findings from its reviews or assess how well counties are processing match lists.*
  - *The cost-effectiveness of the Statewide Fingerprint Imaging System has not been evaluated—it cost \$12 million to maintain in 2014 and resulted in only 57 instances of fraud being found.*

determined whether SFIS is cost-effective, despite the fact that SFIS cost \$12 million to maintain in 2014 and resulted in only 57 instances of fraud being found. We also found deficiencies in Social Services' oversight of the counties' antifraud activities, including an ineffective method for assessing how well counties are processing match lists that identify potential instances of fraud. We noted two primary reasons for the lack of implementation of the 2009 recommendations: Social Services does not have effective, documented procedures for its oversight of counties' antifraud efforts, and in one case Social Services continues to disagree with our recommendation. However, the weaknesses we identified in our 2009 audit and that we determined still continue during this follow-up audit diminish the efficiency and effectiveness of Social Services' guidance and oversight of counties' antifraud efforts.

### **Recommendations**

To ensure that counties' efforts to combat fraud in the CalWORKs and CalFresh programs are effective, Social Services should fully address the 14 remaining recommendations from our 2009 audit. These recommendations include that Social Services develop a formula to regularly perform a cost-effectiveness analysis of counties' antifraud activities for the CalWORKs and CalFresh programs and that it improve its oversight of counties' processing of match lists.

The Legislature should require Social Services to annually report on the cost of SFIS and the fraud that it detects.

### **Agency Comments**

Social Services generally agreed with our conclusions and recommendations. However, Social Services disagrees with our recommendation for it to analyze the effect of varying fraud prosecution thresholds on counties' decisions to investigate potential welfare fraud.



## Introduction

### Background

The California Department of Social Services (Social Services) is responsible for managing the California Work Opportunities and Responsibility to Kids (CalWORKs) program and CalFresh.<sup>1</sup> CalWORKs is a welfare program that provides cash assistance for living expenses to families with eligible children in the household, and families receiving cash assistance under CalWORKs are eligible for the CalFresh program. Families and individuals who do not qualify for CalWORKs may be eligible to receive CalFresh benefits based on income and other factors. CalWORKs is the State's version of the federal Temporary Assistance to Needy Families program, while CalFresh is the State's version of the federal Supplemental Nutrition Assistance Program.

Because of the potential for fraud in these programs, federal law requires that states develop ways to detect, for example, when a welfare recipient knowingly signs up for assistance but is ineligible, or intentionally attempts to obtain aid in two counties at the same time. Under Social Services' oversight, the counties are responsible for detecting, preventing, and prosecuting such fraud.

Social Services coordinates the counties' efforts to combat welfare fraud by providing guidance, technical assistance, and information on fraud prevention and detection. For example, Social Services provides a list of CalWORKs applicants and recipients to certain state and federal agencies that maintain information about individuals, such as their employment status, income, and outstanding felony warrants. When these state or federal agencies have information about an applicant or recipient, a match occurs and they create a match list that they send to Social Services. A discrepancy between information reported by the applicant or recipient to the CalWORKs or CalFresh programs and information about him or her as reported by state and federal agencies on a match list could result in his or her aid amount being reduced or could make the applicant or recipient ineligible for aid. For match lists containing financial and employment information, federal regulations require states to follow up within 45 days on matches related to recipients in their jurisdictions to determine whether the recipients' eligibility has changed. Social Services performs on-site Income Eligibility and Verification System reviews at each of the counties once every three years—and Los Angeles County every year—to assess whether counties are processing match lists accurately and promptly.

<sup>1</sup> When we performed our 2009 audit, CalFresh was known as the food stamp program.

In addition, Social Services implemented the Statewide Fingerprint Imaging System (SFIS) in 2000 to help prevent fraud involving duplicate aid. In 2011 the Legislature repealed the fingerprint imaging requirement as a condition for receiving CalFresh benefits, but state law continues to require fingerprint imaging for CalWORKs. A fingerprint image and photograph for each eligible adult and each parent and caretaker relative of an eligible child in a CalWORKs case is required through SFIS. According to Social Services, the system enables counties to identify individuals applying for and potentially receiving aid in multiple jurisdictions and to identify individuals using falsified or fraudulently obtained documents to assume multiple identities for the purpose of receiving aid.

Further, state regulations require the counties to maintain a special investigation unit (SIU) to investigate potential welfare fraud and to refer substantiated cases of fraud either for prosecution or for administrative settlement. In compliance with federal regulations, Social Services requires counties to report their welfare fraud investigation and prosecution activities each month. Social Services currently verifies the reports' accuracy during its SIU reviews, which occur once every three years, except for Los Angeles County, which receives a review every year.

### **Scope and Methodology**

The California State Auditor's practice is to occasionally follow up on past audit reports to verify the agency's assertions regarding its implementation of our recommendations. For this follow-up audit we assessed Social Services' progress in implementing the recommendations from our 2009 audit regarding public assistance antifraud efforts—report 2009-101—which fall into six areas: cost-effectiveness of antifraud investigation and prosecution best practices, oversight of counties' match list processing efforts, county concerns regarding match list formats and criteria, accuracy of overpayment collections, oversight of counties' investigation activity reporting, and cost-effectiveness of SFIS. We interviewed Social Services staff and reviewed documentation supporting its implementation of our recommendations specific to these areas.

## Audit Results

### **The California Department of Social Services Does Not Consistently Identify or Share Cost-Effective Best Practices for Antifraud and Prosecution Activities**

The California Department of Social Services (Social Services) has not fully evaluated the cost-effectiveness of each county's antifraud methods or sought to replicate the most cost-effective methods. As shown in Table 1 on the following page, Social Services has not fully implemented any of our six recommendations related to ensuring that counties use the most cost-effective fraud investigation and prosecution activities, including a recommendation that it implement the ideas of its own steering committee. Because Social Services is not providing guidance to counties in these areas, counties may continue to use inconsistent fraud investigation practices that vary in their effectiveness and thus the State may not maximize the amount of prevented overpayments.

Social Services has not yet fully implemented our recommendation to develop a formula to determine why some counties' California Work Opportunities and Responsibility to Kids (CalWORKs) and CalFresh antifraud efforts are more cost-effective than others. The formula we recommended would measure savings that a county achieves for each dollar spent on early fraud detection activities, which are activities that detect potential fraud and prevent it from occurring, or on ongoing investigations, which are activities involving cases in which counties suspect fraud by persons currently receiving aid. Although we previously concluded that Social Services had implemented this recommendation based on information it had provided us, this follow-up audit found that Social Services' cost-savings formula does not include the cost of performing antifraud activities. Specifically, Social Services' CalWORKs cost-savings formula includes only the savings generated from antifraud activities through the resulting denials, reductions, and discontinuations of aid and the associated reduction in administrative costs. However, the formula fails to measure the cost-effectiveness of counties' efforts because it does not compare whether the savings that counties achieve are greater than the cost to perform antifraud activities. According to Social Services, it has not considered including the costs of performing antifraud activities in the formula because it needs to determine whether the data are available. In our previous report, we identified costs of early fraud detection efforts and ongoing investigations for computing the cost-effectiveness of antifraud activities, and we believe Social Services should be able to perform this analysis.

Similarly, for the CalFresh program, Social Services' cost-savings formula excludes the cost of performing antifraud activities. However, it also does not calculate the amount of CalFresh program benefits

saved due to antifraud efforts. According to its fraud bureau chief, Social Services excludes these savings because the program benefits are funded entirely with federal money, and as a result, no state funds are saved. Therefore, Social Services limits the savings it calculates for the CalFresh program to the amount of administrative costs it estimates it saves as a result of denials and discontinuations of CalFresh aid. Although Social Services believes it has a valid reason for not calculating the amount of program benefits that are saved, our recommendation was not limited to a particular funding source and was never intended to measure only the amount of state funds saved. By not fully implementing our recommendation, Social Services is not ensuring that counties receive the greatest benefit from the resources it spends on antifraud efforts for the CalFresh program, regardless of funding source.

**Table 1**  
**Status of Recommendations on the California Department of Social Services' Cost-Effectiveness of Antifraud Investigation and Prosecution Best Practices**

RECOMMENDATION	CALIFORNIA DEPARTMENT OF SOCIAL SERVICES' (SOCIAL SERVICES) ASSERTION OF CURRENT STATUS AS OF OCTOBER 2014	CALIFORNIA STATE AUDITOR'S (STATE AUDITOR) DETERMINATION OF CURRENT STATUS BASED ON FOLLOW-UP AUDIT
1. To ensure that all counties consistently gauge the cost-effectiveness of their early fraud detection activities and ongoing investigation efforts for the California Work Opportunities and Responsibility to Kids (CalWORKs) program and CalFresh, which is the State's version of the federal Supplemental Nutrition Assistance Program, Social Services should work with the counties to develop a formula to regularly perform a cost-effectiveness analysis using information that the counties currently submit.	●	◐
2. To make certain that counties receive the greatest benefit from the resources they spend on antifraud efforts related to CalWORKs and CalFresh cases, Social Services should, using the results from the recommended cost-effectiveness analysis, determine why some counties' efforts to combat welfare fraud are more cost-effective than others.	◐	◐
3. To make certain that counties receive the greatest benefit from the resources they spend on antifraud efforts related to CalWORKs and CalFresh cases, Social Services should seek to replicate the most cost-effective practices among all counties.	◐	◐
4. Social Services should track how counties determine prosecution thresholds for welfare fraud cases and determine the effects of these thresholds on counties' decisions to investigate potential fraud, with a focus on determining best practices and cost-effective methods. It should then work with counties to implement the consistent use of these cost-effective methods.	◐	○
5. Social Services should either ensure that counties follow state regulations regarding the use of administrative disqualification hearings or pursue changing the regulations.	◐	◐
6. To make certain that counties receive the greatest benefit from the resources they spend on antifraud efforts related to CalWORKs and CalFresh cases, Social Services should continue to address the recommendations of Social Services' steering committee and promptly act on the remaining recommendations.	◐	◐

Sources: State auditor's recommendations in report 2009-101: *Department of Social Services: For the CalWORKs and Food Stamp Programs, It Lacks Assessments of Cost-Effectiveness and Misses Opportunities to Improve Counties' Antifraud Efforts*; Social Services' most recent response to the recommendations in report 2009-101; and the state auditor's analysis of Social Services' implementation activities.

- = Fully implemented
- ◐ = Not fully implemented
- = No action taken

Also, Social Services has not yet identified which antifraud practices are most cost-effective. According to the fraud bureau chief, during special investigation unit (SIU) reviews, fraud bureau staff review the results of the cost-savings formula to identify counties that demonstrate successful early and ongoing fraud detection initiatives, and to identify other best practices through an ongoing network of regional meetings, regular county contacts, and compliance reviews. However, these results do not indicate which county initiatives are the most cost-effective because the cost-savings formula that counties use does not include the cost for them to perform their antifraud activities. If the fraud bureau had created the type of cost-effectiveness formula we recommended, it could use the counties' results to better guide its staff in identifying the most cost-effective best practices of counties with the highest savings generated per dollar spent on antifraud activities.

In a previous response to our recommendation that it seek to replicate the most cost-effective practices among all counties, Social Services asserted that it would add program integrity resource materials to its website, and that it might also include cost-effective antifraud practices that counties could adopt. However, this follow-up audit found that Social Services' website does not contain any antifraud best practices and has only a few program integrity resources. According to the fraud bureau chief, Social Services shares antifraud best practices with counties at quarterly regional meetings. In addition, the fraud bureau chief told us that if her staff observes a particularly good antifraud practice during an SIU review, the staff may share this best practice with other counties informally when performing subsequent SIU reviews. However, this information is shared with other counties only as a way to help them resolve deficiencies found during their SIU review. Also, because Social Services performs these reviews only once every three years, this practice occurs infrequently. Nevertheless, the fraud bureau chief explained that Social Services shares these investigative practices informally and does not intend to make them available on its website because any documented practices made transparent to the public could jeopardize investigations and make antifraud practices less effective. The irregular and undocumented methods that Social Services currently uses to share this information could diminish counties' access to important information regarding antifraud practices they could use. If Social Services believes these practices are sensitive information, it should consult with its legal counsel to assist the fraud bureau to determine whether to withhold information about these practices from public disclosure.

In addition, Social Services has not taken action to implement our recommendation to track how counties determine prosecution thresholds—the minimum dollar amount at which each county

*Social Services has not yet identified which antifraud practices are most cost-effective.*

district attorney generally prosecutes welfare fraud—and the effects of those thresholds on counties’ decisions to investigate welfare fraud. The fraud bureau chief disagrees with the finding upon which this recommendation is based, asserting that there is no direct relationship between a prosecution threshold and a county’s decision to investigate welfare fraud. According to the fraud bureau chief, state regulations require counties to investigate all cases of potential welfare fraud, regardless of their dollar value. However, we note that these regulations also allow counties some discretion in determining the order in which they investigate cases of potential welfare fraud. When a person suspected of fraud is in the process of applying for aid, a county must prioritize that case before investigating any other case, so as not to delay that person’s application process. For other cases counties may confer with local prosecutors to establish their own methods for prioritizing the cases for investigation, such as investigating cases with the highest dollar value, first. Our 2009 audit found that county district attorneys set monetary thresholds below which they generally do not prosecute fraud, that these thresholds vary among counties, and that these thresholds can be as high as \$10,000. If county district attorneys are using the dollar amount of their prosecution threshold to decide which cases they will investigate first, some cases with dollar values that are beneath this threshold may never be investigated because the statute of limitations could expire before these cases are investigated. Thus, in the absence of guidance from Social Services regarding the prosecution thresholds that are most cost-effective for counties to adopt, some counties may not be investigating cases that could otherwise be successfully prosecuted. Therefore, as we recommended in 2009, Social Services should track counties’ prosecution thresholds for welfare fraud cases and determine if these thresholds affect counties’ decisions to investigate potential fraud.

*Although Social Services has taken some actions to address counties’ limited use of administrative disqualification hearings, it has not yet ensured that all counties use these hearings.*

Furthermore, although Social Services has taken some actions to address counties’ limited use of administrative disqualification hearings, it has not yet ensured that all counties use these hearings. State regulations require counties to conduct administrative disqualification hearings for CalFresh fraud cases when the facts of the case do not warrant prosecution or when a case has been referred for prosecution but the county district attorney declines to take action. Although state regulations require counties to use the administrative disqualification hearing process, according to the fraud bureau chief, counties were hesitant to use this process because they were unfamiliar with or had misinformation about the process. Thus, between June and October 2014 Social Services conducted formal statewide trainings to provide counties guidance on the process. These statewide trainings have successfully led to three more counties using the administrative disqualification

hearing process. However, because only 10 counties were using administrative disqualification hearings as of May 2015, Social Services must achieve all counties' participation before we can consider our recommendation to be fully implemented. The fraud bureau chief told us Social Services will issue a letter to counties in summer 2015 reminding them of the requirement to use the administrative disqualification hearing process. In addition, she indicated that Social Services will verify during SIU reviews whether counties are using administrative disqualification hearings, and if they are not, Social Services will issue findings and follow up to verify that they begin doing so.

Finally, in our 2009 audit we recommended that Social Services continue to address the recommendations of its own steering committee, which it formed to identify cost-effective approaches for improving program integrity in the CalWORKs and CalFresh programs. In 2008 this steering committee made nine recommendations to Social Services, including a recommendation that Social Services provide counties regular reports to enable them to monitor the cost-effectiveness of their program integrity efforts to combat welfare fraud, maintain a central repository of fraud training ideas and materials created by counties and accessible to other counties via Social Services' website, and review the cost-effectiveness of the various data match systems. More than five years later, Social Services has implemented five of the nine recommendations of this committee. However, as we mentioned previously, Social Services has not created a central repository of fraud training ideas because it believes such a repository could become public and that making these antifraud practices public could make them less effective. Social Services is still working to implement the four remaining recommendations. To the extent that these recommendations represent actions that could improve Social Services' oversight of the counties' antifraud efforts, its delay in implementing them reduces the effectiveness of its oversight role.

### **Social Services Does Not Ensure That Counties Correct Findings From Its Reviews and Does Not Effectively Enforce Counties' Prompt Processing of Match Lists**

Social Services has not fully implemented our recommendations to improve its oversight of counties' processing of match lists, as shown in Table 2 on the following page. Match lists contain information about individuals who are applying for or receiving CalWORKs aid, such as their employment, income, and outstanding felony warrants. A discrepancy between information reported by the applicant or recipient to the CalWORKs program and information reported by state and federal agencies on a match

*Social Services is still working to implement recommendations made in 2008 by its own steering committee, which it formed to identify cost-effective approaches for improving program integrity in the CalWORKs and CalFresh programs.*

list could cause an applicant’s or recipient’s aid amount to be reduced, or could make him or her ineligible for aid. As a result, these lists can be used to detect welfare fraud.

**Table 2**  
**Status of Recommendations on the California Department of Social Services’ Oversight of Counties’ Match List Processing**

RECOMMENDATION	CALIFORNIA DEPARTMENT OF SOCIAL SERVICES’ (SOCIAL SERVICES) ASSERTION OF CURRENT STATUS AS OF ITS MOST RECENT RESPONSE*	CALIFORNIA STATE AUDITOR’S (STATE AUDITOR) DETERMINATION OF CURRENT STATUS BASED ON FOLLOW-UP AUDIT
7. To ensure that counties are consistently following up on all match lists, Social Services should perform Income Eligibility Verification System reviews of all counties regularly, and should better enforce the counties implementation of its recommendations to correct any findings, and should verify implementation of the corrective action plans submitted.	●	⦿
8. To ensure that counties are consistently following up on all match lists, Social Services should remind counties of their responsibility under state regulations to follow up diligently on all match lists. Further, it should work with counties to determine why poor follow-up exists and address those reasons.	⦿	⦿

Sources: State auditor’s recommendations in report 2009-101: *Department of Social Services: For the CalWORKs and Food Stamp Programs, It Lacks Assessments of Cost-Effectiveness and Misses Opportunities to Improve Counties’ Antifraud Efforts*; Social Services’ most recent response to the recommendations in report 2009-101; and the state auditor’s analysis of Social Services’ implementation activities.

\* Social Services responded to recommendation 7 in January 2012 and to recommendation 8 in October 2014.

- = Fully implemented
- ⦿ = Not fully implemented

Federal law requires the states to help ensure that overpayments do not occur by maintaining a system to screen welfare program applicants and recipients against these match lists for initial and ongoing eligibility. This system is known as the Income and Eligibility Verification System (IEVS). Although federal law does not require California to use IEVS for CalFresh applicants, state regulations require that all CalFresh applicants and recipients receive IEVS screening. Social Services regularly provides counties with 10 match lists, and federal regulations require that five of these 10 lists be processed within 45 days of receipt. For the remaining five match lists, Social Services requires counties to process these lists by the quarter following the quarter in which it was received. As we discuss in the Introduction, Social Services conducts on-site IEVS reviews at each of the counties once every three years to assess whether counties are processing these match lists within the required time frames.

Although Social Services is performing IEVS reviews regularly, as we found in 2009, it is not consistently verifying that counties correct the findings identified in its IEVS reviews. Specifically, Social Services substantially achieved its goal to



visit Los Angeles County every year for an IEVS review, and to visit the other 57 counties at least once during the last three fiscal years: 2011–12, 2012–13, and 2013–14. According to the program manager of the Overpayment and Collections Review unit, IEVS review staff monitor the counties' progress toward correcting findings from IEVS reviews quarterly, and provide technical assistance until the findings are resolved. However, our testing of three IEVS reviews—Butte, Los Angeles, and Nevada counties—that Social Services conducted during fiscal year 2013–14 found that for one of the reviews, Social Services considered a finding corrected even though the county continued to be significantly out of compliance. Specifically, for one match list Social Services found that Butte County was not processing matches within the required 45 days. However, in its follow-up on this finding, Social Services indicated that the county had completed its corrective action even though the county had not processed 78 percent of the items on this particular match list within the required 45 days. If Social Services does not ensure that counties correct all findings from IEVS reviews, late match list processing is more likely to persist. As a result, instances of fraud could go undetected, causing the counties to continue to pay benefits to ineligible recipients.

Furthermore, Social Services has not implemented our recommendation to determine why poor match list follow-up exists at the counties and to address those reasons. The three IEVS reviews we tested each reported that the respective county was not processing some of its match lists within the required time frames and that each county had a backlog of at least several hundred unprocessed matches. Although the program manager of the Overpayment Collections and Review unit indicated that IEVS reviewers discuss with counties the issues they find, we observed in the three IEVS reviews we tested that the supporting files contain no analysis or determination of the reasons why counties are failing to meet required time frames for processing match lists. Consequently, recommendations made in IEVS reviews may not address the specific obstacles that are hampering a county's efforts to promptly process the match lists. Social Services' lack of formal, documented policies and procedures for how its staff are to conduct and document IEVS reviews may contribute to the problems that we identified.

Finally, Social Services has not implemented our recommendation to formally remind counties of their responsibility under state regulations to follow up diligently on all match lists. In response to this follow-up audit, Social Services indicated that it plans to issue this reminder by July 2015 and will further remind counties thereafter during IEVS reviews.

*If Social Services does not ensure that counties correct all findings from IEVS reviews, instances of fraud could go undetected, causing counties to continue to pay benefits to ineligible recipients.*

### Social Services Has Not Addressed Problems With the Match Lists That Create Unnecessary Additional Work for Counties

In 2009 we recommended that Social Services work with the counties and federal agencies to address counties' concerns regarding match list formats and criteria, but as shown in Table 3, Social Services has not fully implemented our recommendation. Social Services did conduct a series of focus group discussions in 2011 with groups that included county workers who use the match lists to identify discrepancies, and in 2013 summarized the problems with the match lists that state and county stakeholders had identified. According to the fraud bureau chief, Social Services has not taken action to address the concerns that the focus groups identified. However, Social Services is developing a central mechanism for digitizing the IEVS match lists, known as electronic IEVS (e-IEVS), which will address counties' concern with paper-based match lists. According to Social Services, it currently provides only four of the 10 match lists in paper form, and it is working to develop e-IEVS so that it can provide all match lists electronically to counties. Social Services believes that the e-IEVS system will be developed and ready for implementation by June 2016.

**Table 3**  
**Status of Recommendation on the California Department of Social Services Addressing Counties' Concerns Regarding Match List Formats and Criteria**

RECOMMENDATION	CALIFORNIA DEPARTMENT OF SOCIAL SERVICES' (SOCIAL SERVICES) ASSERTION OF CURRENT STATUS AS OF OCTOBER 2014	CALIFORNIA STATE AUDITOR'S (STATE AUDITOR) DETERMINATION OF CURRENT STATUS BASED ON FOLLOW-UP AUDIT
9. To ensure that counties are consistently following up on all match lists, Social Services should revive its efforts to work with counties and federal agencies to address the counties' concerns about match list formats and criteria.	D	D

Sources: State auditor's recommendations in report 2009-101: *Department of Social Services: For the CalWORKs and Food Stamp Programs, It Lacks Assessments of Cost-Effectiveness and Misses Opportunities to Improve Counties' Antifraud Efforts*; Social Services' most recent response to the recommendations in report 2009-101; and the state auditor's analysis of Social Services' implementation activities.

**D** = Not fully implemented

Although e-IEVS will address the counties' concern with paper-based match lists, other problems with the underlying format and content of the match lists will persist after e-IEVS is implemented. For example, the Social Services focus groups that held discussions regarding the match lists in 2011 indicated that counties are forced to resolve deceased person matches that are false positives because the deceased persons match list includes only the names of the deceased and does not include their Social Security numbers. Identifying both the name and the Social Security number of the deceased person would save the counties time and effort by eliminating many of the false matches that currently occur when a living applicant or recipient of aid

happens to have the same name as a deceased person. Despite the focus groups identifying this as a problem, Social Services has not requested that the California Department of Public Health and the Social Security Administration—which collaborate to provide the list of deceased persons to Social Services—include the Social Security number along with each deceased person’s name. In addition, Social Services has not actively worked with state or federal agencies to make any of the other time-saving changes to the content and format of the match lists that would address the many other problems county and state stakeholders have identified. If Social Services does not address counties’ concerns, match lists will continue to create unnecessary and burdensome additional work for the counties, regardless of whether they are in paper or electronic format.

### **Social Services Risks Inaccurate Reconciliation of Funds Owed to State, Local, and Federal Governments**

Although Social Services has taken positive steps toward promptly reconciling collections of benefits overpaid to CalFresh recipients (overpayment collections), it has not fully implemented our recommendation regarding overpayment collections, as shown in Table 4 on the following page. Social Services uses counties’ overpayment collections reports to calculate the amount of funds recovered under the CalFresh program that is due to each county, the federal government, and itself. We previously confirmed that Social Services recovered \$39.8 million of the \$42.1 million backlog of overpayment collections that we identified in our 2009 report.<sup>2</sup> This follow-up audit found that Social Services continues to promptly collect and distribute overpayments. Specifically, we tested the overpayment collections for the third quarter of 2014 and found that Social Services accurately calculated and distributed the overpayments to the appropriate parties.

Although recent local validations of counties’ overpayment collections reports revealed inaccuracies, Social Services still has not begun monitoring the accuracy of these reports as we recommended in 2009. At the direction of the federal government, the 19 largest counties received validations to assess the accuracy of their reports. Specifically, at the time of our 2009 audit, the United States Department of Agriculture (USDA) had required these 19 counties to each obtain a validation to review the information reported in their respective overpayment collections reports for one quarter in 2007. This validation effort was to

*We tested the overpayment collections for the third quarter of 2014 and found that Social Services accurately calculated and distributed the overpayments to the appropriate parties.*

<sup>2</sup> The total overpayment collections of \$42.1 million identified in our 2009 audit changed to \$39.8 million due to adjustments and revisions that occurred when Social Services reconciled the overpayments with federal records.

address concerns about the accuracy of these reports that the USDA had raised over the course of several years. Subsequently, between 2009 and 2015, the USDA has twice more directed Social Services to require these same 19 counties to have either an internal or independent auditor perform this validation of one quarter of overpayment collections reports. Social Services' summary of the results of the most recent validations, received in 2014, noted that 12 of the 19 counties had discrepancies or errors. For example, the validation of San Diego County identified a discrepancy in which it overreported the amount of overpayments owed to the county (claims) by approximately \$10.9 million, which represented almost 31 percent of its actual ending balance of claims. These validation reports demonstrate that there are ongoing problems with the accuracy of the counties' reporting of information on their overpayment collections reports that warrant monitoring by Social Services, as we recommended in 2009.

**Table 4**  
**Status of Recommendation on the California Department of Social Services' Overpayment Collections**

RECOMMENDATION	CALIFORNIA DEPARTMENT OF SOCIAL SERVICES' (SOCIAL SERVICES) ASSERTION OF CURRENT STATUS AS OF NOVEMBER 2010	CALIFORNIA STATE AUDITOR'S (STATE AUDITOR) DETERMINATION OF CURRENT STATUS BASED ON FOLLOW-UP AUDIT
10. To expedite the distribution of the \$42.1 million in CalFresh overpayment collections to the appropriate entities, Social Services should continue to work with the United States Department of Agriculture and make its reconciliation of the backlog of overpayments a priority. Further, it should develop procedures to ensure that it promptly reconciles future overpayments. Additionally, Social Services should continue to monitor the counties collections reports to ensure that counties are reporting accurate information.	●	●

Sources: State auditor's recommendations in report 2009-101: *Department of Social Services: For the CalWORKs and Food Stamp Programs, It Lacks Assessments of Cost-Effectiveness and Misses Opportunities to Improve Counties' Antifraud Efforts*; Social Services' most recent response to the recommendations in report 2009-101; and the state auditor's analysis of Social Services' implementation activities.

- = Fully implemented
- = Not fully implemented

However, Social Services is not currently evaluating the accuracy of the overpayment collections reports. In its November 2010 response to our recommendation, Social Services indicated that it evaluates the accuracy of counties' overpayment collections reports during its triennial IEVS site reviews (except for Los Angeles, which receives annual IEVS reviews). Nevertheless, we found that this evaluation does not occur. According to the chief of the fiscal systems and accounting branch, at the behest of the USDA, Social Services requests the 19 largest counties to complete a validation of the overpayment collections reports, as these 19 counties represent over 80 percent of statewide collections. However, the USDA does not direct the 19 largest counties to obtain these validations

on a regular basis, and it may not require them in the future. In addition, the fact that the most recent validations revealed that 12 of the 19 counties' overpayment collections reports contained errors underscores the need for Social Services to implement our recommendation to monitor county collections reports to ensure that the counties' reporting is accurate. Although the validations that the USDA directs 19 counties to perform may partially address the need to monitor the counties' reports for accuracy, we believe it is necessary for all 58 counties' overpayment collections reports to be monitored for accuracy, at least on a rotational basis. Further, until Social Services takes steps to better ensure the accuracy of counties' overpayment collections reports, there is risk that counties will continue to report inaccurate information.

*Until Social Services takes steps to better ensure the accuracy of counties' overpayment collections reports, there is risk that counties will continue to report inaccurate information.*

### **Social Services Has Not Ensured That Counties Accurately Report Investigation Activity**

Social Services has not sufficiently addressed our recommendations to ensure the accuracy and consistency of the information on CalWORKs fraud investigation activities that counties report to Social Services, and that Social Services subsequently reports to the federal government, the Legislature, and other stakeholders. As Table 5 on the following page shows, this follow-up audit found that after more than five years, Social Services still has not fully implemented three of the four recommendations in this area from our 2009 audit.

Social Services could not demonstrate that it implemented our recommendation to perform more diligent reviews of the counties' investigation activity reports for accuracy or that it provided counties with feedback on how to correct or prevent errors that it detected during reviews. To meet federal reporting requirements, Social Services requires counties to submit monthly investigation activity reports that summarize their investigative efforts and the results of those efforts. Social Services indicated that it assesses the accuracy of investigation activity reports during its SIU reviews, the on-site evaluations of a county's process for investigating and prosecuting suspected fraud performed once every three years. However, of the three SIU reviews we evaluated, we found that Social Services provided feedback to only one county regarding errors that its reviewers detected, and none of the three SIU reviews contained documentation of the analysis that staff performed to detect errors. The fraud bureau chief indicated that she was unable to locate the missing elements of the review documentation because the staff who performed the reviews no longer work for Social Services. We also noted that Social Services has no procedures detailing how staff are to perform these reviews,

which would ensure the consistency of the reviews and the related supporting documentation. Lack of a formal documented review process creates the risk that reviewers will vary in the methods they use, resulting in inconsistently performed and documented reviews. In addition, without documented procedures Social Services will lose institutional knowledge of review practices when staff leave the unit.

**Table 5**  
**Status of Recommendations on the California Department of Social Services’ Oversight of Counties’ Investigation Activity Reporting**

RECOMMENDATION	CALIFORNIA DEPARTMENT OF SOCIAL SERVICES’ (SOCIAL SERVICES) ASSERTION OF CURRENT STATUS AS OF ITS MOST RECENT RESPONSE*	CALIFORNIA STATE AUDITOR’S (STATE AUDITOR) DETERMINATION OF CURRENT STATUS BASED ON FOLLOW-UP AUDIT
11. To ensure the accuracy and consistency of the information on welfare fraud activities that counties report and that Social Services subsequently reports to the federal government, the Legislature, and internal users, Social Services should perform more diligent reviews of the counties’ investigation activity reports to verify the accuracy of the information submitted.	●	Ⓧ
12. To ensure the accuracy and consistency of the information on welfare fraud activities that counties report and that Social Services subsequently reports to the federal government, the Legislature, and internal users, Social Services should provide counties with feedback on how to correct and prevent errors that it detects during this review.	●	Ⓧ
13. To ensure the accuracy and consistency of the information on welfare fraud activities that counties report and that Social Services subsequently reports to the federal government, the Legislature, and internal users, Social Services should continue with regular meetings of its workgroup to further its efforts to clarify its instructions for completing the counties’ investigation activity reports.	Ⓧ	Ⓧ
14. To ensure the accuracy and consistency of the information on welfare fraud activities that counties report and that Social Services subsequently reports to the federal government, the Legislature, and internal users, Social Services should remind counties that they are responsible for reviewing the accuracy and consistency of investigation activity reports before submission.	Ⓧ	●

Sources: State auditor’s recommendations in report 2009-101: *Department of Social Services: For the CalWORKs and Food Stamp Programs, It Lacks Assessments of Cost-Effectiveness and Misses Opportunities to Improve Counties’ Antifraud Efforts*; Social Services’ most recent response to the recommendations in report 2009-101; and the state auditor’s analysis of Social Services’ implementation activities.

\* Social Services responded to recommendation 11 in January 2012, to recommendation 12 in October 2012, and to recommendations 13 and 14 in October 2014.

- = Fully implemented
- Ⓧ = Not fully implemented

Five years after we issued our recommendation, Social Services has not clarified its instructions to the counties for completing the monthly investigation activity reports. In our 2009 audit we found that some counties inconsistently reported the actions resulting from ongoing investigations, a situation that hinders the comparability of the data that counties submit in their investigation activity reports. We concluded that unclear instructions caused these inconsistencies. In January 2009 Social Services formed an informal workgroup to revise the instructions; however, Social Services halted its revision

process because of limited resources. Further, the USDA informed Social Services that it planned to revise the State's reporting requirements, which may change the information that Social Services requires counties to report. To avoid creating the need for counties to implement two separate rounds of revisions, the fraud bureau chief said that Social Services is waiting to issue final revised instructions for the state form until the USDA revises the federal form. According to the fraud bureau chief, the USDA will issue its final reporting requirement regulation in approximately January 2016. After the final regulation is issued, the USDA will give states approximately 12 months to develop and implement the new reporting requirements. Social Services estimates that the first required submission under the new reporting requirements will be October 2017.

Although we agree that Social Services' decision to wait until the USDA takes action to issue clarified instructions is reasonable, in the interim we believe that Social Services should issue clarifications for the most common errors it finds that counties make, which it has not done. If Social Services does not clarify the instructions to avoid the most frequent errors it detects in the counties' investigation activity reports, counties will continue to submit reports that contain inaccurate and incomparable information.

Finally, in response to this follow-up audit, Social Services issued its first reminder to counties in March 2015 that they are responsible for reviewing the accuracy and consistency of their investigation activities reports, thus fully implementing our recommendation. Social Services indicated that going forward it will issue this reminder annually.

### **Social Services Has Chosen Not to Evaluate the Cost-Effectiveness of the Statewide Fingerprint Imaging System**

Designed to help prevent and detect fraud involving duplicate aid, the Statewide Fingerprint Imaging System (SFIS) uses fingerprint images of CalWORKs program participants to identify individuals applying for and receiving aid in multiple jurisdictions. SFIS is a condition of eligibility for receiving aid through the CalWORKs program. Although counties are required to establish an applicant's eligibility for CalWORKs within 45 days, counties are not required to clear their backlogs of discrepancies identified by SFIS. As we observed in our 2009 audit, each year only a very small number of discrepancies detected by SFIS were instances of fraud. However, Social Services continues to indicate that it will not implement our 2009 recommendation to evaluate the cost-effectiveness of SFIS, as shown in Table 6 on the following page.

*Social Services should issue clarifications for the most common errors it detects in the counties' investigation activity reports to eliminate counties submitting reports that contain inaccurate and incomparable information.*

**Table 6****Status of Recommendation on the California Department of Social Services' Cost-Effectiveness of the Statewide Fingerprint Imaging System**

RECOMMENDATION	CALIFORNIA DEPARTMENT OF SOCIAL SERVICES' (SOCIAL SERVICES) ASSERTION OF CURRENT STATUS AS OF OCTOBER 2014	CALIFORNIA STATE AUDITOR'S (STATE AUDITOR) DETERMINATION OF CURRENT STATUS BASED ON FOLLOW-UP AUDIT
15. Recognizing that the deterrence effect is difficult to measure, Social Services should develop a method that allows it to gauge the cost-effectiveness of the Statewide Fingerprint Imaging System (SFIS). Social Services should include in its efforts to measure cost-effectiveness the administrative cost that counties incur for using SFIS. Based on its results, Social Services should determine whether the continued use of SFIS is justified.	✘	✘

Sources: State auditor's recommendations in report 2009-101: *Department of Social Services: For the CalWORKs and Food Stamp Programs, It Lacks Assessments of Cost-Effectiveness and Misses Opportunities to Improve Counties' Antifraud Efforts*; Social Services' most recent response to the recommendations in report 2009-101; and the state auditor's analysis of Social Services' implementation activities.

✘ = Will not implement

SFIS produces limited results at a high cost. Specifically, in 2014 SFIS cost over \$12 million to operate, but it helped detect only 57 instances of CalWORKs fraud, a cost of over \$215,000 per case. Social Services has not tracked the amount of savings that resulted from identifying these 57 cases. Further, between 2010 and 2014 SFIS helped detect only 299 instances of CalWORKs and CalFresh fraud.<sup>3</sup> In addition, the large, ongoing historical backlog of SFIS results awaiting resolution by counties may further limit the cost-effectiveness of SFIS. As of December 2014 the statewide backlog of unresolved SFIS cases among counties was more than 8,500. Any cases of actual fraud that this backlog of SFIS discrepancies contains will go unaddressed unless and until the counties determine whether those discrepancies are due to administrative error or potential fraud.

In a previous response to our 2009 recommendation, Social Services asserted that the chief benefit of SFIS is that it deters people from fraudulently applying for aid. However, in a 2003 audit report,<sup>4</sup> we found that Social Services did not determine the amount of this deterrent effect when it was possible to do so, which would have been at the time SFIS was implemented. In the absence of a cost-effectiveness analysis, we believe that Social Services should annually provide the Legislature with the cost of SFIS and the total instances of duplicate-aid fraud—instances of fraud in which an individual either receives aid in multiple counties or uses falsified or fraudulently obtained documents in order to assume multiple identities for the purpose of receiving aid—that SFIS leads counties

<sup>3</sup> The Legislature repealed the fingerprint imaging requirement for the CalFresh program in 2011.

<sup>4</sup> California State Auditor's Report 2001-015, *Statewide Fingerprint Imaging System: The State Must Weigh Factors Other Than Need and Cost-Effectiveness When Determining Future Funding of the System* (January 2003).



to detect. This information will allow the Legislature to assess the cost-effectiveness of SFIS based on the actual duplicate-aid fraud it helps detect and to determine whether SFIS continues to be a good use of limited resources for conducting antifraud activities.

In our 2009 audit we reported that five states, including California, required applicants for public assistance to undergo fingerprint imaging. Since then, three of these states have repealed their use of fingerprint imaging for at least one of their public assistance programs. Specifically, New York and California repealed the requirement for their respective Supplemental Nutrition Assistance Programs (SNAP), and Texas repealed the requirement for both its SNAP and Temporary Assistance for Needy Families program. In addition to the high cost, all three states were concerned that the requirement might deter eligible households from participating in public assistance programs.

According to the chief of program integrity, Social Services is working to identify alternative approaches to detecting and preventing duplicate-aid fraud. However, Social Services has not determined when it will select and implement an alternative, and it has not assessed the cost-effectiveness of any alternative methods. Social Services also has not determined whether repealing the SFIS requirement for the CalFresh program has resulted in an increased level of duplicate-aid fraud in that program, which is information that could help Social Services determine whether or not duplicate-aid fraud actually exists in California at significant enough levels to justify the annual cost of SFIS, which was over \$12 million in 2014. In the meantime, state law continues to require counties to administer SFIS as a part of the CalWORKs application process.

## Recommendations

To ensure that staff monitor both counties' processing of match lists and counties' reporting of investigation activity in a consistent and effective manner, Social Services should develop and document formal procedures for the IEVS and SIU review processes.

Because Social Services will not implement our recommendation to gauge the cost-effectiveness of SFIS, the Legislature should require Social Services to annually report on the cost of SFIS and the fraud that it helps detect. Specifically, the Legislature should require Social Services to annually report to the Legislature the following metrics:

- The annual cost to maintain and operate SFIS.

- The total instances of duplicate-aid fraud that counties detect as a result of SFIS and the total amount of overpayments that they recover.
- The total backlog of unprocessed SFIS matches as of December 31 of each year.

The Legislature should require Social Services to determine the cost-effectiveness of any proposed alternative to SFIS in advance of Social Services adopting any such alternative method or tool to detect and prevent duplicate-aid fraud.

To ensure that counties' efforts to combat fraud in the CalWORKs and CalFresh programs are effective, Social Services should address our recommendations from our 2009 audit. The following are the parts of the recommendations from our 2009 audit that we determined Social Services has not fully implemented:

- To ensure that all counties consistently gauge the cost-effectiveness of their early fraud detection activities and ongoing investigation efforts for the CalWORKs and CalFresh programs, Social Services should develop a formula to regularly perform a cost-effectiveness analysis using information that the counties currently submit. Specifically, this formula should measure the savings that a county achieves for each dollar spent on antifraud efforts.
- To make certain that counties receive the greatest benefit from the resources they spend on antifraud efforts related to CalWORKs and CalFresh cases, Social Services should, using the results from the recommended cost-effectiveness analysis, determine why some counties' efforts to combat welfare fraud are more cost-effective than others.
- To make certain that counties receive the greatest benefit from the resources they spend on antifraud efforts related to CalWORKs and CalFresh cases, Social Services should seek to replicate the most cost-effective practices among all counties. Social Services should work with its legal counsel to determine whether to withhold information about these practices from public disclosure.
- Social Services should track counties' prosecution thresholds for welfare fraud cases and determine whether they affect counties' decisions to investigate potential fraud, with a focus on determining best practices and cost-effective thresholds. If Social Services' analysis determines that varying prosecution

thresholds do affect counties' decisions, it should then work with counties to implement the consistent use of these cost-effective prosecution thresholds.

- Social Services should continue its efforts to ensure that counties follow state regulations regarding the use of the administrative disqualification hearings process until all counties have adopted the process.
- To make certain that counties receive the greatest benefit from the resources they spend on antifraud efforts related to CalWORKs and CalFresh cases, Social Services should address and promptly act on the four remaining recommendations that its steering committee provided in 2008.
- To ensure that counties are consistently following up on all match lists, Social Services should better enforce the counties' implementation of its recommendations from the IEVS reviews and verify implementation of the corrective action plans that counties submit.
- To ensure that counties are consistently following up on all match lists, Social Services should remind counties of their responsibility under state regulations to follow up diligently on all match lists. Further, it should work with counties to determine why poor follow-up exists and address those reasons.
- To make counties' review of match lists more efficient, Social Services should revive its efforts to work with state and federal agencies that prepare the match lists to address the counties' concerns about match list formats, content, and criteria.
- To ensure the accuracy of the overpayments that counties collect and report for the CalFresh program, Social Services should create a process to verify on a rotational basis the counties' overpayment collections reports.
- To ensure the accuracy and consistency of the information on welfare fraud activities that counties report and that Social Services subsequently reports to the federal government, the Legislature, and internal users, Social Services should perform more diligent reviews of the counties' investigation activity reports to verify the accuracy of the information submitted.
- To ensure the accuracy and consistency of the information on welfare fraud activities that counties report and that Social Services subsequently reports to the federal government,

the Legislature, and internal users, Social Services should provide counties with feedback on how to correct and prevent errors that it detects while reviewing counties' investigation activity reports.

- To ensure the accuracy and consistency of the information on welfare fraud activities that counties report and that Social Services subsequently reports to the federal government, the Legislature, and internal users, Social Services should incorporate the upcoming federal changes to the revision of its instructions for completing the counties' investigation activity reports. In the interim, Social Services should issue clarifications for the most common errors Social Services observes counties make in reporting their investigation activities.

We conducted this audit under the authority vested in the California State Auditor by Section 8543 et seq. of the California Government Code and according to generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives specified in the scope and methodology section of the report. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Respectfully submitted,



ELAINE M. HOWLE, CPA  
State Auditor

Date: June 23, 2015

Staff: John Baier, CPA, Audit Principal  
Whitney M. Smith  
Jerry A. Lewis, CICA  
Michelle J. Sanders  
Lisa J. Sophie, MPH

Legal Counsel: J. Christopher Dawson, Sr. Staff Counsel

For questions regarding the contents of this report, please contact Margarita Fernández, Chief of Public Affairs, at 916.445.0255.

June 2015



WILL LIGHTBOURNE  
DIRECTOR

STATE OF CALIFORNIA—HEALTH AND HUMAN SERVICES AGENCY  
**DEPARTMENT OF SOCIAL SERVICES**  
744 P Street • Sacramento, CA 95814 • [www.cdss.ca.gov](http://www.cdss.ca.gov)



EDMUND G. BROWN JR.  
GOVERNOR

June 11, 2015

Ms. Elaine M. Howle, State Auditor\*  
California State Auditor  
621 Capitol Mall, Suite 1200  
Sacramento, CA 95814

Dear Ms. Howle:

**SUBJECT: CALIFORNIA DEPARTMENT OF SOCIAL SERVICES: IT HAS NOT CORRECTED PREVIOUSLY RECOGNIZED DEFICIENCIES IN THE OVERSIGHT OF COUNTIES' ANTIFRAUD EFFORTS FOR THE CALWORKS AND CALFRESH PROGRAMS 2015-503**

This letter provides the California Department of Social Services' (CDSS) initial response to the California State Auditor's Office draft report entitled *California Department of Social Services: It Has Not Corrected Previously Recognized Deficiencies in the Oversight of Counties' Antifraud Efforts for the CalWORKs and CalFresh Programs*.

The CDSS believes that early fraud prevention is the most effective tool in promoting program integrity. Effective fraud prevention saves taxpayer dollars by preventing payments to ineligible claimants, reduces over issuances and the costs to investigate and prosecute fraud. In this time of limited resources, the CDSS is mindful of focusing our efforts where they can be most cost-effective and integrity-intensive.

In brief, the CDSS' hierarchy of program integrity efforts is as follows:

1. Accurate determination of eligibility and benefits at initial application and renewal;
2. Early fraud detection efforts to prevent/minimize over issuances;
3. Ongoing fraud prevention activities that detect and collect over issuances on existing CalFresh cases and pursue Intentional Program Violations (IPVs) through criminal prosecution or Administrative Disqualification Hearings in cases with clear and convincing evidence; and
4. Detection, investigation and issuing appropriate sanctions for the misuse of CalFresh benefits.

Our specific responses to your audit findings and recommendations are enclosed in this letter.

If you have any questions concerning the enclosed CDSS response, please contact me at (916) 657-2598 or Cynthia Fair, Audits Bureau Chief, at (916) 651-9923.

Sincerely,

WILL LIGHTBOURNE  
Director

Enclosure

\* California State Auditor's comments begin on page 47.

California Department of Social Services (CDSS)  
**RESPONSES TO AUDIT RECOMMENDATIONS**

California State Auditor (CSA)

Audit #: 2015-503

Audit Title: ***California Department of Social Services: It Has Not Corrected Previously Recognized Deficiencies in the Oversight of Counties' Antifraud Efforts for the CalWORKs and CalFresh Programs***

Recommendations for Social Services:

**Recommendation 1:**

*To ensure that staff monitors both counties' processing of match lists and counties' reporting of investigation activity in a consistent and effective manner, Social Services should develop and document formal procedures for the Income Eligibility and Verification System (IEVS) and Special Investigations Unit (SIU) review processes.*

**CDSS Response:**

Social Services will develop and implement formal procedures for the IEVS and SIU review processes by April 2016.

**Recommendation 2:**

*Because Social Services will not implement our recommendation to gauge the cost-effectiveness of Statewide Fingerprint Imaging System (SFIS), the Legislature should require Social Services to annually report on the cost of SFIS and the fraud that it detects. Specifically, the Legislature should require Social Services to annually report the following metrics:*

- *The annual cost for Social Services and the counties to maintain and operate SFIS.*
- *The total instances of duplicate aid fraud that counties detect as a result of SFIS and the total amount of overpayments that they recover.*
- *The total backlog of unprocessed SFIS matches as of December 31 of each year.*

*The Legislature should require Social Services to determine the cost-effectiveness of any proposed alternative to SFIS in advance of Social Services adopting any such alternative method or tool to detect and prevent duplicate-aid fraud.*

**CDSS Response:**

Social Services largely concurs that the SFIS has limited utility, and effective 2012, discontinued its use in the CalFresh Program. With the SFIS nearing the end of its contract term and technology life cycle, Social Services is in the process of identifying alternative approaches for identity verification and preventing and detecting duplicate aid. As with any major information technology solution, Social Services will assess the cost-effectiveness of any new approach to fraud prevention and detection. Such cost-effectiveness estimates will be shared with the Legislature during the budget approval process. ①

**Recommendation 3:**

*To ensure that counties' efforts to combat fraud in the CalWORKs and CalFresh Programs are effective, Social Services should address our recommendations from our 2009 audit report. The following are the parts of the recommendations from our 2009 report that we determined Social Services has not implemented:*

*To ensure that all counties consistently gauge the cost-effectiveness of their early fraud activities and ongoing investigation efforts for the CalWORKs and CalFresh Programs, Social Services should develop a formula to regularly perform a cost-effectiveness analysis using information that the counties currently submit. Specifically, this formula should measure the savings that a county achieves for each \$1 spent on antifraud efforts.*

**CDSS Response:**

Cost is only one aspect of the effectiveness of anti-fraud efforts. A more important aspect may be deterrence, which is often unquantifiable. Social Services will review available county data to provide updated cost-effectiveness formula to address the CSA recommendations. Social Services anticipates completing this assessment by June 2016. ②

**Recommendation 4:**

*To make certain that counties receive the greatest benefit from the resources they spend on antifraud efforts related to CalWORKs and CalFresh cases, Social Services should, using the results from the recommended cost-effectiveness analysis, determine why some counties' efforts to combat welfare fraud are more cost-effective than others.*

**CDSS Response:**

As noted in Recommendation 3, Social Services will determine by June 2016 whether the current cost-effectiveness formula will be revised. Although it should be noted that what might be a best practice in one county may not work for another county for a variety of reasons, Social Services will collect, disseminate and encourage best practices from those identified cost-effective counties. ②

**Recommendation 5:**

*To make certain that counties receive the greatest benefit from the resources they spend on antifraud efforts related to CalWORKs and CalFresh cases, Social Services should seek to replicate the most cost-effective practices among the counties. Social Services should work with its legal counsel to determine whether to withhold information about these practices from public disclosure.*

**CDSS Response:**

- ② See response to Recommendation 4.

**Recommendation 6:**

*Social Services should track counties' prosecution thresholds for welfare fraud cases and determine whether they impacted counties' decisions to investigate potential fraud, with a focus on determining best practices and cost-effective thresholds. If Social Services' analysis determines that varying prosecution thresholds do impact counties' decisions, it should then work with counties to implement the consistent use of these cost-effective methods.*

**CDSS Response:**

- ③ Social Services reasserts its position that there is no direct relationship between a prosecution threshold and counties' decision to investigate welfare fraud. As the Department has explained previously, counties have an obligation to make a fraud referral for investigation regardless of any prosecution threshold.

**Recommendation 7:**

*Social Services should continue its efforts to ensure that more counties follow state regulations regarding the use of administrative disqualification hearings process until all counties have adopted the process.*

**CDSS Response:**

- ④ Social Services conducted statewide training to provide counties guidance on the process. As of June 4, 2015, these trainings have successfully led five more counties to use the administrative disqualification hearing (ADH) process. Five additional counties are in the process of establishing their policies and procedures with the intention of implementing the county use of the ADH process. Social Services will issue an All County Letter by December 2015 to remind the counties of the ADH process requirements. Finally, the procedures referenced in Recommendation 1 will include instructions of actions to take with the counties to provide reasons and recommendations for the appropriate use of the ADH process.



**Recommendation 8:**

*To make certain that counties receive the greatest benefit from the resources they spend on antifraud efforts related to CalWORKs and CalFresh cases, Social Services should address and promptly act on the four remaining recommendations that its steering committee provided in 2009.*

**CDSS Response:**

Four Remaining Recommendations - Outstanding Steering Committee items:

CDSS/Fraud Bureau should:

1. Revise its county reports to include additional data on the # of investigations in the various types of welfare programs,

**Response:** The current State Fraud Investigation Activity Report (Department of Public Assistance [DPA] 266) does capture fraud investigation activities for the CalWORKs and CalFresh Programs, and it also has provisions for counties to report investigation activity for all other aid programs administered under the California Department of Social Services (see Attachment A). ⑤

2. Review the cost effectiveness of various data match systems along with county feedback on the usefulness of each type of match,

**Response:** Social Services will revisit prior recommendations for match improvements with county staff. The outcome will guide Social Services to prioritize what match improvements to focus on with the appropriate state departments and federal agencies. Social Services will convene a county workgroup by October 2015.

3. Provide regular reports for counties to use in monitoring the cost-effectiveness of their program integrity efforts, and

**Response:** Cost is only one aspect of the effectiveness of anti-fraud efforts. A more important aspect may be deterrence, which is often unquantifiable. Social Services will review available county data to provide an updated cost-effectiveness formula to address the CSA recommendations. Social Services anticipates completing this assessment by June 2016. ②

4. Maintain a central repository of fraud training ideas and materials created by counties and accessible to other counties via the Fraud Bureau.

**Response:** We anticipate staff will be available to implement the recommendation within 2015.

**Recommendation 9:**

*To ensure that counties are consistently following up on all match lists, Social Services should better enforce the counties' implementation of its recommendations from the IEVS reviews and verify implementation of the corrective action plans that counties submit.*

**CDSS Response:**

Social Services will include processes in the IEVS review procedures that will address county match list follow-up and verification of the implementation of the county-submitted corrective action plans. Refer to Recommendation 1.

**Recommendation 10:**

*To ensure that counties are consistently following up on all match lists, Social Services should remind counties of their responsibility under state regulations to follow up diligently on all match lists. Further, it should work with counties to determine why poor follow-up exists and address those reasons.*

**CDSS Response:**

Social Services will issue an All County Letter by April 2016, to remind counties of the requirements to process the IEVS matches. The IEVS review procedures, which are being developed and implemented by April 2016 (as noted in Recommendation 1), will include instructions regarding actions to take with the counties to identify reasons and recommendations for timely processing of IEVS matches.

**Recommendation 11:**

*To make counties' review of match lists more efficient, Social Services should revive its efforts to work with the state and federal agencies that prepare the match list to address the counties' concerns about match list formats, content, and criteria.*

**CDSS Response:**

Social Services will revisit prior recommendations for match improvements with county staff. The outcome will guide Social Services to prioritize what match improvements to focus on with the appropriate state departments and federal agencies. Social Services will convene a county workgroup by October 2015.

**Recommendation 12:**

*To ensure the accuracy of the overpayments that counties collect and report for CalFresh Program, Social Services should verify the counties' overpayment collection reports.*

**CDSS Response:**

Social Services will create a process to verify on a rotational basis the counties' overpayment collection reports by July 2016.

**Recommendation 13:**

*To ensure the accuracy and consistency of the information on welfare fraud activities that counties report and that Social Services subsequently reports to the federal government, the Legislature, and internal users, Social Services should perform more diligent reviews of the counties' investigation activity reports to verify the accuracy of the information submitted.*

**CDSS Response:**

Social Services will include instructions on the validation of the DPA 266 and corrective actions, if needed, as part of the IEVS review procedure manual. Refer to Recommendation 1.

**Recommendation 14:**

*To ensure the accuracy and consistency of the information on welfare fraud activities that counties report and that Social Services subsequently reports to the federal government, the Legislature, and internal users, Social Services should provide counties with feedback on how to correct and prevent errors that it detects while reviewing counties' investigation activity reports.*

**CDSS Response:**

Social Services agrees; the IEVS review procedures, which are being developed and implemented by April 2016 (as noted in Recommendation 1), will include processes in the SIU review procedures that will address county investigations activity report accuracy.

**Recommendation 15:**

*To ensure the accuracy and consistency of the information on welfare fraud activities that counties report and that Social Services subsequently reports to the federal government, the Legislature, and internal users, Social Services should incorporate the upcoming federal changes to the revision of its instructions for completing the counties' investigation activity reports. In the interim, Social Services should issue clarifications for the most common errors Social Services observes counties make in reporting their investigations activities.*

**CDSS Response:**

The Department concurs, and Social Services will advise the counties of the most common errors and instructions on how to prevent and correct errors by December 2015.

Attachment A

STATE OF CALIFORNIA - HEALTH AND HUMAN SERVICES AGENCY

CALIFORNIA DEPARTMENT OF SOCIAL SERVICES  
DATA SYSTEMS AND SURVEY DESIGN BUREAU

**Fraud Investigation Activity Report**

SUBMIT THIS REPORT FORM VIA EMAIL  
(see <http://www.dss.cahwnet.gov/dssdb/>)  
OR SEND ONE COPY TO:  
California Department of Social Services  
Data Systems and Survey Design Bureau, M.S. 9-081  
P.O. Box 944243  
Sacramento, CA 94244-2430  
FAX: (916) 657-2074

COUNTY NAME	VERSION		REPORT MONTH AND YEAR		
	<input type="checkbox"/> INITIAL	<input type="checkbox"/> REVISED			
PART A. INVESTIGATION ACTIVITY	CalWORKs (1)	PA Food Stamps (2)	NA Food Stamps (3)	Total (1+2+3) (4)	All Other Programs (5)
<b>Section I. Investigation Requests</b>					
1. Total requests received during month (Item 2 plus 3).....	1	2	3	4	5
2. Total requests rejected during month.....	6	7	8	9	10
3. Total requests accepted during month (Item 3a through 3r).....	11	12	13	14	15
a. Early Fraud Prevention/Detection (EFP/D).....	16	17	18	19	20
b. Income and Eligibility Verification System (IEVS).....	21	22	23	24	25
c. Other unreported income.....	26	27	28	29	30
d. Homeless assistance.....	31			32	33
e. Unreported resources/assets.....	34	35	36	37	38
f. Family (household) composition.....	39	40	41	42	43
g. Duplicate/replaced warrants/lost Food Stamps.....	44	45	46	47	48
h. Duplicate (multiple) aid.....	49	50	51	52	53
i. Forgery.....	54	55	56	57	58
j. Residence.....	59	60	61	62	63
k. Fictitious identity.....	64	65	66	67	68
l. Food Stamp trafficking.....		69	70	71	
m. Internal affairs.....	72	73	74	75	76
n. Child Care.....	77	78	79	80	81
o. Drug Felon.....	82	83	84	85	86
p. Fleeing Felon.....	87	88	89	90	91
q. Probation/Parole Violators.....	92	93	94	95	96
r. Other (Explain in Comments).....	97	98	99	100	101
<b>Section II. Investigation Caseload</b>					
4. Investigations pending beginning this month (Item 7 last month or explain in Comments).....	102	103	104	105	106
5. Total investigations available during month (Item 3 plus 4).....	107	108	109	110	111
6. Total investigations completed during month (Item 6a plus 6b).....	112	113	114	115	116
a. Evidence sufficient to support allegation of fraud (6a1 plus 6a2).....	117	118	119	120	121
1) Cases referred for prosecution.....	122	123	124	125	126
2) Cases not referred for prosecution.....	127	128	129	130	131
b. Evidence not sufficient to support an allegation of fraud.....	132	133	134	135	136
7. Investigations pending at end of month (Item 5 minus 6).....	137	138	139	140	141

STATE OF CALIFORNIA - HEALTH AND HUMAN SERVICES AGENCY

Attachment A  
CALIFORNIA DEPARTMENT OF SOCIAL SERVICES  
DATA SYSTEMS AND SURVEY DESIGN BUREAU

COUNTY NAME	REPORT MONTH AND YEAR				
	CalWORKs (1)	PA Food Stamps (2)	NA Food Stamps (3)	Total (1+2+3) (4)	All Other Programs (5)
<b>Section III. Investigation Results</b>					
8. Denials (Early Fraud).....	142	143	144	145	146
9. Benefits reduced (Early Fraud).....	147	148	149	150	151
10. Discontinuances (Early Fraud).....	152	153	154	155	156
11. Referred for prosecution.....	157	158	159	160	161
12. Referred to Administrative Disqualification Hearing (ADH).....	162	163	164	165	166
13. Restitution action.....	167	168	169	170	171
14. Benefits reduced (not Early Fraud).....	172	173	174	175	176
15. Benefits discontinued (not Early Fraud).....	177	178	179	180	181
16. Fraud found, no adverse financial impact.....	182	183	184	185	186
17. Allegation unfounded.....	187	188	189	190	191
18. Insufficient evidence.....	192	193	194	195	196
19. Expiration of statutes.....	197	198	199	200	201
20. Other (Explain in Comments) .....	202	203	204	205	206
<b>Section IV. Overpayments</b>					
21. Total fraud overpayments/issuances identified (dollar amounts).....	207	208	209	210	211
22. Fines/forfeitures (dollar amounts).....				212	
<b>PART B. PROSECUTION ACTIVITY</b>					
<b>Section I. Prosecution Activity</b>					
23. Referrals pending beginning of month (Item 27 last month or explain in Comments).....	213	214	215	216	217
24. Referrals received during month.....	218	219	220	221	222
25. Total referrals available during month (Item 23 plus 24).....	223	224	225	226	227
26. Total referrals processed during month (Item 26a plus 26b).....	228	229	230	231	232
a. Prosecutions filed.....	233	234	235	236	237
b. Decision made to not prosecute.....	238	239	240	241	242
27. Referrals pending end of month (Item 25 minus 26).....	243	244	245	246	247
<b>Section II. Prosecution Outcomes</b>					
28. Convictions.....	248	249	250	251	252
29. Administrative action.....	253	254	255	256	257
30. Disqualification Consent Agreements (DCA).....	258	259	260	261	262
31. Charge pleaded.....	263	264	265	266	267
32. Dismissals.....	268	269	270	271	272
33. Acquittals.....	273	274	275	276	277
34. Declinations.....	278	279	280	281	282
35. Expiration of statutes.....	283	284	285	286	287
36. Other (Explain in Comments).....	288	289	290	291	292

Attachment A

STATE OF CALIFORNIA - HEALTH AND HUMAN SERVICES AGENCY

CALIFORNIA DEPARTMENT OF SOCIAL SERVICES  
DATA SYSTEMS AND SURVEY DESIGN BUREAU

COUNTY NAME	REPORT MONTH AND YEAR				
<b>PART C. ADMINISTRATIVE DISQUALIFICATION HEARING ACTIVITY</b>	CalWORKs (1)	PA Food Stamps (2)	NA Food Stamps (3)	Total (1+2+3) (4)	All Other Programs (5)
37. Referred for Administrative Disqualification Hearing (ADH).....	293	294	295	296	297
38. Waivers.....	298	299	300	301	302
39. Upheld convictions.....	303	304	305	306	307
40. Acquittals.....	308	309	310	311	312
41. Decisions pending.....	313	314	315	316	317
42. Program dollars.....	318	319	320	321	322
<b>PART D. PERSONS DISQUALIFIED</b>					
43. During month as a result of court prosecutions.....	323	324	325	326	327
44. Administrative Hearing Disqualifications.....	328	329	330	331	332
<b>PART E. COLLECTIONS</b>					
45. Total collected during prior month (dollar amounts).....	333	334	335	336	337
<b>PART F. COMPUTER MATCH ACTIVITY</b>					
<b>Section I. Matches Received</b>					
46. California Youth Authority.....	338	339	340	341	342
47. Nationwide Prisoner Match.....	343	344	345	346	347
48. Fleeing Felon.....	348	349	350	351	352
49. Reserved.....					
<b>Section II. Results: Benefits Reduced</b>					
50. California Youth Authority.....	353	354	355	356	357
51. Nationwide Prisoner Match.....	358	359	360	361	362
52. Fleeing Felon.....	363	364	365	366	367
53. Reserved.....					
<b>Section III. Results: Discontinuances</b>					
54. California Youth Authority.....	368	369	370	371	372
55. Nationwide Prisoner Match.....	373	374	375	376	377
56. Fleeing Felon.....	378	379	380	381	382
57. Reserved.....					
<b>COMMENTS</b>					
CONTACT PERSON	TELEPHONE		EXTENSION	FAX	
TITLE/CLASSIFICATION	EMAIL			DATE COMPLETED	

**FRAUD INVESTIGATION ACTIVITY REPORT  
DPA 266 (7/04)****INSTRUCTIONS****CONTENT**

The monthly DPA 266 report contains statistical information on cases where reasonable grounds to suspect fraud have resulted in a request for investigation to the Special Investigative Unit (SIU) or the person designated to coordinate such referrals with the District Attorney (DA) or prosecuting authority, as well as cases independently acted upon by Investigating Units. The DPA 266 covers case investigations in all California Work Opportunity and Responsibility to Kids (CalWORKs) cases, including those cases in the Two Parent separate state program; Public Assistance (PA) and Nonassistance (NA) Food Stamps; and other aid programs. The report provides data on requests for investigation; disposition of investigations by County Welfare Departments (CWDs) and County DAs; fraud overpayments/overissuances identified and collected; dollar amounts of fines and forfeitures imposed; criminal complaints filed by prosecutors; and cases referred for Administrative Disqualification Hearings (ADH) and their dispositions.

Copies of the report form and instructions can be viewed (in Adobe Acrobat PDF format) or printed from the California Department of Social Services (CDSS), Research and Data Reports website at <http://www.dss.cahwnet.gov/research/>. The report's released monthly statewide and county-specific data is also available on the website.

**PURPOSE**

The DPA 266 provides the CDSS with welfare fraud investigation and prosecution activity information. In California these activities are conducted by CWDs, Sheriff's Offices and County DAs. To measure these efforts, the DPA 266 displays the amount of activity in each county's operation unit and is used to (a) evaluate the effectiveness of fraud prevention/detection programs; (b) evaluate the effectiveness of local agencies in applying fraud prevention/detection policies; and (c) plan with local agencies on any needed changes.

Information collected on the DPA 266 is used to prepare the federally required annual United States Department of Agriculture (USDA) Program and Budget Summary Statement Part B - Program Activity Statement (FNS 366B). In addition, this data is used in the CDSS Fraud Investigation Report, published quarterly, and other special reports for CDSS administration and the State Legislature. The DPA 266 also provides county, state and federal entities with information needed for budgeting, staffing, program planning, and other purposes.

**COMPLETION AND SUBMISSION**

The CWD is responsible for ensuring that this report is fully and accurately completed. If portions of the report are completed by more than one entity within the CWD and/or outside agencies, the contact person responsible for submitting the report to the state shall review the report for completeness and accuracy prior to submittal. Reports are to be received on or before the 12th working day of the month following the report month. This report may be submitted either via email or in hard copy:

**Email submission.** Download an Excel version of the report form from <http://www.dss.cahwnet.gov/dssdb/> to your PC desktop. Complete the downloaded report form and email to the CDSS, Data Systems and Survey Design Bureau (DSSDB). This email submission process contains automatic computation of some cells and easy email transmission of completed report forms to DSSDB. The website contains specific instructions and guidance.



June 2015

## Attachment A

STATE OF CALIFORNIA – HEALTH AND HUMAN SERVICES AGENCY

CALIFORNIA DEPARTMENT OF SOCIAL SERVICES  
DATA SYSTEMS AND SURVEY DESIGN BUREAU**COMPLETION AND SUBMISSION CONTINUED**

**Hard copy submission:** If email submission is not possible, complete a paper copy of the report form and fax or mail to:

California Department of Social Services  
Data Systems and Survey Design Bureau, M.S. 9-081  
P.O. Box 944243  
Sacramento, CA 94244-2430

**FAX: (916) 657-2074**

If you have questions regarding this report, contact DSSDB at (916) 651-8269.

**GENERAL INSTRUCTIONS**

Enter in the boxes provided near the top of the form the county name and the report month and year.

Enter the data required for each item. If there is nothing to report for an item, enter "0". **Do not leave any items blank.**

Enter in the boxes at the end of the form the name, job title or classification, telephone, fax and email address of the person to contact if there are questions about the report. This person may or may not be the person who completed the report. Enter the date the report was completed.

**COLUMN INSTRUCTIONS**

**Part A, Sections I and II:** When reporting suspected fraud for a combined aid case (i.e. CalWORKs/PAFS case), report one case in each affected aid category. See Section I and II instructions for further details.

**Part A, Section III:** This section tracks the results of cases in Section II; however, the numbers will not necessarily be the same. A completed investigation may result in fraud being identified in multiple aid categories. These are not always the same categories that were originally identified when cases were accepted as investigation requests. See instructions in Section III for further details.

**CalWORKs, Column (1):** Report activity for all CalWORKs cases, including those cases in the state funded Two Parent separate state program. In those instances where the suspected fraud affects both a CalWORKs cash grant case and a Food Stamp case, the activity shall be reported as one case in the CalWORKs column and one case in the PA Food Stamp column.

**PA Food Stamps, Column (2):** Report activity on federal-only or combined federal/state Food Stamp cases where the suspected fraud affects Public Assistance (PA) Food Stamps. Per ACIN I-79-03 dated November 13, 2003, a PA Food Stamp household is defined as a household in which all members are receiving or authorized to receive CalWORKs benefits, including two-parent family benefits [Section 63-102(p) (12) (a) and (b)].

- If the suspected fraud affects the CalWORKs portion and the Food Stamp portion of the case, the case should be reported in both the CalWORKs and the PA Food Stamp columns.
- If the suspected fraud affects only the Food Stamp portion of the case, the case should be reported only in the PA Food Stamp column.
- If the suspected fraud affects only the CalWORKs portion of the case, the case should be reported only in the CalWORKs column.

Activity in California Food Assistance Program (CFAP) only cases should NOT be reported here, but reported instead in Column (5) All Other Programs. General Assistance/General Relief Food Stamp cases should NOT be reported here, but reported instead in the NA Food Stamp column.

## Attachment A

STATE OF CALIFORNIA – HEALTH AND HUMAN SERVICES AGENCY

CALIFORNIA DEPARTMENT OF SOCIAL SERVICES  
DATA SYSTEMS AND SURVEY DESIGN BUREAU**COLUMN INSTRUCTIONS CONTINUED**

**NA Food Stamps, Column (3):** Report activity on federal-only or combined federal/state Food Stamp cases where the suspected fraud affects Nonassistance (NA) Food Stamps. Per ACIN I-79-03 dated November 13, 2003, a NA Food Stamp household is defined as a household in which all members are receiving food stamp benefits but none of the members are receiving or authorized to receive CalWORKs, including two-parent family benefits [Section 63-102(n) (1)]. A mixed household is a household in which not all members are receiving or authorized to receive CalWORKs, including two-parent family benefits; at least one member is receiving NA food stamp benefits. However, for reporting purposes, mixed households are considered NA households [Section 63-102(m) (9)].

If the suspected fraud affects a case in another program, the activity shall be reported as one case in the NA Food Stamp column and one case in the All Other Programs column.

- For example, if the suspected fraud only affects the Food Stamp portion of the case, the case should only be reported in the NA Food Stamps column.
- But if the suspected fraud affects both the Food Stamp portion of the case and another program in the case (i.e. General Assistance/General Relief), the case should be reported in both the NA Food Stamp column and the All Other Programs column.

Activity in California Food Assistance Program (CFAP) only cases should NOT be reported here, but reported instead in Column (5) All Other Programs

**Total, Column (4):** Skip this column if completing the Excel version; it will be automatically calculated. Enter the sum of columns (1), (2), and (3) for each item for Parts A through F or explain in Comments.

**All Other Programs, Column (5):** Report activity on investigations into any other aid programs administered under the California Department of Social Services including, but not limited to:

- Assistance Dog Special Allowance (ADSA) Program
- California Food Assistance Program (CFAP)
- County Medical Services Program (CMSP)  
(Note: Medi-Cal only and Medi-Cal cases with CMSP should not be included. Only CMSP cases with no Medi-Cal component should be included.)
- Foster Care
- General Assistance/General Relief
- In-Home Supportive Services
- Supplemental Security Income/State Supplemental Payment (SSI/SSP)

In those instances where the suspected fraud affects another program and Nonassistance Food Stamps report one case in the All Other Programs column and one in the NA Food Stamps column. All entries in this column must be explained in Comments.

**ITEM INSTRUCTIONS****PART A. INVESTIGATION ACTIVITY**

This part of the report provides information on requests for investigation. An allegation of fraud is not a request for investigation until an authorized official accepts the request with the intent of assigning it for investigative activity. Do not include match processing activity, clearing a case through the Department of Justice, or preliminary review prior to requesting an investigation.

**PART A. Section I. Investigation Requests**

This section provides information on the volume of requests for investigation received, rejected or accepted. It provides data for the FNS 366B, a required Food Stamp federal report.

Attachment A

STATE OF CALIFORNIA – HEALTH AND HUMAN SERVICES AGENCY

CALIFORNIA DEPARTMENT OF SOCIAL SERVICES  
DATA SYSTEMS AND SURVEY DESIGN BUREAU

ITEM INSTRUCTIONS CONTINUED

**PART A. Section I. Investigation Requests (Continued)**

1. Total requests received during month (Item 2 plus 3): Skip this item if completing the Excel version; it will be automatically calculated. Enter the total number of requests for investigation received during the report month for each aid program. For example, an investigation into a case with CalWORKs and PA Food Stamps will be counted as one case in Column (1) and one case in Column (2). [Cells 1-5]
2. Total requests rejected during month: Enter the total number of requests for investigation that were rejected during the report month. "Rejected" means that the request was received, reviewed, and will not be assigned for investigation. [Cells 6-10]
3. Total requests accepted during month (Item 3a through 3r): Skip this item if completing the Excel version; it will be automatically calculated. Enter the total number of requests for investigation that were accepted during the report month. "Accepted" means those requests that are retained in the SIU or its equivalent with the intent of assignment for investigative activity. [Cells 11-15]

Sub-items 3a through 3r break out the total investigation requests by primary element of fraud. Multiple element requests shall be **counted only once** and should be coded by the element potentially causing the largest overpayment/overissuance. Elements affecting eligibility receive priority over elements affecting grant levels.

- a. Early Fraud Prevention/Detection (EFP/D): Enter the total number of requests during the report month to the early Fraud Prevention/Detection program. Include those for both investigator and eligibility worker (EW) staffed EFP/D programs. [Cells 16-20]
- b. Income and Eligibility Verification System (IEVS): Enter the total number of requests during the report month to the SIU emanating from an IEVS 155 or equivalent documents. Include requests from other automated matches such as Payment Verification System (PVS), Franchise Tax Board (FTB), Internal Revenue Service (IRS), etc. [Cells 21-25]
- c. Other unreported income: Enter the total number of unreported income requests during the report month not initiated by IEVS. [Cells 26-30]
- d. Homeless assistance: Enter the total number of requests during the report month based on false claims of homelessness. [Cells 31-33]
- e. Unreported resources/assets: Enter the total number of non-IEVS requests during the report month concerning concealed or misreported assets/resources, such as real/personal property, bank resources, cash, stocks, bonds, vehicles, etc. [Cells 34-38]
- f. Family (household) composition: Enter the total number of requests during the report month based on allegations that the Assistance Unit (household) members are not in the home or are in the home but not eligible for inclusion in the grant. For example, a CalWORKs child is not in the home or not a full-time student or the household is receiving Food Stamps for three when the Food Stamp household is two. Requests alleging the absent parent is in the home should also be reported under this category. [Cells 39-43]
- g. Duplicate/replaced warrants/lost Food Stamps: Enter the total number of requests during the report month based on duplicate/replaced warrants and/or lost Food Stamp benefits. [Cells 44-48]

## ITEM INSTRUCTIONS CONTINUED

**PART A. Section I. Investigation Requests (Continued)**

- h. Duplicate (multiple) aid: Enter the total number of requests during the report month for an investigation alleging that an individual, or groups of individuals, are receiving aid under two or more case numbers, in one or more districts, counties and/or states. This includes any requests resulting from the Statewide Fingerprint Imaging System (SFIS). [Cells 49-53]
- i. Forgery: Enter the total number of forgery investigation reports during the report month. [Cells 54-58]
- j. Residence: Enter the total number of requests during the report month based on false residency. [Cells 59-63]
- k. Fictitious identity: Enter the total number of requests during the report month based on fictitious identity. [Cells 64-68]
- l. Food Stamp trafficking: Enter the total number of requests during the report month alleging the illegal sale, purchase or bartering of Food Stamp benefits. [Cells 69-71]
- m. Internal affairs: Enter the total number of internal affairs investigation requests during the report month. If you are able to link the investigation to a specific program, report it in the applicable program. If not, report it in Column (5) All Other Programs. [Cells 72-76]
- n. Child Care: Enter the total number of child care investigation requests during the report month. [Cells 77-81]
- o. Drug Felon: Enter the total number of drug felon investigation requests during the report month. [Cells 82-86]
- p. Fleeing Felon: Enter the total number of investigation requests during the report month emanating from a fleeing felon match, self declaration, or other sources alleging these violations. [Cells 87-91]
- q. Probation/Parole Violators: Enter the total number of probation/parole violator investigation requests during the report month emanating from a fleeing felon match, self-declaration, or other sources. [Cells 92-96]
- r. Other (Explain in Comments): Enter the total number of other requests during the report month. Explain the allegations in Comments. Cases alleging that the deprivation or incapacity does not exist should be reported here. [Cells 97-101]

**PART A. Section II. Investigation Caseload**

This section provides information on the volume of investigations available and completed and provides required data for the FNS 366B, a required Food Stamp federal report.

- 4. Investigations pending beginning this month (Item 7 last month or explain in Comments): Enter the total number of accepted investigations pending from the prior month. This item should agree with Item 7, Investigations pending at end of month, of the prior month's report. If not, enter the correct data here and provide the reason for the adjustment in Comments. [Cells 102-106]
- 5. Total investigations available during month (Item 3 plus 4): Skip this item if completing the Excel version; it will be automatically calculated. Enter the sum of Item 3 plus Item 4. [Cells 107-111]

## Attachment A

STATE OF CALIFORNIA – HEALTH AND HUMAN SERVICES AGENCY

CALIFORNIA DEPARTMENT OF SOCIAL SERVICES  
DATA SYSTEMS AND SURVEY DESIGN BUREAU

## ITEM INSTRUCTIONS CONTINUED

**PART A. Section II. Investigation Caseload (Continued)**

6. Total Investigations completed during month (Item 6a plus 6b): Skip this item if completing the Excel version; it will be automatically calculated. Enter the total number of investigations completed during the report month. This is the sum of Item 6a and Item 6b. *[Cells 112-116]*
- a. Evidence sufficient to support an allegation of fraud (6a1 plus 6a2): Skip this item if completing the Excel version; it will be automatically calculated. Enter the number of **cases** during the report month for which there was sufficient evidence to support a question of fraud. This is the sum of Item 6a1) and Item 6a2). Since multiple dispositions will not be reported in this section, the numbers will not be the same as in Part A. Section III, Investigation Results. For example, one or more entries in Section III, Items 8 -16 will result in one case count in this item. *[Cells 117-121]*
- 1) Cases referred for prosecution: Enter the total number of **cases** during the report month referred to the agency empowered to prosecute. Report Disqualification Consent Agreements (DCAs) here. This number should be the same as the number in Item 11, Referred for prosecution. *[Cells 122-126]*
- 2) Cases not referred for prosecution: Enter the number of **cases** during the report month not referred to the agency empowered to prosecute. A **case** should be reported here if it was reported as a disposition(s) in Items 8 - 10 and 12 - 16. In other words, each case counted in Item 6a2 must have at least one disposition (result) counted in Section III. Since a case can have more than one result, Item 6a2 must be less than or equal to the sum of Items 8, 9, 10, 12, 13, 14, 15 and 16. *[Cells 127-131]*
- b. Evidence not sufficient to support an allegation of fraud: Enter the total number of **cases** during the report month for which a decision was made that the evidence was insufficient to support a question of fraud. A **case** should be reported here if it was reported as a disposition in 17, 18 and 19. In other words, each case counted in Item 6b must have at least one disposition (result) counted in Section III. Since a case can have more than one result, Item 6b must be less than or equal to the sum of Items 17, 18 and 19. *[Cells 132-136]*
7. Investigations pending at end of month (Item 5 minus 6): Skip this item if completing the Excel version; it will be automatically calculated. Enter the total number of investigations pending at the end of the report month. *[Cells 137-141]*

**PART A. Section III. Investigation Results**

Report the results of all SIU investigations closed during the report month. This section tracks the results of the cases in Section II. However, the numbers in Section III will not be the same as the numbers in Section II, as a case in Section II may have multiple results in Section III. Example: A case resulting in a restitution action, and in which benefits are reduced, would be reported in Item 13, Restitution action and Item 9, Benefits reduced (Early Fraud) or Item 14, Benefits reduced (not Early Fraud).

"Fraud" results: Items 8, 9, 10, 12, 13, 14, 15 and 16 are the investigation results for cases that have been determined to have fraud. For each case counted in Item 6a2, there must be at least one "fraud related" disposition (result) counted in Section III. Since a case can have more than one result, Item 6a2 must be less than or equal to the sum of Items 8, 9, 10, 12, 13, 14, 15 and 16.

## ITEM INSTRUCTIONS CONTINUED

**PART A. Section III. Investigation Results (Continued)**

**"No Fraud" results:** Items 17, 18, and 19 are the investigation results for cases that have not been determined to have fraud. For each case counted in Item 6b, there must be at least one "no fraud" disposition (result) counted in Section III. Since a case can have more than one result, Item 6b must be less than or equal to the sum of Items 17, 18 and 19.

**"Other" results:** Item 20 is the investigation result used when Items 8-19 do not apply. "Other" results can be either "fraud" related or "no fraud" related. Each case that has an Item 20 Other result must be counted in either Item 6a2 or 6b, but cannot be counted in both Item 6a2 and 6b.

8. **Denials (Early Fraud):** Enter the total number of completed Early Fraud investigations during the report month (by an investigator or an EFP/D EW) resulting in a denial of the application. In these cases, no benefits have been issued. *[Cells 142-146]*
9. **Benefits reduced (Early Fraud):** Enter the total number of completed Early Fraud investigations during the report month (by an investigator or an EFP/D EW) resulting in a reduction of benefits. Example: The investigation determined that the AU (household) was two not three because a child was not living in the home. *[Cells 147-151]*
10. **Discontinuances (Early Fraud):** Enter the total number of completed Early Fraud investigations during the report month (by an investigator or an EFP/D EW) resulting in a discontinuance of benefits. These occur, particularly in the Homeless Assistance, Emergency Assistance, and Expedited Food Stamp programs, when an entitlement is issued prior to completion of the Early Fraud investigation. *[Cells 152-156]*
11. **Referred for prosecution:** Enter the total number of cases during the report month referred to the agency empowered to prosecute. This number must be the same as the number in Part A, Section II, Item 6a1), Cases referred for prosecution. *[Cells 157-161]*
12. **Referred to Administrative Disqualification Hearing (ADH):** Enter the total number of **cases** referred for an ADH during the report month. *[Cells 162-166]*
13. **Restitution action:** Enter the total number of cases during the report month in which a restitution action is taken, i.e., agreement to repay. *[Cells 167-171]*
14. **Benefits reduced (not Early Fraud):** Enter the total number of cases during the report month resulting in a reduction of benefits that are not the result of Early Fraud Detection. *[Cells 172-176]*
15. **Benefits discontinued (not Early Fraud):** Enter the total number of cases during the report month resulting in benefits being discontinued that are not the result of Early Fraud Detection. *[Cells 177-181]*
16. **Fraud found, no adverse financial impact:** Enter the total number of cases during the report month in which the investigation found that information had been withheld or facts misrepresented, but the withheld or misrepresented information resulted in no adverse financial impact. Example: The investigation found unreported assets; however, these assets did not result in the AU (household) having their benefits reduced or being ineligible. *[Cells 182-186]*
17. **Allegation unfounded:** Enter the total number of cases during the report month where the investigation found there was no fraud. *[Cells 187-191]*

Attachment A

STATE OF CALIFORNIA – HEALTH AND HUMAN SERVICES AGENCY

CALIFORNIA DEPARTMENT OF SOCIAL SERVICES  
DATA SYSTEMS AND SURVEY DESIGN BUREAU

**ITEM INSTRUCTIONS CONTINUED**

**PART A. Section III. Investigation Results (Continued)**

18. Insufficient evidence: Enter the total number of cases during the report month where the investigation failed to determine whether a violation occurred. [Cells 192-196]
19. Expiration of statutes: Enter the total number of cases during the report month where the investigation is terminated as a result of the expiration of the statute of limitation. [Cells 197-201]
20. Other (Explain in Comments): Enter the total number of completed investigations during the report month disposed of for reasons other than listed in Items 8 through 19. Internal affairs dispositions shall also be reported here. Case dispositions in this item shall be explained in Comments. [Cells 202-206]

**PART A. Section IV. Overpayments**

21. Total fraud overpayments/overissuances identified (dollar amounts): Enter the total dollar amount of fraud overpayments (OPs) and overissuances (OIs) during the report month identified due to completed investigation activity. Do not include IEVS-identified OPs/OIs unless they meet county criteria for fraud investigation and adjudication, or have been investigated. Any adjustments to this item should be entered in the month that the information was received. Example: A \$200 overpayment was reported in January and the county was informed that the overpayment was reduced to \$150 in March. The amount that was increased or decreased should be reported on the March DPA 266 report with an explanation in Comments. In this case, the total identified overpayment/overissuance amount would be reduced by \$50 in the March report month. [Cells 207-211]
22. Fines/forfeitures (dollar amounts): Report the total dollar amount of fines/forfeitures levied through civil or criminal prosecution activity during the report month in Column (4) Total. [Cell 212]

**PART B. PROSECTUTION ACTIVITY**

This part of the report provides information on fraud referrals received by the DA and the dispositions of those referrals.

**PART B. Section I. Prosecution Activity**

23. Referrals pending beginning of month (Item 27 last month or explain in Comments): Enter the total number of cases pending dispositions from last month. This item should agree with Item 27, Referrals pending end of month, of the prior month's report. If not, enter the correct data here and note the reason for the adjustment in Comments. [Cells 213-217]
24. Referrals received during month: Enter the total number of cases received during the report month. [Cells 218-222]
25. Total referrals available during month (Items 23 plus 24): Skip this item if completing the Excel version; it will be automatically calculated. Enter the sum of Item 23 plus Item 24. [Cells 223-227]

## Attachment A

STATE OF CALIFORNIA – HEALTH AND HUMAN SERVICES AGENCY

CALIFORNIA DEPARTMENT OF SOCIAL SERVICES  
DATA SYSTEMS AND SURVEY DESIGN BUREAU

## ITEM INSTRUCTIONS CONTINUED

**PART B. Section I. Prosecution Activity (Continued)**

26. Total referrals processed during month (Item 26a plus 26b): Skip this item if completing the Excel version; it will be automatically calculated. Enter the total number of cases for which a criminal complaint or indictment was filed during the report month or for which a decision was made not to prosecute. This is the sum of Item 26a and Item 26b. *[Cells 228-232]*
- a. Prosecutions filed: Enter the total number of cases for which a criminal complaint or indictment or other actions (e.g., diversions, citation hearings) were filed during the report month. This number may differ from the number of cases referred to the DA as reported in Item 11, Referred for prosecution. *[Cells 233-237]*
- b. Decision made not to prosecute: Enter the total number of cases during the report month in which the prosecuting authority decided not to prosecute. Include in this category all those cases in which there were a failure to indict. *[Cells 238-242]*
27. Referrals pending end of month (Item 25 minus 26): Skip this item if completing the Excel version; it will be automatically calculated. Enter the total number of referrals pending at the end of the report month. This is Item 25 minus Item 26. *[Cells 243-247]*

**PART B. Section II. Prosecution Outcomes**

This part of the report provides information on the outcomes of the prosecutions filed. If the prosecution results in more than one outcome, all outcomes should be reported. Because multiple dispositions will be reported in Part B, Section II, the numbers will not be the same as in Part B, Section I above.

28. Convictions: Enter the total number of filed complaints/indictments during the report month where there was a criminal conviction, from either a guilty plea, nolo plea, diversion, or trial. Include complaints/indictments convicted in part and acquitted in part. *[Cells 248-252]*
29. Administrative action: Enter the number of filed complaints/indictments during the report month disposed of through a restitution agreement arranged as approved by the DA and disposed of in lieu of criminal indictment other than those reported in Item 30, Disqualification Consent Agreements. Include final dispositions through grant adjustments, agreements to repay, citation hearings, civil and small claims court judgments, full cash restitution made, court diversion programs, etc. *[Cells 253-257]*
30. Disqualification Consent Agreements (DCA): Enter the total number of filed complaints during the report month disposed of through a DCA. *[Cells 258-262]*
31. Charge pleaded: Enter the total number of filed complaints/indictments during the report month disposed of through a charge pleaded. A charge pleaded exists when more than one filed complaint/indictment against a person/defendant is accepted by the DA and the DA agrees to drop one or more welfare charges in order to obtain a guilty plea on the other charge. The program in which the charge is dropped during the report month will be reported as "Charge pleaded." *[Cells 263-267]*
32. Dismissals: Enter the total number of filed complaints/indictments disposed of during the report month by dismissal after issuance of a complaint, including those dismissed by motion of the court, either prior to or at the trial, but only if the complaint is not remanded for administrative disposition. *[Cells 268-272]*
33. Acquittals: Enter the total number of filed complaints/indictments disposed of by an acquittal during the report month. *[Cells 273-277]*



Attachment A

STATE OF CALIFORNIA – HEALTH AND HUMAN SERVICES AGENCY

CALIFORNIA DEPARTMENT OF SOCIAL SERVICES  
DATA SYSTEMS AND SURVEY DESIGN BUREAU

ITEM INSTRUCTIONS CONTINUED

**PART B. Section II. Prosecution Outcomes (Continued)**

34. Declinations: Enter the total number of filed complaints/indictments during the report month declined by the DA and on which no other action will be taken. A preliminary decision not to prosecute pending further investigation is not a declination. Such complaints shall be carried pending until further investigation is completed and a final disposition made. However, if the DA declines to take legal action on a complaint/indictment after accepting the referral, and the investigation unit has included a valid and acceptable restitution arrangement in the investigation report, the disposition of the complaint/indictment should be reported as an approved restitution arrangement in Item 29, Administrative action and not as disposed of through a declination to take legal action. [Cells 278-282]
35. Expiration of statutes: Enter the number of filed complaints/indictments disposed of during the report month because the statute of limitations has expired or will soon expire. [Cells 283-287]
36. Other (Explain in Comments): Enter the number of filed complaints/indictments disposed of during the report month for reasons other than Items 28 through 35. Specify "Other" case dispositions by type in Comments. [Cells 288-292]

**PART C. ADMINISTRATIVE DISQUALIFICATION HEARING ACTIVITY**

This part of the report provides information on referrals for Administrative Disqualification Hearings (ADH). Include referrals for all ADHs.

37. Referred for Administrative Disqualification Hearing (ADH): Enter the total number of persons referred, by program, for an Administrative Disqualification Hearing that was requested during the report month. Include state and local level ADH referrals. [Cells 293-297]
38. Waivers: Enter the total number of ADH waivers signed during the report month. [Cells 298-302]
39. Upheld convictions: Enter the total number of cases found guilty of Intentional Program Violation(s) (IPVs) during the report month. Upheld means the ADH found in favor of the requesting agency. [Cells 303-307]
40. Acquittals: Enter the total number of cases found not guilty of committing an IPV during the report month. Acquittal means the ADH found in favor of the defendant. [Cells 308-312]
41. Decisions pending: Enter the total number of cases for which the cases were heard but the court's decision was not formally rendered before the end of the report month. [Cells 313-317]
42. Program dollars: Enter the estimated dollar value of program loss that may be recovered in Item 39, Upheld convictions. Program loss means the associated overpayment/overissuance for each conviction. [Cells 318-322]

**PART D. PERSONS DISQUALIFIED**

This part of the report provides information on persons disqualified as a result of court prosecutions or Administrative Disqualification Hearings.

43. Persons disqualified during month as a result of court prosecutions: Enter the total number of people who were disqualified during the report month, by program, through court action. Disqualification Consent Agreements are considered court actions as are civil and federal court findings. [Cells 323-327]

## Attachment A

STATE OF CALIFORNIA – HEALTH AND HUMAN SERVICES AGENCY

CALIFORNIA DEPARTMENT OF SOCIAL SERVICES  
DATA SYSTEMS AND SURVEY DESIGN BUREAU**ITEM INSTRUCTIONS CONTINUED**

44. **Administrative Disqualification Hearings:** Enter the total number of people who were disqualified during the report month, by program, as a result of an ADH. All "waiver of hearing" disqualifications should also be recorded here. *[Cells 328-332]*

**PART E. COLLECTIONS**

45. **Total collected during prior report month (dollar amounts):** Enter the total dollar amount of fraud overpayments/overissuances collected by or for the CWD during the prior month. Report only those dollar amounts that reflect collections for fraud overpayments or overissuances. Grant adjustments should be included in this amount if they are for fraud overpayments or overissuances. For the purposes of this report, a fraud collection is an overpayment/overissuance collection that resulted from an investigation in which fraud was found. *[Cells 333-337]*

**NOTE:** In a combined CalWORKs/Food Stamp investigation where the investigation is tracked in both the CalWORKs and Food Stamp columns, the restitution agreed to or ordered is to be reported in applicable columns where the CalWORKs overpayment and the Food Stamp overissuance amounts are separately identified.

**PART F. COMPUTER MATCH ACTIVITY**

This part of the report provides information on computer matching activities that occur prior to requests for investigation. Requests for investigation resulting from match activity are to be reported in Part A, Section I, Item 3 (e.g. Item 3f or Item 3p).

**PART F. Section I. Matches Received**

46. **California Youth Authority:** Enter the total number of records received during the report month for the California Youth Authority (CYA) computer match. *[Cells 338-342]*
47. **Nationwide Prisoner Match:** Enter the total number of records received during the report month for the Nationwide Prisoner Match (NPM).

Note: From October 1999 through June 2004 report months, this item was used to provide Jail Reporting System (JRS) data. Beginning with July 2004 report month, this item collects Nationwide Prisoner Match data. *[Cells 343-347]*

48. **Fleeing Felon:** Enter the total number of new records received during the report month for the Fleeing Felon computer match (FFM). *[Cells 348-352]*
49. **Reserved:** This item is reserved for future use.

**PART F. Section II. Results: Benefits Reduced**

50. **California Youth Authority:** Enter the total number of completed CYA matches during the report month resulting in a reduction of benefits. *[Cells 353-357]*

Attachment A

STATE OF CALIFORNIA – HEALTH AND HUMAN SERVICES AGENCY

CALIFORNIA DEPARTMENT OF SOCIAL SERVICES  
DATA SYSTEMS AND SURVEY DESIGN BUREAU

ITEM INSTRUCTIONS CONTINUED

**PART F. Section II. Results: Benefits Reduced (Continued)**

51. Nationwide Prisoner Match: Enter the total number of completed matches of the Nationwide Prisoner Match during the report month resulting in a reduction of benefits.

Note: From October 1999 through June 2004 report months, this item was used to provide Jail Reporting System (JRS) data. Beginning with July 2004 report month, this item collects Nationwide Prisoner Match data. *[Cells 358-362]*

52. Fleeing Felon: Enter the total number of completed Fleeing Felon matches during the report month resulting in a reduction of benefits. *[Cells 363-367]*
53. Reserved: This item is reserved for future use.

**PART F. Section III. Results: Discontinuances**

54. California Youth Authority: Enter the total number of completed CYA matches during the report month resulting in a case discontinuance of benefits. *[Cells 368-372]*

55. Nationwide Prisoner Match: Enter the total number of completed matches for Nationwide Prisoner Match during the report month resulting in a case discontinuance of benefits.

Note: From October 1999 through June 2004 report months, this item was used to provide Jail Reporting System (JRS) data. Beginning with July 2004 report month, this item collects Nationwide Prisoner Match data. *[Cells 373-377]*

56. Fleeing Felon: Enter the total number of completed Fleeing Felon matches during the report month resulting in a case discontinuance of benefits. *[Cells 378-382]*
57. Reserved: This item is reserved for future use.

**COMMENTS**

Use the Comments section to:

- Explain any major fluctuations in data.
- Explain any adjustment entries.
- Provide information as directed in the report instructions.
- Provide any other comments the county determines necessary.

Blank page inserted for reproduction purposes only.

## Comments

### CALIFORNIA STATE AUDITOR'S COMMENTS ON THE RESPONSE FROM THE CALIFORNIA DEPARTMENT OF SOCIAL SERVICES

To provide clarity and perspective, we are commenting on the California Department of Social Services' (Social Services) response to our audit. The numbers below correspond to the numbers we have placed in the margins of Social Services' response.

Social Services' statement implies it took action to discontinue the use of the Statewide Fingerprint Imaging System (SFIS) for the CalFresh program. To clarify, the Legislature repealed the use of SFIS for CalFresh (Chapter 501, Statutes of 2011).

①

It concerns us that Social Services indicates in its response that it plans to wait until June 2016, or nearly a year after the release of our follow-up audit—and more than six years after our original recommendation—before deciding whether it will implement our recommendation to develop a formula for evaluating the cost-effectiveness of counties' antifraud activities. As we state on page 5, although Social Services claimed it had fully implemented our 2009 recommendation to develop a cost-effectiveness formula to measure savings that a county achieves for each dollar spent on antifraud activities, our follow-up audit found that the cost-savings formula that Social Services uses includes only the savings and not the counties' costs to perform antifraud activities—rendering it nearly useless for its intended purpose.

②

Social Services asserts that there is no direct relationship between prosecution thresholds and counties' decisions to investigate welfare fraud. However, as we state on pages 7 and 8, Social Services has not taken action to implement our recommendation to track how counties determine prosecution thresholds and the effects of those thresholds on counties' decisions to investigate potential welfare fraud. We expect Social Services to demonstrate the presence or absence of this effect through an analysis of actual county practices, rather than through supposition.

③

Although Social Services asserts that its administrative disqualification hearing (ADH) training has led five additional counties to begin using the ADH process, Social Services did not provide evidence to fully support this claim. As we state on page 8, Social Services was able to demonstrate that it conducted statewide ADH trainings between June and October 2014, and these trainings successfully led to three more counties using the ADH process. The two additional counties to which Social Services refers began using ADH before June 2014.

④

- ⑤ Contrary to Social Services' statement, our analysis found that it did not revise the investigation activity report to include additional data as the steering committee had recommended in 2008. We compared a version of the investigation activity report used in July 2014 to a version used in July 2004 and also to the version that Social Services provided as Attachment A to its response to our follow-up audit. We found no difference between these three versions of the investigation activity report. Moreover, all three versions of the investigation activity report indicate that the last revision date was "7/04" (July 2004)—*four years before the steering committee's recommendation*—as shown on pages 31 to 45. Thus, we expect Social Services to identify the additional data that its steering committee expected it to include, and then revise its investigation activity report accordingly.