

REPORT TO THE DIRECTOR

STATE DEPARTMENT OF SOCIAL WELFARE

RECOMMENDATIONS

FOR A

PROGRAM OF DETECTING, INVESTIGATING AND PREVENTING

WELFARE FRAUD

FRAUD TASK FORCE SURVEY

NOVEMBER 1972

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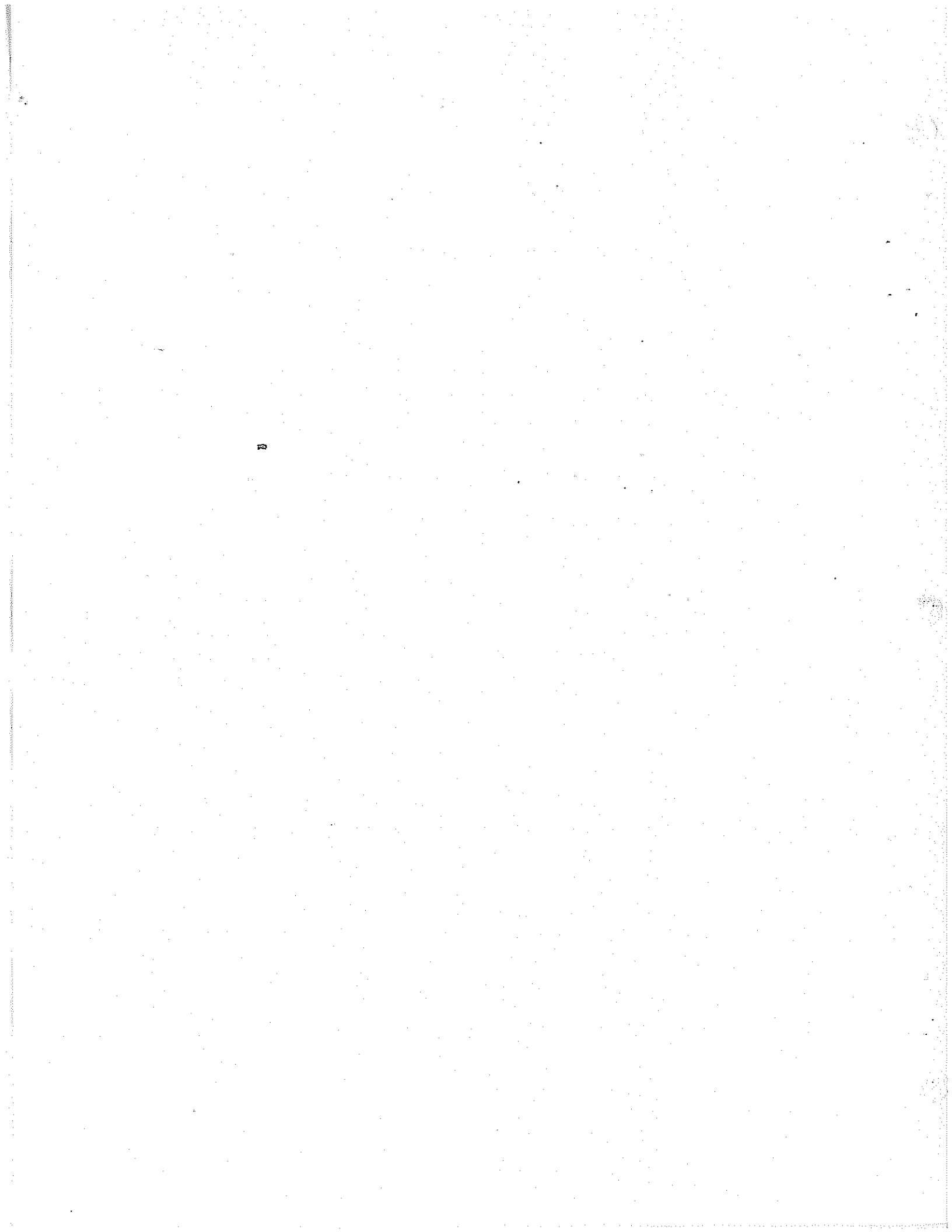


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## PART I

### A. PURPOSE OF THE FRAUD TASK FORCE

As one aspect of implementing the Welfare Reform Act of 1971 (effective October 1), the Director of the State Department of Social Welfare ordered a study to be made of welfare fraud problems for the purpose of recommending policies and procedures to prevent assistance payments from being obtained fraudulently by recipients and to prevent embezzlement and thefts from within the administrative system.

### B. INTRODUCTION

In 1970 and 1971, several major frauds were discovered which involved employees of county welfare departments. Investigations and prosecutions brought to light the fact that thousands of dollars in federal food stamp funds and federal state welfare monies had been embezzled and so great was one of the losses that one bonding company holding surety bonds for county employees decided that the Food Stamp Program was uninsurable, and took steps to cancel surety bonds thereon.

Examples of internal frauds were: the unlawful issuance of ATP's (Authority to Purchase Food Stamps) to ineligible recipients through proxies, in one case diverting monies estimated variously from \$50,000 to \$200,000.

The theft from an auditor's office of \$8,000 in welfare aid-payment warrants prior to mailing and the forging of the payee's names thereon and the cashing of these warrants.

The theft by persons unknown of some \$90,000 in welfare warrants returned to the counties by the postal service as undeliverable due to the death of the addressee of the failure by the addressee to leave a forwarding address, etc.

The arranging by welfare workers of the issuance of unauthorized warrants and mailing thereof to unauthorized persons.

The selling of food stamps by county employees.

The counterfeiting in several counties of ATP's.

Other similar frauds are currently under investigation in various counties.

Thousands of dollars worth of welfare aid-payment warrants and ATP's are either lost or stolen from the mails and forged endorsements are made to these and they are cashed, amounting to losses in the hundreds of thousands of dollars, particularly to the merchants, and to a lesser extent the banks, who cash them believing them to be valid.

A recipient fraud incidence study of the AFDC program made by the State Department of Social Welfare in April 1969 and published in its report dated January 1970, reflected fraud in 15.75 percent of a statistically valid random sample of 1,213 cases. The estimated annual loss due to fraud as a result of projecting this fraud percentage to the entire caseload resulted in a figure of \$59,109,744.

Federal and state authorities have expressed an increasing concern about eligibility of recipients under the AFDC program and have indicated strong action is necessary to discontinue the reported high rates of ineligibility. In a report dated March 16, 1972, made by the United States General Accounting Office, concerning "Problems in Obtaining Integrity in the Welfare Programs" it was stated that public confidence must be restored in the integrity of the welfare system, because there is an increasing national concern as to whether welfare assistance has been provided to eligible persons only, since from Fiscal 1960 to Fiscal 1971, federal and state AFDC welfare costs increased from \$2.8 billion to \$8.7 billion and the number of recipients (in all aid categories) increased from 5.8 million to 14.3 million. From 1960 to 1970, according to census reports, the population of the United States increased 12 percent, but public assistance during this same period increased 95 percent.

Statistics released by the Department of Health, Education, and Welfare in October 1972 put the total federal, state and local welfare cost for the nation for Fiscal 1972 at \$18.2 billion, with slightly more than 15 million persons on the welfare rolls as of June 30, 1972.

#### C. ESTIMATED EXTENT OF RECIPIENT FRAUD

There is no limit to the fraudulent schemes people can invent where money is involved. Several studies have been made in an effort to determine how much fraud actually exists. The best estimate is in the AFDC recipient fraud study published in January 1970 by the State Social Welfare Board. In this study, a statewide statistically valid sample of 1,213 AFDC cases were thoroughly investigated by trained welfare fraud investigators to determine if fraud did exist in that program and the results were reviewed by a fraud review panel of representatives of district attorneys' staffs. Fraud was found in 191 of the cases investigated, or a percentage of 15.75 percent. Fraudulent payments averaged \$117.92 per month per case. Tables 1 and 2, which follow, indicate the results of the recipient fraud incidence study:

TABLE 1

FRAUD PAYMENTS IN AFDC SAMPLE CASES

FRAUD INCIDENCE STUDY OF JUNE 1969

<u>TYPE OF CASE</u>	<u>CASES</u>		<u>FRAUDULENT PAYMENTS</u>		
	<u>Number</u>	<u>Percent</u>	<u>Amount</u>	<u>% All Payments</u>	<u>Average Per Case</u>
Unreported Income	106	8.74	\$10,649	4.73	\$100.46
Unreported Man Assuming Role of Spouse*	51	4.21	7,890	3.50	154.71
Unreported Change in Family Composition	7	.58	779	.34	111.29
Misstatement of Material Fact	9	.74	746	.33	82.89
Unreported Ineligible Child	3	.25	116	.05	38.67
Unreported Excess Personal Property**	5	.41	936	.42	187.20
Unreported Ineligible Recipient**	4	.33	557	.25	139.25
Failure to Disassociate Misrepresentation of Employment-Availability**	5	.41	684	.30	136.80
	1	.08	166	.08	166.00
Total Cases Determined to Contain Fraud	191	15.75	\$22,523	10.00	\$117.92
Balance of Cases	1,022	84.25			
TOTAL IN SAMPLE	<u>1,213</u>				

\* Due to a judicial decision, an Unreported Man Assuming the Role of Spouse is no longer of itself sufficient to sustain fraud [King v. Smith, 392 U.S. 309 (1968)].

\*\* Total ineligibility for aid was found in these categories.

In addition to the fraud detected, administrative error was found in 65 cases (5.36 percent of the sample) with overpayments totaling \$3,956 (1.76 percent of all payments) or an average of \$60.86 per case.

TABLE 2

FRAUD PAYMENTS IN AFDC SAMPLE CASES

PROJECTED FOR ENTIRE CASELOAD

FRAUD INCIDENCE STUDY OF JUNE 1969

<u>TYPE OF CASE</u>	<u>FRAUD CASES</u>		<u>FRAUDULENT PAYMENTS</u>	
	<u>Sample Percent</u>	<u>Projected Cases</u>	<u>Sample Percent</u>	<u>Projected Amount</u>
Unreported Income	8.74	23,170	4.73	\$ 2,329,909
Unreported Man Assuming Role of Spouse	4.21	11,162	3.50	1,724,034
Other	2.80	7,423	1.77	871,869
<b>TOTAL PAYMENTS WITH FRAUD</b>	<b>15.75</b>	<b>41,755</b>	<b>10.00</b>	<b>4,925,812</b>
<b>PROJECTED FRAUDULENT PAYMENTS PER YEAR</b>				<b>\$59,109,744</b>

In addition, projecting the 5.36 percent administrative error found to the total caseload results in an estimated 14,210 cases with administrative error with a total overpayment due thereto of \$866,943 for April 1969, or an annual administrative overpayment of \$10,403,316.

Information relating to administrative error was noted incidental to the investigation into recipient fraud, and the review tasks were not designed to determine the extent of such error, and therefore, no accurate projections of such error can be made.

The sample percentages which relate to fraud can be accepted with 95 percent reliability and the projections are accurate to within better than 2.2 percent. The projection was tabulated using a total AFDC caseload of 265,108.

Even with the deletion of the 4.21 percent fraud attributed to cases of an Unreported Man Assuming the Role of Spouse, which no longer is in itself a fraud violation, the resulting fraud percentage is 11.54 percent, projecting, to an annual loss of \$38,421,336.

The General Accounting Office report mentioned previously, dated March 16, 1972, reflects that the Department of Health, Education, and Welfare on January 3, 1972, released preliminary findings from national subsamples of the state's Quality Control reviews. These subsamples indicated that approximately 5 percent of the nation's welfare families were ineligible for payments received in April 1971. It was pointed out, however, that the findings have a limitation, since 11 states which have one-half the nation's caseload failed to review enough cases to provide a valid quota for the national subsample. This included California. An HEW official advised that HEW could not speak with any certainty about the validity of quality control findings.

However, assuming that there is a degree of accuracy in these findings, it is to be noted that in December 1971, there were 2,119,230 persons who received public assistance in California in the amount of \$162,368,287. Assuming a 5 percent ineligibility rate, this would project to 105,962 ineligible persons and a cost of \$8,118,414 per month in ineligible payments, which, if corrected would amount to a savings of \$97.5 million per year in California. It is obvious that the cost of closer scrutiny of eligibility standards would be nominal compared to the savings in unlawful grants if the fraud-loss and ineligibility-loss estimates are reasonably accurate.

The findings of the General Accounting Office were that ineligibility rates and incorrect payment rates are generally high and GAO concluded that they were sufficiently high for the various states to have taken some corrective action.

#### D. DETECTION AND INVESTIGATION OF RECIPIENT FRAUD

The detection of fraud is not like the detection of a robbery or a crime of violence where victims can testify to its occurrence. Fraud may be concealed through untruths, false records, and manipulation of funds. Fraud is not easily detected. In January 1972, the caseload in California amounted to 2,119,230 persons and 1,062,132 cases. Of these, 468,431 were AFDC cases, and 593,707 were adult cases. Not all cases can be reviewed thoroughly and investigated in sufficient detail to determine whether all information furnished by recipients is accurate. Where relevant facts are deliberately concealed by an applicant or a recipient, they do not come to light without searching inquiries.

At the outset of the task force effort, it was evident that due to the wide variance of caseloads throughout the 58 counties, problems of recipient fraud and the approaches to be taken to the problems differ greatly from county to county. To illustrate the variance, it is to be noted that the caseload for Los Angeles County as of December 31, 1971, was 419,576 cases. The caseload for all counties was 1,062,132. Thus, Los Angeles County had 40 percent of the welfare cases in the state. Alpine County, which has the smallest caseload, had a total of 31 cases, which is .0029 percent of the total statewide caseload.

For comparison and analysis purposes, counties have been grouped into five categories based on the size of the overall caseload. Statistics used in making the grouping were taken from the 1971 Statistical Series pamphlet entitled "Public Welfare in California," Tables 3a and 3b (children in boarding homes and institutions not included). The groupings are as follows:

TABLE 3

WELFARE CASELOADS - AS OF JANUARY 1, 1972

<u>COUNTIES</u>	<u>AFDC CASES</u>	<u>ADULT CASES</u>	<u>TOTAL CASES</u>
<u>Group "A" Counties (over 60,000 cases):</u>			
Los Angeles	197,646	221,930	419,576
Total	197,646	221,930	419,576
<u>Group "B" Counties (20,001 - 60,000 cases):</u>			
Alameda	27,258	30,161	57,419
Contra Costa	12,641	13,358	25,999
Fresno	13,012	18,424	31,436
Kern	7,286	12,750	20,036
Orange	15,889	18,386	34,275
Riverside	9,867	16,939	26,806
Sacramento	19,142	21,368	40,510
San Bernardino	14,541	21,287	35,828
San Diego	22,506	29,907	52,413
San Francisco	21,037	34,593	55,630
San Joaquin	8,665	13,544	22,209
Santa Clara	20,758	20,996	41,754
Total	192,602	251,713	444,315
<u>Group "C" Counties (5,001 - 20,000 cases):</u>			
Butte	1,958	4,872	6,830
Humboldt	2,383	3,647	6,030
Imperial	2,019	3,310	5,329
Marin	2,355	2,802	5,157
Merced	2,950	4,202	7,152
Monterey	4,399	5,085	9,484
San Luis Obispo	1,636	3,741	5,377
San Mateo	7,246	9,122	16,368
Santa Barbara	4,182	5,341	9,523
Santa Cruz	2,598	5,134	7,732
Shasta	2,157	3,448	5,605
Solano	3,937	3,270	7,207
Sonoma	4,796	6,679	11,475
Stanislaus	6,379	9,715	16,094
Tulare	6,741	10,978	17,719
Ventura	6,084	7,304	13,388
Total	61,820	88,650	150,470

<u>COUNTIES</u>	<u>AFDC CASES</u>	<u>ADULT CASES</u>	<u>TOTAL CASES</u>
<u>Group "D" Counties (1,001 - 5,000 cases):</u>			
El Dorado	957	1,488	2,445
Kings	1,816	2,526	4,342
Lake	580	1,438	2,018
Madera	1,189	2,914	4,103
Mendocino	1,341	2,105	3,446
Napa	915	2,391	3,306
Nevada	464	1,256	1,720
Placer	1,731	2,318	4,049
Siskiyou	441	1,254	1,695
Sutter	621	1,565	2,186
Tehama	450	1,250	1,700
Tuolumne	278	908	1,186
Yolo	1,803	2,706	4,509
Yuba	1,306	1,689	2,995
Total	13,892	25,808	39,700

<u>Group "E" Counties (1,000 cases or less):</u>			
Alpine	14	17	31
Amador	92	396	488
Calaveras	202	515	717
Colusa	124	448	572
Del Norte	310	591	901
Glenn	224	621	845
Inyo	176	587	763
Lassen	236	541	777
Mariposa	57	253	310
Modoc	154	322	476
Mono	55	75	130
Plumas	258	500	758
San Benito	372	579	951
Sierra	16	64	80
Trinity	181	257	438
Total	2,471	5,766	8,237
Grand Total	468,431	593,867	1,062,298

Essentially welfare fraud can be placed in three categories: Recipient frauds (both in the adult and AFDC programs), internal frauds (embezzlement and thefts committed by state or county employees), and external frauds (thefts and forgeries by outsiders not connected with the welfare department). Administration of the adult welfare programs (OAS, ATD and AB) does not require verification of statements of earnings and assets as furnished by applicants or recipients. In the AFDC program, however, verification of eligibility is required, and many discrepancies are found by eligibility workers. Fraud is indicated when there appears to be a deliberate attempt to conceal or misrepresent pertinent information which would affect eligibility. The most prevalent recipient fraud violations are claiming ineligible children, concealment of income, concealment of assets, and misrepresentation of material facts.

Regulations governing fraud investigations are set forth in Section 20 of the SDSW Policies and Procedures Manual. Each county is charged with the responsibility for determination of eligibility and the responsibility for preventing fraudulent action by recipients as far as possible, and to accomplish this, counties have been directed to assign staff to investigate cases of suspected ineligibility or overpayments and to establish units for doing this. These units are known as the Special Investigative Units (SIU) and cases are to be referred to these units where there is evidence that an investigation beyond the scope of casework methods is necessary to determine if there are reasonable grounds to suspect fraud.

Once the unit determines reasonable grounds to suspect fraud exists, the county welfare department is then required to refer the case to the district attorney who then becomes responsible for accepting or rejecting the referral and for conducting subsequent investigation and deciding what civil or criminal action is to be brought.

In the OAS, ATD, and AB categories, and also in AFDC felony cases, the Welfare and Institutions Code requires that attempts must be made to obtain restitution by request, civil action, or other means prior to referring the case to the district attorneys for criminal action.

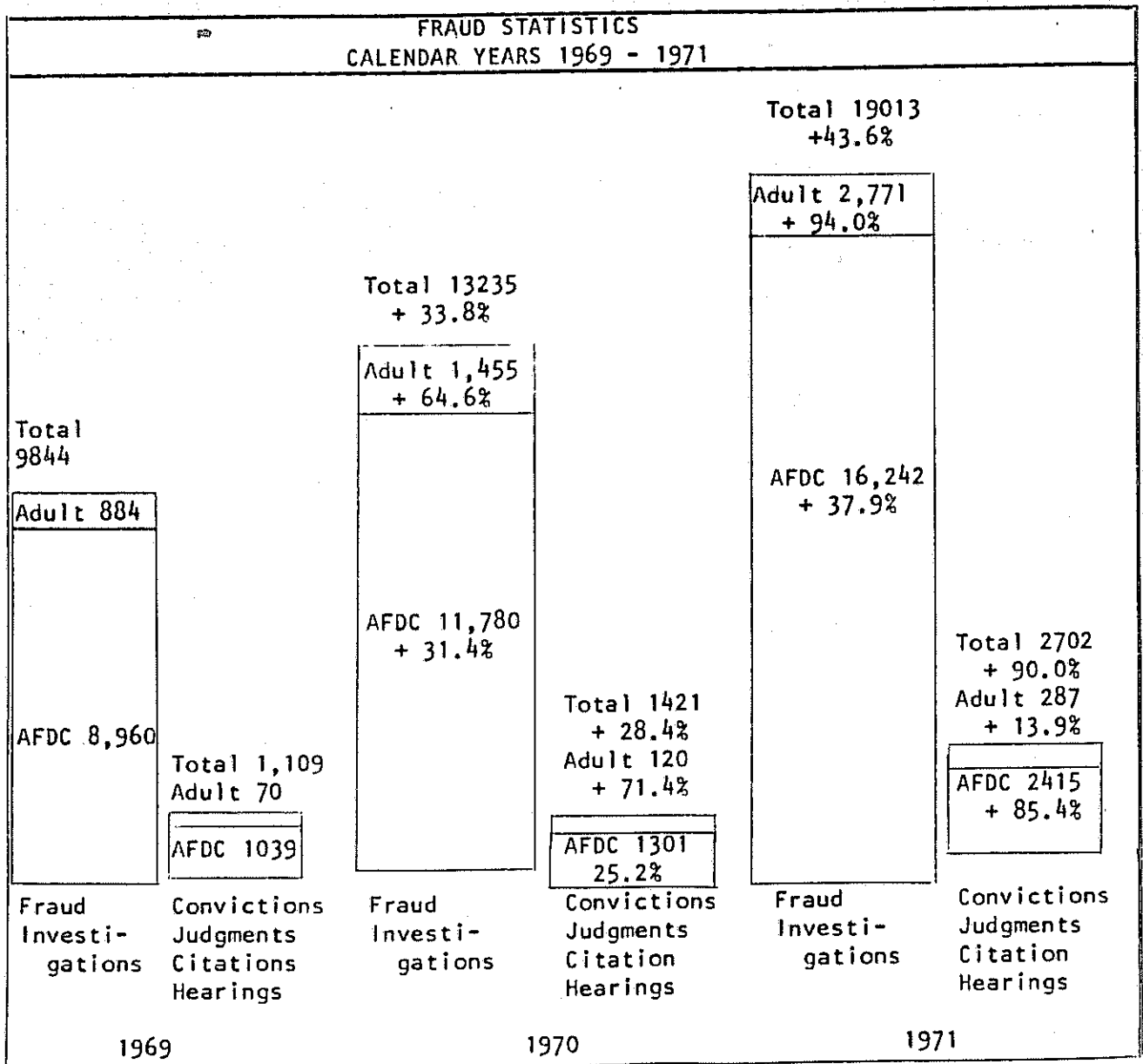
A survey made by the task force determined that instructions set forth in Section 20 of the Policies and Procedures Manual are not being followed uniformly by all counties. Some counties follow policies as directed, but some counties go beyond the procedures as outlined in the manual and have well-organized and highly trained investigative staffs which investigate fraud allegations beyond the point of determining if reasonable grounds to suspect fraud exists. They make a complete investigation of the matter, obtaining the evidence necessary to prosecute, submit reports to the district attorneys in a form that can be used by the district attorneys to take the case into court without further investigation or review by his staff. Sacramento County is one example of this, its system having been adopted to obtain Federal funding for a fraud investigative unit, which is allowable for a county welfare department staff. Other counties following a similar policy have also been successful and effective in their performance.

Some counties have no special investigative units as such, but refer all fraud allegations to the district attorney for investigation by him or by a representative of his staff to resolve the matter.

In some of the counties, the special investigators are deputized and have peace officer status. In others, they are not. Throughout the counties, the quality of investigation and the types of investigations vary, depending upon the manpower assigned and the abilities and training of the investigators. Some of the Special Investigative Units have duties beyond that of investigating recipient fraud, such as investigating food stamp eligibility violations, food stamp thefts and burglaries, forged endorsements on welfare checks which have been lost or stolen. Some units collect overpayments and responsible relatives' contributions and some have the responsibility for physical security and other matters.

Fraud statistics for the calendar years 1969, 1970, and 1971 are shown in Tables 4 and 5, and fraud statistics submitted by the various counties and tabulated for the first half of fiscal 1972 are set forth in Table 6. Statistics for fiscal 1972 are contained in table 7.

**TABLE 4**



RECIPIENT FRAUD COMPARATIVE STATISTICS  
CALENDAR YEARS 1970 AND 1971

TABLE 5

	AFDC FRAUD CASES INVESTIGATED		ADULT FRAUD CASES INVESTIGATED		TOTAL FRAUD CASES INVESTIGATED		PERCENT INCREASE OR DECREASE	TOTAL AFDC CITATION HEARINGS, CONVICTIONS & JUDGMENTS		PERCENT INCREASE OR DECREASE
	1970	1971	1970	1971	1970	1971		1970	1971	
CLASS "A"										
Los Angeles	4,224	5,456	736	1,449	4,960	6,905	39.2	329	644	+
Total	4,224	5,456	736	1,449	4,960	6,905	+39.2	329	644	+95.8
CLASS "B"										
Alameda	358	353	39	64	397	417	5.0	45	62	
Contra Costa	323	500	31	64	354	564	59.2	73	142	+
Fresno	479	840	24	37	503	857	70.0	18	177	+
Kern	775	751	98	80	873	831	--	57	47	--
Orange	131	350	8	29	139	379	172.2	19	48	+
Riverside	206	284	21	59	227	343	51.0	98	159	+
Sacramento	1,000	1,166	0	117	1,000	1,283	28.3	126	279	+
San Bernardino	543	787	35	69	578	856	48.2	36	63	
San Diego	1,422	2,179	144	285	1,566	2,464	57.4	210	193	--
San Francisco	185	349	0	9	185	358	93.4	NA	47*	+
San Joaquin	99	102	10	18	109	120	10.0	33	17	--
Santa Clara	364	359	39	52	403	411	2.0	22	37	+
Total	5,885	8,000	449	883	6,334	8,883	+40.0	737	1,271	+71.5
CLASS "C"										
Butte	24	7	0	4	24	11	--	0	0	0
Humboldt	101	121	4	3	105	124	18.1	16	13	--
Imperial	139	184	50	40	189	224	18.5	1	1	0
Marin	17	78	1	10	18	88	389.0	2	26	+
Merced	16	13	3	1	19	14	--	2	5	+
Monterey	13	33	8	30	21	63	200.0	10	21	+
San Luis Obispo	25	44	5	9	30	53	76.5	9	6	--
San Mateo	67	106	0	0	67	106	58.2	20	49	+
Santa Barbara	60	71	8	14	68	85	25.0	3	7	+
Santa Cruz	6	11	0	4	6	15	150.0	3	2	--
Shasta	133	130	42	37	175	167	--	23	67	+
Solano	72	227	6	5	78	232	197.2	0	9	+
Sonoma	326	573	72	81	398	654	64.2	21	86	+
Stanislaus	114	421	7	26	121	447	269.8	46	53	+
Tulare	120	174	16	51	136	225	65.4	16	24	+
Ventura	246	301	25	44	271	345	27.2	28	83	+
Total	1,479	2,494	247	359	1,726	2,853	+65.2	200	452	+125.8

\* NA = Not Available; figure shown is for period 7/1 - 12/31/71

RECIPIENT FRAUD COMPARATIVE STATISTICS  
CALENDAR YEARS 1970 AND 1971

TABLE 5 (Continued)

	AFDC FRAUD CASES INVESTIGATED		ADULT FRAUD CASES INVESTIGATED		TOTAL FRAUD CASES INVESTIGATED		PERCENT INCREASE OR DECREASE	TOTAL AFDC CITATION HEARINGS, CONVICTIONS & JUDGMENTS		PERCENT INCREASE OR DECREASE
	1970	1971	1970	1971	1970	1971		1970	1971	
CLASS "D"										
El Dorado	10	16	1	3	11	19	72.6	3	4	+
Kings	5	10	2	13	7	23	228.0	1	4	+
Lake	7	21	0	6	7	27	286.0	0	2	+
Madera	30	52	2	15	32	67	108.2	6	0	--
Mendocino	42	52	0	1	42	53	26.4	8	6	--
Napa	18	20	2	3	20	23	15.0	4	3	--
Nevada	0	0	0	2	0	2	+	0	0	0
Placer	8	16	0	0	8	16	100.0	0	4	+
Siskiyou	1	1	0	0	1	1	0	0	0	0
Subter	10	17	0	1	10	18	80.0	1	6	+
Tehama	3	6	3	3	6	9	50.0	0	0	0
Tuolumne	3	3	0	0	3	3	0	0	2	+
Yolo	10	26	1	12	11	38	245.0	1	5	+
Yuba	6	12	0	6	6	18	200.0	0	0	0
Total	153	252	11	65	164	317	+93.4	24	36	+50.0
CLASS "E"										
Alpine	0	0	0	0	0	0	0	0	0	0
Amador	0	0	0	0	0	0	0	0	0	0
Amador	2	0	3	9	5	9	80.0	2	0	--
Calaveras	1	1	1	0	2	1	--	1	0	--
Colusa	2	3	1	0	3	3	0	1	4	+
Del Norte	6	8	5	2	11	10	--	0	0	0
Glenn	3	2	0	1	3	3	0	2	0	--
Inyo	4	3	0	0	4	3	--	1	0	--
Lassen	20	11	0	0	20	11	--	4	4	0
Mariposa	0	0	0	2	0	2	+	0	0	0
Modoc	0	1	0	0	0	1	+	0	2	+
Mono	0	0	0	0	0	0	0	0	0	0
Plumas	0	8	0	0	0	8	+	0	0	0
San Benito	0	3	1	0	1	3	200.0	0	0	0
Sierra	1	0	0	0	1	0	--	0	2	+
Trinity	0	0	1	1	1	1	0	0	0	0
Total	39	40	12	15	51	55	+7.8	11	12	+9.1
GRAND TOTAL	11,780	16,242	1,455	2,771	13,235	19,013	+43.6	1,301	2,415	+85.4

TABLE 6  
FRAUD STATISTICS FOR THE FIRST SIX MONTHS OF FISCAL 1972

	AFDC FRAUD CASES INVESTIGATED	% OF AFDC CASELOAD INVESTIGATED	ADULT FRAUD CASES INVESTIGATED	% OF ADULT CASELOAD INVESTIGATED	TOTAL FRAUD CASES INVESTIGATED	% OF TOTAL CASELOAD INVESTIGATED	AFDC CITATION HEARINGS, CONVICTIONS & JUDGMENTS	ADULT CITATION HEARINGS, CONVICTIONS & JUDGMENTS	TOTAL CITATION HEARINGS, CONVICTIONS & JUDGMENTS	% OF CITATION HEARINGS, CONVICTIONS & JUDGMENTS OF TOTAL CASES INVESTIGATED	% OF CITATION HEARINGS, CONVICTIONS & JUDGMENTS OF TOTAL CASELOAD
<b>CLASS "A"</b>											
19 Los Angeles	3,082	1.52	718	0.32	3,800	0.89	367	45	412	10.8	.096
Total	3,082	1.52	718	0.32	3,800	0.89	367	45	412	10.8	.096
<b>CLASS "B"</b>											
01 Alameda	190	0.66	32	0.11	222	0.38	59	3	62	28.0	.11
07 Contra Costa	250	2.00	34	0.25	284	1.10	100	17	117	41.2	.46
10 Fresno	427	3.36	26	0.14	453	1.44	103	3	106	23.4	.34
15 Kern	321	4.33	39	0.30	360	1.76	26	15	41	11.4	.20
30 Orange	255	1.59	23	0.13	278	0.81	29	0	29	10.4	.08
33 Riverside	156	1.61	27	0.16	183	0.69	92	13	105	57.4	.39
34 Sacramento	511	2.60	117	0.55	628	1.54	145	58	203	32.3	.50
36 San Bernardino	443	2.99	27	0.13	470	1.30	36	4	40	8.5	.11
37 San Diego	1,120	4.86	186	0.62	1,306	2.47	106	3	109	8.3	.20
38 San Francisco	162	0.79	8	0.02	170	0.31	47	0	47	27.6	.09
39 San Joaquin	49	0.58	8	0.06	57	0.26	9	0	9	15.8	.04
47 Santa Clara	223	1.03	10	0.05	233	0.55	14	1	15	6.7	.04
Total	4,107	2.11	537	0.21	4,644	1.03	766	117	883	19.0	.20
<b>CLASS "C"</b>											
04 Butte	2	0.09	0	0	2	0.03	0	2	2	100.0	.03
12 Humboldt	51	2.77	2	0.05	53	0.89	4	0	4	7.6	.07
13 Imperial	111	5.62	15	0.45	126	2.38	0	0	0	0	0
21 Marin	30	1.33	6	0.22	36	0.72	13	0	13	36.1	.26
24 Merced	6	0.20	1	0.02	7	0.10	1	1	2	28.6	.03
27 Monterey	18	0.42	11	0.21	29	0.31	12	7	19	65.5	.20
40 San Luis Obispo	16	0.97	4	0.11	20	0.37	6	0	6	30.0	.11
41 San Mateo	47	0.62	0	0	47	0.28	18	0	18	38.2	.11
42 Santa Barbara	50	1.22	8	0.15	58	0.61	5	0	5	8.6	.05
43 Santa Cruz	3	0.12	3	0.06	6	0.08	0	0	0	0	0
45 Shasta	46	2.12	14	0.41	60	1.07	40	13	53	88.2	.91
48 Solano	88	2.03	4	0.12	92	1.22	9	1	10	10.8	.13
49 Sonoma	237	4.77	46	0.69	283	2.44	28	0	28	9.9	.24
50 Stanislaus	242	3.80	19	0.19	261	1.65	30	0	30	11.5	.19
54 Tulare	110	1.73	32	0.29	142	0.81	11	1	12	8.5	.07
56 Ventura	143	2.43	19	0.26	162	1.23	42	4	46	28.4	.35
Total	1,200	1.95	184	0.21	1,384	0.92	219	29	248	17.9	.16
<b>CLASS "D"</b>											
09 El Dorado	11	1.20	3	0.19	14	0.58	3	0	3	21.4	.12
16 Kings	9	0.48	13	0.51	22	0.50	4	0	4	18.3	.09
17 Lake	8	1.51	3	0.21	11	0.56	1	1	2	18.3	.10
20 Madera	18	1.47	4	0.14	22	0.53	0	0	0	0	0
23 Mendocino	30	2.30	0	0	30	0.89	2	0	2	6.67	.06
28 Napa	11	1.19	3	0.12	14	0.42	0	0	0	0	0
29 Nevada	0	0	2	0.15	2	0.12	0	0	0	0	0
31 Placer	8	0.48	0	0	8	0.20	3	0	3	3.75	.07
47 Siskiyou	0	0	0	0	0	0	0	0	0	0	0
51 Sutter	5	0.87	1	0.07	6	0.30	6	0	6	100.0	.30
52 Tehama	3	0.67	1	0.08	4	0.24	0	2	2	50.0	.12
55 Tuolumne	2	0.64	0	0	2	0.16	2	0	2	100.0	.18
57 Yolo	13	0.72	6	0.22	19	0.43	3	0	3	15.8	.07
58 Yuba	7	0.57	2	0.12	9	0.31	0	0	0	0	0
Total	125	0.92	38	0.15	163	0.41	24	3	27	16.6	0.07
<b>CLASS "E"</b>											
02 Alpine	0	0	0	0	0	0	0	0	0	0	0
03 Amador	0	0	5	1.3	5	1.00	0	0	0	0	0
05 Calaveras	0	0	0	0	0	0	0	0	0	0	0
06 Colusa	1	0.85	0	0	1	0.18	0	0	0	0	0
08 Del Norte	5	1.76	1	0.17	6	0.69	0	0	0	0	0
11 Glenn	0	0	2	0.32	2	0.24	0	1	1	50.0	0.12
14 Inyo	0	0	0	0	0	0	0	0	0	0	0
18 Lassen	5	2.17	0	0	5	0.63	0	0	0	0	0
22 Mariposa	0	0	0	0	0	0	0	0	0	0	0
25 Modoc	0	0	0	0	0	0	2	0	2	-	-
26 Mono	0	0	0	0	0	0	0	0	0	0	0
32 Plumas	4	1.57	0	0	4	0.54	0	0	0	0	0
35 San Benito	1	0.29	0	0	1	0.11	0	0	0	0	0
46 Sierra	0	0	0	0	0	0	0	0	0	0	0
53 Trinity	0	0	0	0	0	0	0	0	0	0	0
Total	16	0.69	8	0.14	24	0.30	2	1	3	12.5	0.04
<b>GRAND TOTAL</b>	<b>8,530</b>	<b>1.79</b>	<b>1,485</b>	<b>0.25</b>	<b>10,015</b>	<b>0.93</b>	<b>1,378</b>	<b>195</b>	<b>1,573</b>	<b>15.7</b>	<b>0.15</b>

TABLE 7  
FRAUD STATISTICS - FISCAL 1972

	AFDC Fraud Investi- gations	Adult Fraud Investi- gations	AFDC Citation Hearings	Adult Citation Hearings	AFDC Convictions & Judgments	Adult Convictions & Judgments
<u>Group "A" Counties</u>						
Los Angeles	6,297	1,460	0	0	945	97
Total	6,297	1,460	0	0	945	97
<u>Group "B" Counties</u>						
Alameda	353	97	0	0	120	7
Contra Costa	502	67	158	27	30	3
Fresno	861	63	128	5	34	4
Kern	698	123	12	3	86	68
Orange	538	63	2	0	159	10
Riverside	314	53	31	21	117	2
Sacramento	1,332	407	47	25	336	159
San Bernardino	644	70	0	0	51	4
San Diego	1,995	281	0	0	227	12
San Francisco	421	29	18	0	97	0
San Joaquin	111	17	7	0	28	1
Santa Clara	620	97	54	19	101	30
Total	8,389	1,357	457	100	1,386	300
<u>Group "C" Counties</u>						
Butte	2	0	0	0	0	2
Humboldt	115	2	2	0	11	0
Imperial	180	26	0	0	1	1
Marin	48	8	7	3	11	0
Merced	27	1	0	0	2	1
Monterey	32	23	16	11	3	0
San Luis Obispo	47	10	1	0	12	1
San Mateo	134	0	0	0	41	0
Santa Barbara	115	14	1	0	13	1
Santa Cruz	8	4	0	0	0	0
Shasta	90	31	60	19	13	7
Solano	211	11	6	0	11	3
Sonoma	598	92	0	0	84	6
Stanislaus	543	44	3	0	46	0
Tulare	193	43	0	0	28	5
Ventura	338	32	38	4	31	2
Total	2,681	341	134	37	307	29
<u>Group "D" Counties</u>						
El Dorado	14	7	0	2	4	1
Kings	49	42	0	0	5	0
Lake	34	5	0	0	2	2
Madara	35	8	3	0	2	0
Mendocino	58	0	1	0	2	0
Napa	22	6	2	0	2	1
Nevada	0	2	0	0	0	0
Placer	27	0	7	0	0	0
Siskiyou	2	0	0	0	0	0
Sutter	9	1	0	0	8	1
Tehama	9	2	0	2	0	0
Tuolumna	9	0	0	0	4	0
Yolo	39	12	0	4	4	1
Yuba	11	2	0	0	0	0
Total	318	87	13	8	33	6
<u>Group "E" Counties</u>						
Alpine	0	0	0	0	0	0
Amador	0	8	0	0	0	2
Calaveras	2	0	0	0	0	0
Colusa	2	0	0	0	4	0
Del Norte	22	5	0	0	0	0
Glenn	1	1	0	0	0	1
Inyo	1	0	0	0	0	0
Lassen	9	1	0	0	0	0
Mariposa	0	0	0	0	0	0
Modoc	1	0	0	0	3	0
Hono	1	2	1	0	0	0
Plumas	4	0	0	0	1	0
San Benito	1	0	0	0	0	0
Sierra	1	0	0	0	2	0
Trinity	2	0	0	0	0	0
Total	47	17	1	0	10	3
Grand Total	17,732	3,262	605	145	2,681	435
Total for Fiscal 1971	13,907	2,159	253	36	1,427	106
Increase	3,825	1,103	352	109	1,254	329
% Increase	27.5%	51.1%	139.1%	302.7%	87.8%	310.4%

The increased statistical accomplishments since 1969 are due to the excellent work being done in several individual counties but all counties are not making the same effort in fraud investigation.

On an annual basis, fraud allegations at the completion of fiscal 1972 were being investigated in 2 percent of the caseload, but several counties were investigating a much higher percentage. Sonoma County investigated 6 percent of its caseload; San Diego and Sacramento Counties, over 4 percent. Some counties made no investigations during the first six months of fiscal 1972.

During the period from July 1 - December 31, 1971, in the Group B category (comprising 12 counties), six counties, Contra Costa, Fresno, Kern, Riverside, Sacramento and San Diego, accounted for over two-thirds of the total cases investigated. The same six counties accounted for over three-fourths of the 12-county total of convictions, citation hearings and judgments favorable to the counties. Sacramento County made 628 investigations and obtained 203 convictions as compared with the adjacent county of San Joaquin, which investigated 57 cases and obtained only nine convictions.

During the same period, in the Group C category (16 counties), four counties, Shasta, Sonoma, Stanislaus and Ventura, made over one-half of the investigations and obtained nearly two-thirds of the convictions. Ventura County conducted 162 investigations and obtained 46 convictions, while Butte County reported only two investigations with two convictions resulting.

Ten counties accounted for nearly 40 percent of all investigations made and over 50 percent of the total convictions obtained, yet these ten counties have less than 25 percent of the total caseload. This is an overall accomplishment ratio three times that of the other 48 counties.

A summary of the duties and accomplishments of the special investigative units of the various counties is contained in the next section of this report.

## E. SURVEY OF COUNTY FRAUD INVESTIGATIVE UNITS

### 1. Group "A" Counties

#### Los Angeles County

The Task Force Survey in Los Angeles County was coordinated by Donn R. Byron, Chief, Special Services Division.

The Los Angeles County Department of Public Social Services (DPSS) has a Fraud Prevention Section (FPS) within the Special Services Division of the Bureau of Fiscal Affairs and Administrative Services. John J. Palubicki, Program Director, is responsible for the DPSS FPS which is supervised by Marshall J. Wheaton, Head Welfare Investigator.

The FPS is broken down into nine fraud-prevention units and one internal affairs unit, each supervised by a supervising welfare investigator with a total staff of 76 as of February 7, 1972, consisting of the unit head, the 10 supervisors, 54 welfare investigators and 11 acting welfare investigators. The primary function of the FPS is the investigation of recipient fraud, its responsibilities being: investigation of suspected welfare ineligibility or overpayment not resolved by the eligibility worker or social worker, investigation of allegations of fraud in AFDC and the adult programs, food stamp eligibility, and boarding home violations. The internal affairs unit investigates suspected employee abuse of the welfare system and other alleged employee wrong-doing.

Welfare investigators in Los Angeles County do not have any law enforcement status.

The FPS budget for fiscal 1972 was \$1,005,492 for fraud prevention plus the internal affairs unit's budget of \$89,664. A substantial increase to this budget is anticipated for fiscal 1973.

The FPS follows the policy of seeking restitution by request, civil action or other suitable means prior to bringing criminal action in both AFDC and adult cases.

Forged warrants and forged ATP violations and embezzlements by employees are not investigated by the FPS but are handled by the Los Angeles County District Attorney's Welfare Crime Unit which is supervised by Captain Bert R. Dreebin and Lt. Harry W. Shappell.

FPS has established goals in conformance with the Welfare and Institutions Code and SDSW regulations which may be stated generally as follows:

- Prevention of Fraud. Where circumstances permit, to conduct investigation and disseminate the findings in sufficient time to avoid a wrongful payment of aid.
- Temporary Action to Withhold Aid Payments. To investigate within 30 days at least to a point establishing probable cause to suspect ineligibility, furnishing eligibility workers interim reports to support withholding action.
- Permanent Action to Correct Aid Payments. To document fully the findings of the investigation to enable the eligibility worker to correct present and future aid payments, and to support the county's position in administrative hearings, thus avoiding continuing unwarranted loss of funds in the case.
- Restitution Proceedings. To demand repayment from the recipient, and take action to secure the repayment.
- Civil Action. Where warranted, to bring civil action against the recipient for a judgment ordering repayment.
- Criminal Prosecution. Where warranted, obtain a complaint, and assist the prosecutor at the trial.

To accomplish its goals, FPS classifies the requirements of the statutes and regulations into four areas of activity in processing a referral for investigation. The areas are:

- The finding of facts to show ineligibility.
- Action by FPS to secure the overpayment.
- Action to bring suit in civil court.
- Action to prosecute criminally.

Procedures followed by the FPS in investigating recipient fraud allegations are:

- The allegation of irregularity is sent to the eligibility worker or social worker for review and evaluation to determine if the suspected activities affect eligibility and whether the activity is sufficient to support an immediate budget action and for a determination by the eligibility worker or social worker if consultation with the recipient is indicated for the purpose of establishing present or future eligibility for assistance.
- If the recipient has been overpaid, or if further facts are needed, a referral for special investigation is made.
- Upon referral for a special investigation the case is opened and assigned to an investigator who reviews the case record, interviews the eligibility or social worker and conducts such investigation as is necessary to prove or disapprove the allegation, including an interview with the suspected recipient. The investigator provides the computation clerk with information necessary to compute the overpayment and notifies the social worker or eligibility worker of any facts developed that would warrant temporary suspension of aid. The investigator submits a written investigative report detailing the violation and the evidence supporting it and listing the overpayment. In his report the investigator makes a recommendation as to how the overpayments should be recovered (restitution, civil action or other means) or whether prosecutive action should be initiated.
- Upon approval of the recommendation in the report, the social worker or eligibility worker is requested to make the necessary adjustments in the aid grant, and a letter is then directed to the recipient demanding restitution of all overpayments. If the response to the letter is favorable, the investigator arranges for a cash reimbursement or if full repayment cannot be made at once, takes a "confession of judgment" and negotiates an agreement to repay in installments.

The investigator files the "confession of judgment" with the court, sets up a collection file and sends the notice of overpayment to fiscal services.

- If response to the demand letter by the recipient is unfavorable or if the recipient fails to pay as agreed, the investigator presents the case to the District Attorney's Office under guidelines set by the prosecutive staff and requests a complaint and obtains an arrest warrant. Thereafter the investigator notifies the recipient by letter to appear in court. If the recipient fails to respond, the warrant is delivered to a local arresting authority for service.
- The investigator follows the prosecution with the District Attorney's Office, assisting where necessary, and in those cases where sentences of summary probation are given the investigator acts as the probation officer and follows the payment plan for compliance, advising the court whether or not the terms of the probation have been met.

⇒ Fraud Prevention Section Statistics, Fiscal 1972

	Fraud Investigations		Citation Hearings		Judgments & Convictions	
	AFDC	Adult	AFDC	Adult	AFDC	Adult
1st Quarter	1369	338	0	0	163	20
2nd Quarter	1713	380	0	0	204	25
3rd Quarter	1618	382	0	0	292	26
4th Quarter	1597	360	0	0	286	26
Total	6297	1460	0	0	945	97

Los Angeles County Welfare Caseload, 1/1/72: 419,576

2. Group "B" Counties

Alameda County

The following survey of the Alameda County fraud investigative unit was submitted by Lewis F. Williams, Supervising Welfare Investigator.

The Alameda County Welfare Department's fraud investigative staff is known as the Special Investigations Unit (SIU), and is under the direction of Lewis F. Williams, Supervising Welfare Investigator, who is directly responsible to Colonel Adams, Assistant Director of Management. The SIU has a total staff of 16, made up of two supervising welfare investigators, 11 welfare investigators, two assistant welfare investigators, and one social worker. Five of the investigators are assigned to fraud, six to special eligibility review, and the assistant welfare investigators handle matters relating to welfare warrant investigations. The unit's budget for fiscal 1972 was \$254,616, with an estimated 1973 budget of \$261,972.

The Special Investigations Unit is divided into three general sections known as Special Eligibility Review, Warrant Investigation, and Fraud Investigation Sections.

Lewis F. Williams, Supervising Investigator, heads the unit and provides supervision for the other supervisor as well as supervising the Warrant and Fraud Sections directly.

The functions and responsibilities of the Special Investigations Unit are considered generally to be:

- To investigate complaints and eligibility irregularities which call for investigatory techniques and/or resources above and beyond those normally required of social worker or eligibility worker personnel.
- To investigate cases to the point where the possibility of fraud is either ruled out or substantiated.
- To investigate cases of eligibility irregularity in sufficient depth as necessary to establish the amount and period of overpayment.
- To prepare investigation reports for internal use.
- To prepare referrals to the Office of the District Attorney where appropriate.
- To act as custodian of records and as expert witness as to welfare regulations, policies, and procedures at the time of trial.
- To act as liaison with the Office of District Attorney and other law enforcement agencies regarding criminal procedures.
- To investigate, on a selectively assigned basis, serious personnel problems within the Welfare Department.

It may be noted that the Special Investigations Unit (SIU) provides services to all categories of aid (including the Food Stamp, Medi-Cal, and General Assistance Programs) as needed.

The Assistant Welfare Investigators are assigned the full-time function of investigating stolen and forged warrants, ATP's, etc.

The Special Investigations Unit operates in all of the following areas:

- Suspected welfare ineligibility or overpayment not resolved by eligibility workers or social workers.
- Allegations of fraud in AFDC cases.
- Allegations of fraud in the adult programs.
- Boarding home violations.
- Food Stamp eligibility violations.
- Food Stamp thefts and burglaries of Food Stamp outlets.

Investigations of forged endorsements on warrants.  
Investigation of forged endorsements on ATP's.  
Allegations of embezzlement (by employees).

SIU has no collection responsibilities nor is it responsible for any security activities. A possible exception might be that SIU has always called cases to administrative attention which seem to show procedural or systems weaknesses that might invite or tolerate abuse.

Welfare Investigators have no law enforcement status, and therefore, do not carry weapons, make arrests, etc.

Details as to the functions of the three sections follow:

### Preliminary Investigation

The "Preliminary Investigation" came into being to deal with complaints received directly by SIU via the administrative office or the eligibility working staff, or the complaint may have originated from the community, and is of a nature that will require some form of immediate response.

The Preliminary Investigation differs from the Special Eligibility Review in that the complaint is pursued only to the point where a reasonable determination can be made as to the validity of the complaint.

In the event this investigation is sufficient to rule out the allegation as being nothing more than a misunderstanding of the welfare eligibility rules, or a complaint based on malice or vindictiveness, a report form is completed noting the findings and recommending that the matter be investigated no further. This information is then forwarded to the case record for whatever action may be appropriate by the eligibility or social worker.

If, however, this preliminary review develops evidence that the complaint appears to be well-founded, then a brief report is prepared noting the evidence supporting such a finding and a recommendation is made that the matter be assigned to SIU as a Special Eligibility Review.

Copies of this report are forwarded to the case record with the notation that a Request for Investigation Form is required of the eligibility worker.

Preliminary investigation affords opportunity to examine a situation immediately before evidence disappears, memories dim, and/or the mind of the informant changes.

### Special Eligibility Review

In many instances the eligibility irregularity is discovered by the worker and the request for investigation is made directly to SIU.

The Special Eligibility Review differs from the Preliminary Investigation largely in a matter of investigatory depth and detail. In general, the guideline is to pursue the matter to the point where the investigator, using case evidence and evidence developed through his investigation, can validly support a recommendation in each of the two following areas:

#### A recommendation to the eligibility worker regarding current eligibility.

This recommendation may go into overpayment computation, discontinuance, reduction in grant, etc., but must be based on the necessary evidence to justify any such action.

#### A recommendation as to the probability of fraud.

If the investigator's analysis of the evidence is such as to rule out the possibility of fraud, then he so states in his recommendation. His report is typed up, including the recommendation, forwarded to the worker, and the matter is closed out of SIU records.

If the investigator's evaluation is to the effect that fraud probably exists, his report includes a recommendation to "Refer to Fraud" (which is done automatically within SIU), and a copy of the report is forwarded to the case record so that the worker will be aware of what has transpired and may take whatever action recommended regarding current eligibility.

The investigator assigned the Special Eligibility Review has the responsibility to obtain any "hard" evidence which is immediately available; however, he is not required to hold up the disposition of the case until such evidence is obtained. In the process it is felt that "preponderance of evidence" (which may be verbal, or frequently based on hearsay) will, if reasonable enough in quality and consistency, support an overpayment computation.

### Fraud Investigation

If the Special Eligibility Review results in a finding of probable fraud, the eligibility worker is notified and is given a recommendation with supporting reasons relative to overpayment computation, continued eligibility, etc., and the matter is then referred to Fraud and reassigned to a Fraud Investigator.

The Fraud Investigator works from the case record beginning at the point where the special eligibility investigation left off. He will continue the investigation in areas which might have been ignored or

covered only superficially in the special eligibility phase of investigation.

After the investigation is completed, he evaluates the results of the total investigation in terms of prosecutability. If there is a legal barrier to prosecution, such as the death of an essential witness, the removal of a key witness to such a distance as to render his return impractical, or the statute of limitations has expired, he may elect to refer the matter informally to the District Attorney.

An "Informal Referral" consists of a single page document which outlines basic details as to what transpired and the results of the investigation as well as the investigator's recommendation and reason for closing.

Alternatively, if the investigator's analysis of the situation is such that he feels prosecution is feasible, then he prepares a "Formal Referral." The formal referral is a detailed report of the evidence, statements of witnesses, etc., and is accompanied by a "Fact Sheet" which states in detail the agency's contacts with the defendant, especially those wherein the defendant has made statements pertinent to the alleged fraud or has failed to make disclosures at a time which normally would have been deemed appropriate for such disclosures.

In addition, it will be accompanied by an overpayment computation which will furnish the amounts of overpayment and the periods of such overpayments.

It is a request that a complaint be issued by the Office of the District Attorney.

#### District Attorney Review

SDSW regulations require that all cases of suspected fraud be referred to the District Attorney.

The investigator evaluates the evidence and then, in the event he feels the case cannot be successfully prosecuted, he refers the matter to the District Attorney's Office as an Informal Referral.

Conversely, if his evaluation indicates the probability of successful prosecution, he submits a Formal Referral to the Office of the District Attorney.

Upon receipt of the Informal Referral, the District Attorney's Office generally concurs with SIU recommendations that the matter be closed for whatever reason is applicable (i.e., statute of limitations, lack of evidence, lack of witnesses, etc.). At this time, the District Attorney Reviewer completes the ABCDM 272 Form indicating such concurrence, and returns it to SIU where the Fraud Investigator makes the appropriate welfare case entry advising of the manner in which the matter has been disposed of.

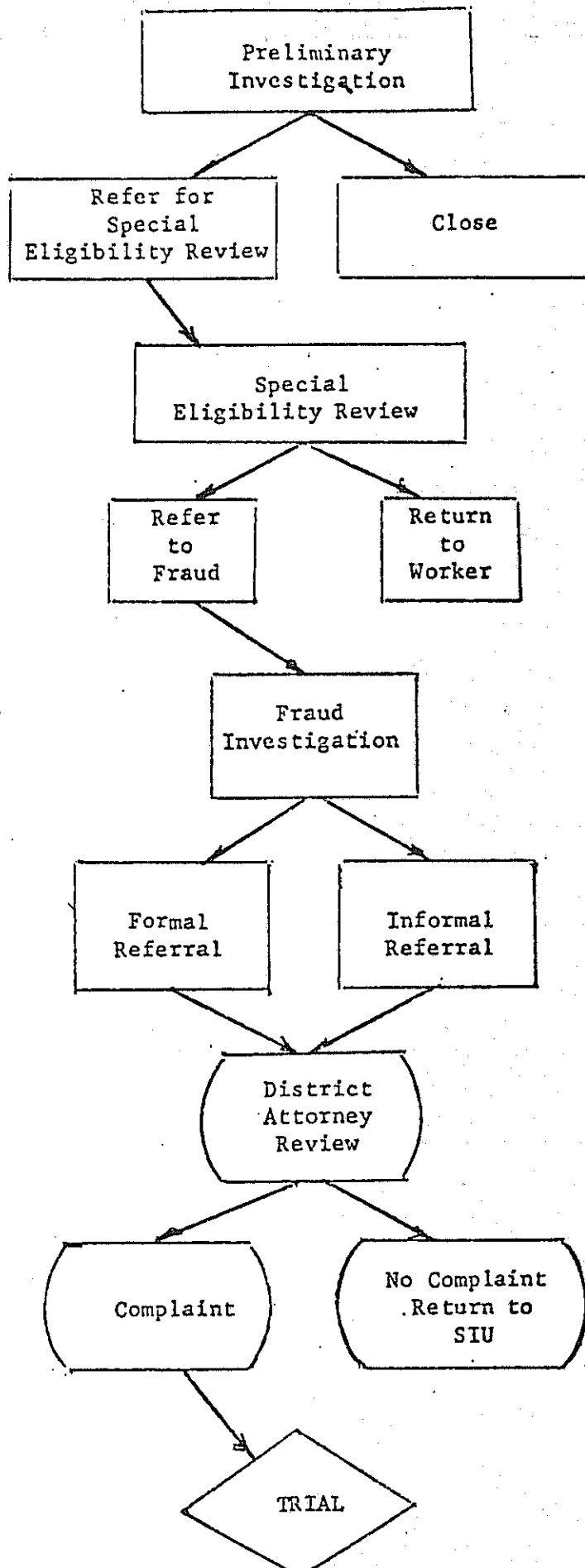
In the case of the Formal Referral, however, the District Attorney's review may well culminate in the preparation and filing of a complaint. If this situation prevails, the Fraud Investigator who prepared the referral acts as the Welfare Departmental representative and signs the complaint upon which an arrest warrant will be issued.

During this time, the Fraud Investigator is available to the District Attorney's Office for conference, consultation, etc., so that although the case is no longer considered to be in the investigator's case load, he still has certain responsibilities to the case.

Upon the conclusion of whatever court action there may be, the District Attorney's Office will complete the ABCDM 272 Form indicating the final court disposition and return it to SIU where the Fraud Investigator, again, has the same responsibility for making the appropriate case entry closing the matter and reporting statistical accomplishments.

The flow of cases through the SIU is illustrated in Table No. 8.

TABLE 8  
CASE FLOW PROCEDURES  
ALAMEDA COUNTY SPECIAL INVESTIGATIONS UNIT



SPECIAL INVESTIGATIONS UNIT STATISTICS, FISCAL 1972

	Fraud Investigations		Citation Hearings		Judgments & Convictions	
	AFDC	Adult	AFDC	Adult	AFDC	Adult
1st Quarter	96	15	0	0	34	1
2nd Quarter	94	17	0	0	25	2
3rd Quarter	88	26	0	0	29	1
4th Quarter	75	29	0	0	32	3
Total	<u>353</u>	<u>87</u>	<u>0</u>	<u>0</u>	<u>120</u>	<u>7</u>

Alameda County Welfare Caseload, 1/1/72: 57,419

Contra Costa County

Contra Costa County has an Investigative Service Unit (ISU) for the investigation of recipient fraud under the overall supervision of Allan Thomason, Supervising Welfare Investigator. Contra Costa County Welfare Department is divided into four districts: Richmond, San Pablo, Pittsburg and Pleasant Hill. Each district has one welfare investigator, who is supervised by the Income Maintenance Chief of the district.

Fraud investigators handle suspected welfare ineligibility and over-payments not resolved by the eligibility workers; allegations of fraud in AFDC and adult programs; food stamp eligibility violations; and forged endorsements on warrants and ATP's.

The District Attorney's Office handles all investigations of allegations of embezzlement by employees and other related matters.

Fraud investigations cannot be initiated by the welfare investigators assigned to ISU without prior approval of the supervising Income Maintenance Chiefs.

Investigators submit reports and review the results of their investigations for adequacy prior to referral to the deputy district attorney for prosecution, but the fraud investigative staff does not make the final decision as to whether such a referral is to be made, this decision being made at the supervisory level.

INVESTIGATIVE SERVICE UNIT STATISTICS, FISCAL 1972

	Fraud Investigations		Citation Hearings		Judgments & Convictions	
	AFDC	Adult	AFDC	Adult	AFDC	Adult
1st Quarter	118	20	35	5	8	2
2nd Quarter	132	14	53	9	4	1
3rd Quarter	119	16	48	7	9	0
4th Quarter	133	17	22	6	9	0
Total	<u>502</u>	<u>67</u>	<u>158</u>	<u>27</u>	<u>30</u>	<u>3</u>

Contra Costa County Welfare Caseload, 1/1/72: 25,999.

### Fresno County

Fresno County's fraud investigative unit is known as the Family Support Division (FSD) headed by James E. Moore, Division Chief, with an authorized staff of two senior support and fraud investigators plus 14 support fraud investigators. The division chief is responsible directly to the county welfare director.

FSD duties include investigation of allegations of recipient fraud in both the adult and AFDC programs, investigation of suspected welfare ineligibility or overpayments not resolved by the eligibility workers, and Food Stamp eligibility violations. The division conducts citation hearings to recover overpayments and presents completed fraud investigations to the district attorney for prosecutive action.

FSD also handles all family support duties including the identification and location of absent parents, resolving of paternity matters, and the collection of support either by negotiated voluntary agreements or formal court orders for collections under supervised probation.

All FSD investigators are deputized by the Sheriff's Department.

#### FAMILY SUPPORT DIVISION STATISTICS, FISCAL 1972

	<u>Fraud Investigations</u>		<u>Citation Hearings</u>		<u>Judgments &amp; Convictions</u>	
	<u>AFDC</u>	<u>Adult</u>	<u>AFDC</u>	<u>Adult</u>	<u>AFDC</u>	<u>Adult</u>
1st Quarter	181	13	39	1	17	1
2nd Quarter	246	13	37	0	10	1
3rd Quarter	250	21	30	1	5	2
4th Quarter	184	16	22	3	2	0
Total	861	63	128	5	34	4

Fresno County Welfare Caseload, 1/1/72: 31,345

### Kern County

Kern County's fraud investigations are made by the Special Investigative Unit (SIU), which is headed by Supervising Welfare Investigator Emery Hubbard. The unit is comprised of one additional supervisor and eight investigators, for a total of 10. There are two additional part-time employees six months of the year and it is anticipated adding two additional investigators during the next fiscal year. The estimated current budget for the SIU is \$161,550.

The SIU investigates suspected welfare ineligibility or overpayment not resolved by eligibility workers, allegations of fraud in the AFDC and adult aid programs, and will investigate Food Stamp eligibility violations beginning in September 1972. It handles all investigations of forged endorsements on warrants, boarding home violations and beginning in September 1972 will investigate Food Stamp thefts and forged endorsements on ATP's.

In addition to its fraud investigative duties, the SIU locates and interviews absent parents, negotiates for and secures repayment of funds fraudulently obtained and follows up to enforce action for collection of such funds. It also collects delinquent or defaulted responsible-relative payments.

The unit has established a firm procedure for investigation of forged warrants, the procedure is as follows:

1. The recipient must report the loss or theft of the warrant to the county welfare department. The eligibility or social worker must then verify with the county auditor's office whether the warrant has been cashed or not and the worker then records on a form known as the Lost Warrant Referral, the name of the recipient, the address to which the warrant was sent, the date of the warrant, its serial number and amount, whether it has been cashed, the date cashed, and the name of the firm cashing. The recipient is then referred with this document to the Auditor's Office to sign a forgery affidavit and to request a reissue of the warrant. In each case, efforts are made for an SIU investigator to be present at the time the forgery affidavit is signed by the recipient. Investigation is initiated immediately to identify the persons who cashed the warrant.
2. In cases where the warrant is lost or stolen before delivery to the recipient and inquiry with the auditor has established it has not yet been cashed, a stop payment is placed immediately and a new warrant is not reissued for 10 (ten) days.

SIU investigators in Kern County do not have law enforcement status but they do have a sheriff's permit to carry concealed weapons for self-defense.

SPECIAL INVESTIGATIVE UNIT STATISTICS, FISCAL 1972

	Fraud Investigations		Citation Hearings		Judgments & Convictions	
	AFDC	Adult	AFDC	Adult	AFDC	Adult
1st Quarter	180	20	0	0	16	5
2nd Quarter	141	19	0	0	10	10
3rd Quarter	191	55	0	0	26	34
4th Quarter	186	29	12	3	34	19
Total	698	123	12	3	86	68

Kern County Welfare Caseload, 1/1/72: 20,036

Orange County

Orange County has a Special Investigative Unit under the direction of Gerald F. Schultz, Supervising Welfare Investigator, employing

four investigators with an annual budget of \$97,572. There will be an estimated increase of \$30,000 and two investigators next fiscal year. The unit supervisor is directly responsible to the Social Services Supervisor of the Quality Control Program.

The unit investigates suspected welfare ineligibility or overpayments not resolved by eligibility, allegations of fraud of AFDC and adult programs, forged warrants, forged ATP violations and Food Stamp thefts and eligibility violations. The unit also conducts investigations to locate missing parents in support of adoption programs, investigates complaints of child abuse and neglect and makes internal investigations when specifically requested to do so by the county welfare director.

Orange County SIU investigators are deputized.

SPECIAL INVESTIGATIVE UNIT STATISTICS, FISCAL 1972

	Fraud Investigations		Citation Hearings		Judgments & Convictions	
	AFDC	Adult	AFDC	Adult	AFDC	Adult
1st Quarter	55	7	0	0	15	0
2nd Quarter	200	16	2	0	12	0
3rd Quarter	152	16	0	0	28	0
4th Quarter	131	24	0	0	104	10
Total	538	63	2	0	159	10

Orange County Welfare Caseload, 1/1/72: 34,275.

Riverside County

Riverside County has a Special Investigative Unit under the direction of Norbert Phister, Financial Resources Supervisor, with four investigators assigned. The Unit supervisor is directly responsible to the Deputy Director for Administration.

The unit investigates suspected welfare ineligibility or overpayments not resolved by the eligibility workers, recipient fraud in both the adult and AFDC programs, Food Stamp eligibility violations, and investigates internal frauds. The unit also makes recommendations for internal controls to prevent embezzlements. Investigators have no law enforcement status. Following the submission of the investigative reports, cases are referred by the unit supervisor to the District Attorney's Office for prosecution. If prosecution is indicated, the district attorney's representatives file the complaints, issue the subpoenas and present the cases in court.

SPECIAL INVESTIGATIVE UNIT STATISTICS, FISCAL 1972

	Fraud Investigations		Citation Hearings		Judgments & Convictions	
	AFDC	Adult	AFDC	Adult	AFDC	Adult
1st Quarter	87	12	8	9	29	1
2nd Quarter	69	15	13	3	42	0
3rd Quarter	69	9	7	2	20	0
4th Quarter	89	17	3	7	26	1
Total	314	53	31	21	117	2

Riverside County Welfare Caseload, 1/1/72: 26,806

Sacramento County

The following concerning Sacramento County was summarized from material submitted by James S. Andrews.

Sacramento County handles its fraud investigation through its Welfare Investigation Bureau (WIB). The Bureau Chief is James S. Andrews. The Bureau is comprised of Andrews, two supervisors, six fraud investigators, three collection investigators, two forgery investigators, two Food Stamp investigators, one responsible relative investigator, and one security investigator, totaling 18. In addition, there are 18 clerical personnel assigned including a responsible relative interviewer and a collection interviewer. The budget for fiscal 1972 was \$375,000 for administrative costs and \$14,710 for equipment. All investigators have law enforcement status with authority to carry weapons.

The Investigation Bureau of the Sacramento County Welfare Department is currently responsible for the following areas.

Fraud Investigations

The Bureau is responsible for the investigation of all complaints regarding fraud in all AFDC, Adult, General Relief, Food Stamp and Social Service programs administered by the department.

Food Stamp Violations

The Bureau is responsible for investigations concerning fraud in the eligibility determination process in the food stamp program administered by the department.

### Forgery and Stop-Payment Warrants and Checks

The Bureau is responsible for the investigation of all reported forgeries and stop-payments of negotiable documents generated by the department.

### Boarding Home Violations

The Bureau is responsible for investigations involving complaints of violations committed by licensed boarding homes and operators.

### In-Service Training

The Bureau is responsible for training of staff in the prevention and detection of welfare fraud.

### Security

The Bureau is responsible for security evaluations pertaining to physical and internal controls. Investigations incidental to security requirements of the department are also in this area of responsibility.

### Fingerprinting

The Bureau is responsible for fingerprinting all applicants of foster home and day care licenses.

### Collections

The Bureau is responsible for reviewing all overpayments made by the department as well as taking appropriate action to secure or collect on collectable overpayments.

### Responsible Relatives

The Bureau is responsible for contacting, assessing liabilities and collecting payments from responsible children of Old Age Security recipients.

### Special Assignments

On occasion the Bureau is called on to furnish recommendations to the top administration on subjects outside a regulatory function. The subjects usually deal with administrative functions which may have a bearing on departmental integrity.

## Principal Duties of the Investigative Unit

### Unreported Income

Investigation of cases referred for suspicion of unreported income from any source (employment, in-kind income, gifts, settlements, or government money such as UIB).

### Unreported Employment

Investigation of cases referred where the social worker has reason to believe the recipient is employed and has not notified the Welfare Department.

### Unreported Change in Family Budget Unit

Cases referred where the worker has reason to believe that there has been a change in the family composition such as a child leaving the home, for which the Welfare Department is paying, and the absence of the child has not been reported, or a child 16 or 17 years old leaving school and not being reported.

### Overpayments

Investigation of cases where the worker has evidence that the overpayment that exists is not an administrative error, but is in fact the result of some specific act of the recipient to perpetrate fraud.

### Absent Father Contributions

Investigation of absent father contributions made directly to the recipient which are not being reported.

### Unreported Property

Investigation of cases where the worker has reason to believe that the recipient is in possession of or owns personal or real property not declared during the affirmation of eligibility.

### Licensing Violations

Investigation of those cases referred where there is suspicion on the part of the workers that a county-licensed home (boarding home, foster home, etc.) is in violation of the standards required for the license, or instances where a home is being operated without being duly licensed. (Specifically with respect to children's homes.)

An Investigative Unit cannot be justified on a basis of dollar savings. The deterrent effect of an investigative unit within the Welfare Department as well as the rapid review and action taken on cases because of the proximity of investigators to social work staff, are the major benefits derived from establishment of this unit.

WELFARE INVESTIGATION BUREAU STATISTICS, FISCAL 1972

	<u>Fraud Investigations</u>		<u>Citation Hearings</u>		<u>Judgments &amp; Convictions</u>	
	<u>AFDC</u>	<u>Adult</u>	<u>AFDC</u>	<u>Adult</u>	<u>AFDC</u>	<u>Adult</u>
1st Quarter	265	52	0	0	97	35
2nd Quarter	246	65	0	0	48	23
3rd Quarter	343	79	0	0	117	59
4th Quarter	478	211	47	25	74	42
Total	<u>1,332</u>	<u>407</u>	<u>47</u>	<u>25</u>	<u>336</u>	<u>159</u>

Sacramento County Welfare Caseload, 1/1/72: 40,510

San Bernardino County

San Bernardino's county fraud investigative unit is known as the Special Services Unit (SSU). It is headed by Edward Vieths, Jr., Special Services Supervisor, and there are three investigators assigned to the unit. The unit handles only recipient fraud allegations in the AFDC and the adult programs and investigations of suspected welfare ineligibility or overpayment not resolved by the eligibility worker. Investigators have no law enforcement status. Statistics for this unit for fiscal 1972 are as follows:

SPECIAL SERVICES UNIT STATISTICS, FISCAL 1972

	<u>Fraud Investigations</u>		<u>Citation Hearings</u>		<u>Judgments &amp; Convictions</u>	
	<u>AFDC</u>	<u>Adult</u>	<u>AFDC</u>	<u>Adult</u>	<u>AFDC</u>	<u>Adult</u>
1st Quarter	63	9	0	0	3	2
2nd Quarter	380	18	0	0	33	2
3rd Quarter	147	30	0	0	11	0
4th Quarter	54	13	0	0	4	0
Total	<u>644</u>	<u>70</u>	<u>0</u>	<u>0</u>	<u>51</u>	<u>4</u>

San Bernardino County Welfare Caseload, 1/1/72: 35,828

### San Diego County

Fraud investigations in San Diego County are handled in the Welfare Investigation Unit (WIU), supervised by Carl N. Coleman, Supervising Investigator. He is responsible directly to the county welfare director. His staff consists of three investigators and two senior social workers. He has a budget of \$97,100 for fiscal 1972. The unit investigates suspected welfare ineligibility or overpayment not resolved by eligibility workers, allegations of fraud in AFDC and adult cases, investigations of forged endorsements on warrants and ATP's and will handle investigation of food stamp violations when the Food Stamp program is adopted by the county in the near future. None of the investigators of this unit have law enforcement status.

The supervising investigator reports that San Diego County has a large backlog of pending cases and is in need of additional staff.

#### WELFARE INVESTIGATION UNIT STATISTICS, FISCAL 1972

	<u>Fraud Investigations</u>		<u>Citation Hearings</u>		<u>Judgments &amp; Convictions</u>	
	<u>AFDC</u>	<u>Adult</u>	<u>AFDC</u>	<u>Adult</u>	<u>AFDC</u>	<u>Adult</u>
1st Quarter	606	105	0	0	43	1
2nd Quarter	514	81	0	0	63	2
3rd Quarter	497	54	0	0	64	0
4th Quarter	378	41	0	0	57	5
Total	1,995	281	0	0	227	12

San Diego County Welfare Caseload, 1/1/72: 52,413.

### San Francisco County

The following survey of San Francisco County's investigative units was made by Alfred Brown, Supervisor of Unit 210, and Robert Cowan, Supervisor of the AFDC Income Maintenance System.

San Francisco County recipient fraud investigations are handled by two separate units. Suspected welfare ineligibility or overpayment not resolved by eligibility workers and allegations of fraud in the adult programs are investigated by the Adult Fraud Investigation Unit (No. 210), under the supervision of Alfred Brown, social workers supervisor, with a staff of three eligibility workers. The estimated budget for fiscal 1972 was \$44,750, and an increase for next year is anticipated. The head of the unit is directly responsible to the Assistant Director of Income Maintenance.

A detailed report of the investigative duties of this unit was submitted to the unit supervisor.

The duties of the Unit are:

Handling suspected adult program welfare ineligibility or overpayment not resolved by eligibility workers or social workers (i.e., on closed cases; inter-county cases).

Investigating some AFDC fraud allegations, working with the AFDC fraud unit, particularly where combined fraud may exist.

Investigating all allegations of fraud in adult programs.

The unit does not handle boarding home violations (none received as yet)--but has been handling alleged attendant care and homemaker fraud.

It does handle some food stamp fraud cases when recipient is an assistance case, and does refer food stamp fraud allegations and assists in investigations of them for nonassistance or "mixed household" cases.

It does not investigate food stamp thefts or burglaries of food stamp outlets.

The unit investigates forged endorsements on warrants, but does not investigate forged endorsements of ATP's.

Nor does it investigate allegations of embezzlement.

The unit assists in computing overpayments and claims and submits same to Department Collections Unit and District Attorney where indicated.

Management Services Unit is responsible for physical security and thefts. The unit was assigned the Adult Fraud Investigations function in December 1971 and is charged primarily with the investigation of fraud in OAS and ATD.

Investigators are:

not deputized law enforcement officials,  
do not carry weapons, and  
do not make arrests.

Fraud referral procedures of this unit are:

OAS and ATD staff refer to Special Investigations Unit 210 for investigation and referral to the District Attorney for prosecution, when appropriate, any OAS or ATD cases in which it is believed that aid may have been received fraudulently. (Prompt referral is essential in order to assure prosecution before the statute of limitations makes prosecution impossible.)

Aid is received fraudulently when a person has given misinformation or withheld information with the intent to receive aid to which he knew he was not entitled and he did, in fact, receive aid on the basis of his verbal or written statements. The District Attorney makes the decision whether the evidence warrants prosecution of an alleged felony as a felony, or as a misdemeanor, or whether any prosecution is warranted.

Defendants may be charged in all cases with violation of W&I Code, Section 12250 and 12251 if receiving OAS and Section 13800 and 13801 if receiving ATD.

When \$200 or less in aid payments or medical costs was received fraudulently, the prosecution must begin within one year from the date of the last payment of the aid received fraudulently. Similarly, when the charge is the giving of false information or the withholding of pertinent information, prosecution must begin within one year from the date on which the misinformation was given, or the pertinent information was withheld.

Where more than \$200 in aid or medical costs has been obtained fraudulently and the District Attorney decides to prosecute on a felony charge, the prosecution must begin within three years from the date of discovery of the felony.

Unit 210 discusses with the District Attorney's Office all cases where any point is questionable, including amount of aid obtained fraudulently, intent, statute of limitations, or perjury.

In all cases where Unit 210 believes fraud has occurred, the following steps are to be taken:

#### The Interview

If the address of the suspect is known, he is to be called in for a face-to-face interview by a member of Unit 210. This interview is for the later identification in court of the suspect, and to obtain the suspect's side of the story, and to determine if any extenuating circumstances exist.

#### The Complaint Packet

This packet is prepared by Unit 210 and hand-forwarded to the District Attorney's welfare investigator in all cases where Unit 210 concurs that fraud has occurred. The packet consists of the following:

District Attorney's Identification Memo (WB-3202-F 167A).

A list of the names, addresses, and telephone numbers of all witnesses and brief statements of what their testimony will be.

The "Declaration in Support of Criminal Complaint." This Declaration must contain three essential elements:

- How and when the fraud was discovered and how it was committed.
- That examination of DSS records and documents indicates that the suspect concealed, failed to disclose, or denied under oath the facts specified.
- That the Unit 210 worker interviewed and identified the suspect as being the person who received aid to which he was not entitled, and that the suspect did or did not admit to the fraudulent aid. Attached are any statements made by the suspect.

Form ABCDM-272 (Page 3 of this form is detached and retained by the District Attorney's Investigator pending the disposition of the referral).

All other supporting documents or exhibits. One copy of each of the above items is retained in the Unit 210 fraud case record.

#### Review of the Packet by the District Attorney's Office

The District Attorney's Office, specifically, an assistant District Attorney, reviews each Complaint Packet to determine if prosecution is necessary or feasible. If the District Attorney's Office decides not to prosecute, the Packet is returned to Unit 210 explaining why no prosecution will occur; included will be copies of Page 3 of the ABCDM 272 to Unit 210, explaining the disposition of the case. If the District Attorney's Office decides to prosecute in felony cases, the Assistant District Attorney will prepare the Complaint to be signed by the Unit 210 supervisor. In misdemeanor situations a complaint is not issued; instead the District Attorney issues a citation to the client which summons him to appear in Court. For all cases, either felony or misdemeanor, when the Unit 210 E. W. has been unable to interview the suspect, a memo so indicating will be attached to the Complaint Packet.

If the District Attorney's Office decides that prosecution should take place on a misdemeanor charge, and the whereabouts of the suspect is known, the District Attorney's Investigator will notify Unit 210 and send out the "Report-to-the-Fraud-Detail" Letter.

#### The "Report" Letter

This letter is sent out by Unit 210 upon instructions from the District Attorney's Investigator, and is sent only in misdemeanor cases where the suspect's address is known. The purpose of the letter is to permit the suspect to receive a police citation rather than be arrested. The letter is signed by the Unit 210 supervisor and is a request for the suspect to report to the SFPD Fraud Detail to receive a police citation. The letter should state the period during which the fraud was committed.

### Citation Procedure

- When the suspect receives the letter, he is required to report to the SFPD Fraud Detail. If he does report, he is handed a citation to appear in court for arraignment. The Fraud Detail notifies Unit 210 of the issuance of the citation, and also notifies the District Attorney's Investigator.
- If the suspect receives the citation, but does not appear in Court on the scheduled date, the Court will issue a bench warrant for his arrest. The District Attorney's Office then prepares the Municipal Court Complaint, which is signed by the Unit 210 supervisor.
- If the suspect does not report to the Fraud Detail after the "Report" letter is sent out, the Fraud Detail shall so notify Unit 210 and the District Attorney's Investigator after a grace period of about one week. The District Attorney's Office then prepares the Municipal Court Complaint and the Unit 210 supervisor signs it. In all cases, the District Attorney's Investigator already has the Complaint Packet, so that action may be taken at any point where the client fails to report.

### District Attorney Responsibility

The District Attorney will take responsibility for summoning pertinent witnesses to Court as well as for obtaining from the Controller any necessary copies of aid payment warrants.

Investigations of suspected welfare ineligibility or overpayment not resolved by eligibility workers and allegations of fraud in AFDC cases are investigated by the AFDC Special Investigative Unit (No. 38) under the supervision of Frank Fredericks, Child Welfare Supervisor, with a staff of three special investigators and a current budget of \$36,966. None of the investigators have law enforcement status. All investigations of forged endorsements on warrants and all internal fraud matters are handled by either the local police department or the District Attorney's Investigators.

Procedures followed were supplied by the Unit Supervisor.

The name and title of the Department administrative staff to whom the SIU supervisor is directly responsible is Miss Sarah McCutcheon, Senior Social Welfare Supervisor.

The AFDC SIU investigates all reports of fraud. Eligibility Workers forward to SIU, reports of ineligibility and overpayments when not resolved by themselves. SIU receives numerous complaints of alleged fraud from outside persons, other agencies, the District Attorney's Office, and SFPD. All cases of suspected fraud are investigated.

The field investigation may involve interviewing eligibility workers, recipients, family members, businesses, neighbors, and/or getting reports from governmental agencies. Information from the welfare data bank is used, when indicated, through use of the televueing terminal or print-out machine.

Upon completion of the investigation, a report is prepared substantiating or disproving the allegation of fraud, and this report is sent to the Eligibility Worker if the case is active or to the case record if it is closed.

If fraud has been substantiated, a packet of material is prepared for referral of the case to the District Attorney, and the case is reviewed with him if necessary. If the District Attorney decides to prosecute, the Unit Supervisor and/or investigator are available to give testimony if called upon.

The Unit Clerk types the correspondence; answers inquiries from District Attorney's investigators for routine information, e.g., Income Maintenance case location; prepares case files and file cards for fraud cases.

The SIU unit also has a Child Support Worker and a Medically Needy Only Validator. The Supervisor and Unit Clerk spend approximately 85% and 60% of their respective time on special investigative work.

The AFDC SIU unit does not handle allegations of fraud in the Adult Programs; boarding home violations; Food Stamp eligibility violations; Food Stamp thefts and burglaries of Food Stamp outlets. It may cooperate with Controller or SFPD in forged endorsements on warrants, but does not handle them routinely; does not investigate forged endorsements on ATP's; does not investigate embezzlement by DSS employees; does not collect overpayments or delinquent responsible relative payments; is not responsible for any physical security functions. It has the same responsibility as any other unit to recommend perceived methods of control against embezzlement or thefts.

SIU Investigators are not deputized and have no law-enforcement status, do not carry weapons or make arrests.

SPECIAL INVESTIGATIVE UNITS STATISTICS, FISCAL 1972

	Fraud Investigations		Citation Hearings		Judgments & Convictions	
	AFDC	Adult	AFDC	Adult	AFDC	Adult
1st Quarter	91	7	8	0	23	0
2nd Quarter	71	1	3	0	13	0
3rd Quarter	140	2	7	0	29	0
4th Quarter	119	19	0	0	32	0
Total	421	29	18	0	97	0

San Francisco County Welfare Caseload, 1/1/72: 55,630

San Joaquin County

San Joaquin County has a Special Investigative Unit supervised by J. M. Gundert, Financial Resources Supervisor. He has a staff of four

investigators, and is responsible directly to the Assistant County Welfare Director. This unit handles investigations of suspected welfare ineligibility or overpayment not resolved by eligibility workers, allegations of fraud in both the AFDC and adult programs, allegations of embezzlement by employees and it has responsibility for physical security and recommends internal controls to guard against embezzlement or thefts. Investigators have no law enforcement status. San Joaquin County statistics are as follows:

SPECIAL INVESTIGATIONS UNIT STATISTICS, FISCAL 1972

	Fraud Investigations		Citation Hearings		Judgments & Convictions	
	AFDC	Adult	AFDC	Adult	AFDC	Adult
1st Quarter	22	3	0	0	5	0
2nd Quarter	27	5	0	0	4	0
3rd Quarter	24	3	0	0	13	1
4th Quarter	38	6	7	0	6	0
Total	<u>111</u>	<u>17</u>	<u>7</u>	<u>0</u>	<u>28</u>	<u>1</u>

San Joaquin County Welfare Caseload, 1/1/72: 22,209.

Santa Clara County

Fraud investigations in this county are conducted by the Law Enforcement Services Unit (LESU), supervised by Eugene R. Simpson, with a staff of five investigators.

The budget for fiscal 1972 was \$96,192 and the county plans to add three additional investigators next fiscal year. The unit supervisor is directly responsible to the Supervisor of Investigations and Collections. The unit investigates suspected welfare ineligibility or overpayments not resolved by the eligibility workers, allegations of fraud in both the AFDC and the adult programs, food stamp eligibility violations, food stamp thefts, allegations of embezzlement by employees, and makes recommendations for internal controls to guard against embezzlements or thefts. It does limited investigation of forged endorsements on warrants, investigating these cases only when it is believed the recipient himself is involved in a forgery. Boarding home and day care license violations are also referred to the unit for investigation.

LAW ENFORCEMENT SERVICE UNIT STATISTICS, FISCAL 1972

	Fraud Investigation		Citation Hearings		Judgments & Convictions	
	AFDC	Adult	AFDC	Adult	AFDC	Adult
1st Quarter	58	5	0	0	8	1
2nd Quarter	165	15	0	0	6	0
3rd Quarter	231	41	31	11	41	17
4th Quarter	166	36	23	8	46	12
Total	620	97	54	19	101	30

Santa Clara County Welfare Caseload, 1/1/72: 41,754

3. Group "C" Counties

Butte County

Butte County Welfare Department has a Fraud Investigations Unit (FIU) headed by Lawrence M. Ricks, Supervising Investigator, with one welfare fraud investigator. The annual budget is \$20,600 plus mileage allowance. The supervising investigator is responsible directly to the county welfare director. The unit investigates suspected welfare ineligibility or overpayment not resolved by eligibility workers, allegations of fraud in AFDC and adult cases, commodity eligibility violations and thefts, investigations of forged endorsements on warrants and ATP's, boarding home violations, allegations of embezzlement by employees, is responsible for physical security and recommends internal controls to guard against embezzlement or thefts. The unit also conducts investigation to locate absent parents and it coordinates the information with the District Attorney's Family Support Division.

Deputizing of the investigators is pending under PC 830.11. They carry concealed weapons' permits issued through the Butte County sheriff's office, they make arrests in special duty only and may issue citations.

FRAUD INVESTIGATIVE UNIT STATISTICS, FISCAL 1972

	Fraud Investigations		Citation Hearings		Judgments & Convictions	
	AFDC	Adult	AFDC	Adult	AFDC	Adult
1st Quarter	2	0	0	0	0	2
2nd Quarter	0	0	0	0	0	0
3rd Quarter	0	0	0	0	0	0
4th Quarter	0	0	0	0	0	0
Total	2	0	0	0	0	2

Butte County Welfare Caseload, 1/1/72: 6,830.

Humboldt County

Humboldt County Welfare Department has an Investigations-Licensing Unit, headed by Lawrence Blythe, with one fraud investigator and a budget for fiscal 1972 of \$19,503. The unit head is directly responsible to a social service supervisor. The unit investigates suspected ineligibility or overpayment, not resolved by eligibility workers, allegations in fraud and AFDC and adult cases, food stamp eligibility violations, investigates forged endorsements on warrants and ATP's, boarding home violations and allegations of embezzlement by employees. The investigator has no law enforcement status. The investigator also assists in staff training sessions on prevention of fraud. It has been proposed by the District Attorney and the county welfare director that all child support investigative functions be placed under the District Attorney's senior investigator's supervision and the county welfare department's investigative staff be increased by two investigators effective July 1, 1972, and the investigative staff be housed in the welfare department to maintain full and continuing study of eligibility and grant operations.

INVESTIGATIONS-LICENSING UNIT STATISTICS, FISCAL 1972

	Fraud Investigations		Citation Hearings		Judgments & Convictions	
	AFDC	Adult	AFDC	Adult	AFDC	Adult
1st Quarter	31	2	0	0	2	0
2nd Quarter	20	0	1	0	1	0
3rd Quarter	44	0	0	0	5	0
4th Quarter	20	0	1	0	3	0
Total	115	2	2	0	11	0

Humboldt County Welfare Caseload, 1/1/72: 6,030.

Imperial County

Imperial County has a Special Investigative Unit comprising one welfare fraud investigator who is directly responsible to the county welfare director. He investigates suspected welfare ineligibility or overpayment not resolved by eligibility workers, collects overpayment of delinquent or defaulted responsible relative payments, investigates allegations of fraud in the AFDC and adult programs, and investigates allegations of internal fraud. He has no law enforcement status. He acts as a liaison officer between the welfare department and the District Attorney's Office.

SPECIAL INVESTIGATIVE UNIT STATISTICS, FISCAL 1972

	<u>Fraud Investigations</u>		<u>Citation Hearings</u>		<u>Judgments &amp; Convictions</u>	
	<u>AFDC</u>	<u>Adult</u>	<u>AFDC</u>	<u>Adult</u>	<u>AFDC</u>	<u>Adult</u>
1st Quarter	58	5	0	0	0	0
2nd Quarter	53	10	0	0	0	0
3rd Quarter	29	3	0	0	1	0
4th Quarter	40	8	0	0	0	1
Total	<u>180</u>	<u>26</u>	<u>0</u>	<u>0</u>	<u>1</u>	<u>1</u>

Imperial County Welfare Caseload, 1/1/72: 5,329.

Marin County

Marin County Welfare Department does not have a special investigator unit. The District Attorney's Office investigates all welfare fraud cases, through its Family Support Division which has three investigators assigned to fraud matters.

COUNTY STATISTICS, FISCAL 1972

	<u>Fraud Investigations</u>		<u>Citation Hearings</u>		<u>Judgments &amp; Convictions</u>	
	<u>AFDC</u>	<u>Adult</u>	<u>AFDC</u>	<u>Adult</u>	<u>AFDC</u>	<u>Adult</u>
1st Quarter	17	0	0	0	2	0
2nd Quarter	13	6	3	0	5	0
3rd Quarter	14	1	3	3	2	0
4th Quarter	4	1	1	0	2	0
Total	<u>48</u>	<u>8</u>	<u>7</u>	<u>3</u>	<u>11</u>	<u>0</u>

Marin County Welfare Caseload, 1/1/72: 5,157

Merced County

Merced County has a Special Investigation Unit headed by Edward F. White, Financial Resources Supervisor. One eligibility worker is assigned to the unit and the unit head is responsible directly to the Special Services Division supervisor. In connection with fraud investigators, the unit works with the District Attorney's Office after the case is referred and also works with the District Attorney in his Family Support Division after failure-to-provide cases are referred. The unit is responsible for OAS responsible relative liability property ownership research for such functions. The unit investigates suspected welfare ineligibility

or overpayments that are not resolved by the eligibility workers and collects overpayment or delinquent or defaulted responsible relative payments, investigates forged endorsements on warrants as well as the above mentioned allegations of fraud in AFDC and adult cases. The investigators hold no law enforcement status.

SPECIAL INVESTIGATION UNIT STATISTICS, FISCAL 1972

	Fraud Investigations		Citation Hearings		Judgments & Convictions	
	AFDC	Adult	AFDC	Adult	AFDC	Adult
1st Quarter	5	1	0	0	0	1
2nd Quarter	1	0	0	0	1	0
3rd Quarter	3	0	0	0	1	0
4th Quarter	18	0	0	0	0	0
Total	<u>27</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>2</u>	<u>1</u>

Merced County Welfare Caseload, 1/1/72: 7,152

Monterey County

Monterey County does not have a special investigation unit within the county welfare department and all investigation of welfare fraud matters are conducted by the Family Support Division of the District Attorney's Office.

COUNTY STATISTICS, FISCAL 1972

	Fraud Investigations		Citation Hearings		Judgments & Convictions	
	AFDC	Adult	AFDC	Adult	AFDC	Adult
1st Quarter	12	6	3	1	3	0
2nd Quarter	6	5	6	6	0	0
3rd Quarter	4	2	5	0	0	0
4th Quarter	10	10	2	4	0	0
Total	<u>32</u>	<u>23</u>	<u>16</u>	<u>11</u>	<u>3</u>	<u>0</u>

Monterey County Welfare Caseload, 1/1/72: 9,484.

San Luis Obispo County

Fraud investigation is conducted in the Child Support Unit (CSU) headed by Sam McCollum, with one program assistant and two investigators. The unit head is directly responsible to the county welfare director. The

annual budget is \$29,400 (salaries only). It is anticipated that during the fiscal year 1973, one additional investigator and several account clerks will be added to the unit. The unit investigates suspected welfare ineligibility or overpayment not resolved by the eligibility workers, allegations of fraud in AFDC and adult cases, food stamp eligibility violations, food stamp thefts, and investigates forged endorsements on warrants and ATP's and recommends internal controls guarding against embezzlements or thefts. Investigators do not have law enforcement status. Currently, plans are being made to transfer all child support collections to this unit. Some payments are now collected by the District Attorney and the probation department. All collections from OAS responsible relatives are also scheduled to be transferred to this unit. The unit assists in the location of absent parents for child support and refers all matters requiring enforcement to the District Attorney.

CHILD SUPPORT UNIT STATISTICS, FISCAL 1972

	Fraud Investigations		Citation Hearings		Judgments & Convictions	
	AFDC	Adult	AFDC	Adult	AFDC	Adult
1st Quarter	9	2	0	0	1	0
2nd Quarter	7	2	0	0	5	0
3rd Quarter	17	3	0	0	1	0
4th Quarter	14	3	1	0	5	1
Total	<u>47</u>	<u>10</u>	<u>1</u>	<u>0</u>	<u>12</u>	<u>1</u>

San Luis Obispo County Welfare Caseload, 1/1/72: 5,377

San Mateo County

The San Mateo County Welfare Department hired a special investigator during the third quarter of fiscal 1972; however, primary responsibility for fraud investigation lies with the Bureau of Investigation of the San Mateo County District Attorney's Office under the direction of Jack Jones, Chief of Inspectors, and Robert A. Menicutch, Lt. of Inspectors. This unit investigates all possible welfare fraud referred by the San Mateo County Department of Public Welfare and Health or by other government agencies or private citizens. The District Attorney's investigators are peace officers by Penal Code definition and are authorized to carry weapons, make arrests and perform all other law enforcement duties. Statistics compiled by the District Attorney for the period January 1, 1970, through December 31, 1970, relating to welfare fraud are set forth as follows:

Fraud cases active 1/1/70		45
Frauds discovered by District Attorney	24	
Frauds discovered by Welfare Department	<u>79</u>	
Fraud cases received 1/1 - 12/31/70		103
Fraud cases closed 1/1 - 12/31/70		<u>67</u>
Fraud cases active 12/31/70		<u>81</u>
Fraud complaints filed 1/1 - 12/31/70		45
Fraud convictions		30
Cases dismissed upon restitution	3	
Restitution made and no complaint filed	1	
Dismissed for insufficient evidence	4	
Closed due to insufficient evidence for criminal complaint	27	
Cases handled by citation hearing	2	
Restitution ordered during 1970		\$18,005
Fines in fraud cases, 1970		1,355

The 30 fraud convictions received sentences as follows:

Formal probation	1
Formal probation + fine	1
Formal probation + restitution	2
Formal probation + restitution + fine	4
Formal probation + restitution + county jail, suspended	4
Formal probation + county jail, suspended	2
Summary probation	1
Summary probation + fine	2
Summary probation + fine + county jail, suspended	2
Summary probation + restitution	4
Summary probation + restitution + fine	3
Summary probation + county jail, suspended	2
County jail	<u>2</u>
Total	<u>30</u>

COUNTY STATISTICS, FISCAL 1972

	Fraud Investigations		Citation Hearings		Judgments & Convictions	
	AFDC	Adult	AFDC	Adult	AFDC	Adult
1st Quarter	24	0	0	0	8	0
2nd Quarter	23	0	0	0	10	0
3rd Quarter	31	0	0	0	9	0
4th Quarter	56	0	0	0	14	0
Total	<u>134</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>41</u>	<u>0</u>

San Mateo County Welfare Caseload, 1/1/72: 16,368

### Santa Barbara County

Fraud investigations in Santa Barbara County are handled by the Financial Resources Unit under the direction of Anthony Barbaro, Financial Resources Supervisor. The unit consists of six investigators and two eligibility workers and is directly responsible to the assistant county welfare director. Budget for the current fiscal year is \$109,896 with an anticipated increase of one additional welfare investigator and one additional eligibility worker for the next fiscal year.

The unit investigates suspected welfare ineligibility or overpayments not resolved by eligibility workers, allegations of fraud in both the AFDC and adult programs, collections of overpayments, and is responsible for interviewing AFDC applicants at intake regarding the absent parent and conducts investigation to locate the absent parent and sets up support and collection procedures in absent parent payments. The unit also follows through on a regular basis to reevaluate the amount of support given by the absent parent. The investigators have no law enforcement status.

#### FINANCIAL RESOURCES UNIT STATISTICS, FISCAL 1972

	<u>Fraud Investigations</u>		<u>Citation Hearings</u>		<u>Judgments &amp; Convictions</u>	
	<u>AFDC</u>	<u>Adult</u>	<u>AFDC</u>	<u>Adult</u>	<u>AFDC</u>	<u>Adult</u>
1st Quarter	26	1	0	0	3	0
2nd Quarter	24	7	0	0	2	0
3rd Quarter	35	3	1	0	4	0
4th Quarter	30	3	0	0	4	1
Total	<u>115</u>	<u>14</u>	<u>1</u>	<u>0</u>	<u>13</u>	<u>1</u>

Santa Barbara County Welfare Caseload, 1/1/72: 9,523

### Santa Cruz County

Santa Cruz County Welfare Department does not have a special investigative unit. All fraud investigations are referred to the District Attorney's Office which handles the investigation and prosecution.

#### COUNTY STATISTICS, FISCAL 1972

	<u>Fraud Investigations</u>		<u>Citation Hearings</u>		<u>Judgments &amp; Convictions</u>	
	<u>AFDC</u>	<u>Adult</u>	<u>AFDC</u>	<u>Adult</u>	<u>AFDC</u>	<u>Adult</u>
1st Quarter	2	2	0	0	0	0
2nd Quarter	1	1	0	0	0	0
3rd Quarter	1	1	0	0	0	0
4th Quarter	4	0	0	0	0	0
Total	<u>8</u>	<u>4</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

Santa Cruz County Welfare Caseload, 1/1/72: 7,732

Shasta County

Shasta County's fraud investigation unit is known as the Office of the Special Investigator, and is under the direction of John J. Morrill, Chief Investigator. He has three investigators assigned to the unit, with a budget for the current fiscal year of \$74,092.

The unit investigates suspected ineligibility or overpayments not resolved by eligibility workers, allegations of fraud in the adult and AFDC programs, food stamp thefts and food stamp eligibility violations, and investigates forged endorsements on warrants and ATP's, boarding home violations, allegations of embezzlement by employees and is responsible for physical security and recommends internal controls to guard against embezzlement or theft. The unit handles all child support matters for the District Attorney and the welfare department. It investigates all frauds entirely before submitting the matters to the District Attorney. The Office handles the filing of complaints and requests for warrants and prepares all civil matters for court, such as orders to show cause, all civil paternity and all absent parent collections. The investigators do not have law enforcement status but sometimes accompany the officer serving the warrant and during the first part of the month, investigators transport social workers, food stamps and money to and from the office which disburses the stamps and the investigators are armed during this time as requested in the federal regulations.

OFFICE OF SPECIAL INVESTIGATOR'S STATISTICS, FISCAL 1972

	<u>Fraud Investigations</u>		<u>Citation Hearings</u>		<u>Judgments &amp; Convictions</u>	
	<u>AFDC</u>	<u>Adult</u>	<u>AFDC</u>	<u>Adult</u>	<u>AFDC</u>	<u>Adult</u>
1st Quarter	32	5	25	6	2	1
2nd Quarter	14	9	13	2	0	4
3rd Quarter	23	4	14	5	8	2
4th Quarter	21	13	8	6	3	0
Total	90	31	60	19	13	7

Shasta County Welfare Caseload, 1/1/72: 5,605

Solano County

Solano County's investigative unit is known as the Family Support Unit and is supervised by Leslie Allen, Financial Resources Supervisor, with a staff of three investigators. He is responsible directly to the assistant county welfare director. The investigators perform all functions of a family support and fraud unit. They interview clients and respondents to locate absent parents, do pretrial work in paternity cases, nonsupport cases and fraud cases, set up support contributions,

screen and refer AFDC cases to the District Attorney for prosecution, investigate all fraud cases, assist eligibility workers in obtaining information and make other investigation as requested by the district attorney and welfare director. The work includes investigation of suspected ineligibility or overpayment not resolved by the eligibility workers, allegations of fraud in both AFDC and adult cases, food stamp eligibility violation, and boarding home violations. Investigators hold no law enforcement status.

FAMILY SUPPORT UNIT STATISTICS, FISCAL 1972

	Fraud Investigations		Citation Hearings		Judgments & Convictions	
	AFDC	Adult	AFDC	Adult	AFDC	Adult
1st Quarter	48	4	0	0	0	0
2nd Quarter	40	0	4	0	5	1
3rd Quarter	57	1	2	0	4	1
4th Quarter	66	6	0	0	2	1
Total	<u>211</u>	<u>11</u>	<u>6</u>	<u>0</u>	<u>11</u>	<u>3</u>

Solano County Welfare Caseload, 1/1/72: 7,207

Sonoma County

Data concerning Sonoma County's investigative unit was summarized from material submitted by Thomas S. Kasovich, head of the unit.

Sonoma County's fraud unit is known as the Investigation Section. It is under the supervision of Thomas S. Kasovich, Chief Investigator. There are two investigators on the staff. The unit is directly responsible to the assistant director of eligibility. An additional two investigators will be hired next fiscal year. The unit handles suspected ineligibility or overpayments not resolved by eligibility workers, allegations of fraud in AFDC and adult cases, food stamp eligibility violations, food stamp thefts, investigations of forged endorsements on warrants and ATP's, boarding home violations, allegations of embezzlements by employees, is responsible for physical security and recommends internal controls to guard against embezzlement or theft.

The Unit is responsible for investigating all phases of fraud from the allegation to the conviction in all categories of assistance administered throughout the county. Additionally, the investigation section conducts training classes for the department in fraud prevention, detection and referral procedures. The Unit handles all liaison with law enforcement agencies and with the District Attorney, court and probation department. Investigators have law enforcement status under the Penal Code.

The recommended budget for Sonoma County for fiscal 1972-73 provides for a reduction from the budget of the previous fiscal year. The total cost for the programs is recommended to be reduced by \$770,581.

Individuals and agencies have attempted to determine the reasons for these reductions and attribute it to the following three matters:

- The change in philosophy and direction that resulted from the passage of the Welfare Reform Act of 1971 had an effect on the reduced rate of growth in the welfare programs.
- General economic conditions in Sonoma County improved slightly over the last year, the unemployment rate dropping from 10 percent in March, 1971, to 9 percent in March, 1972, with a corresponding decrease of about 20 percent in the case load figures in the AFDC-Unemployed program occurring.
- Improved detection and prosecution of Welfare Fraud. Sonoma County's aggressive fraud detection program has resulted in one of the highest conviction rates for welfare fraud in the state. Sonoma County administrators are convinced that the emphasis on this program and the publicity resulting from the arrests and convictions of individuals attempting to defraud taxpayers of the county have resulted in a decrease in the rate of growth of all welfare programs in the county. The comparative statistics relative to welfare fraud investigation for calendar years 1969, 1970, and 1971 are:

<u>Category</u>	<u>1969</u>	<u>1970</u>	<u>1971</u>	<u>% Increase over 1969</u>
Referral to District Attorney	56	61	111	+ 98.3%
Criminal Complaints Issued	33	52	106	+221.5%
Criminal Court Cases Completed	19	45	102	+436.8%
Convictions	15	34	87	+480.0%

INVESTIGATIONS SECTION STATISTICS, FISCAL 1972

	<u>Fraud Investigations</u>		<u>Citation Hearings</u>		<u>Judgments &amp; Convictions</u>	
	<u>AFDC</u>	<u>Adult</u>	<u>AFDC</u>	<u>Adult</u>	<u>AFDC</u>	<u>Adult</u>
1st Quarter	111	27	0	0	17	0
2nd Quarter	126	19	0	0	11	0
3rd Quarter	199	24	0	0	27	2
4th Quarter	162	22	0	0	29	4
Total	<u>598</u>	<u>92</u>	<u>0</u>	<u>0</u>	<u>84</u>	<u>6</u>

Sonoma County Welfare Caseload, 1/1/72: 11,475

Stanislaus County

Stanislaus County fraud investigations are conducted by the Special Investigation Unit of the Financial Resources Special Services Division, under the direction of Frank Slaybaugh, Financial Resources Supervisor, who has three investigators and one eligibility worker on the staff. The unit is directly responsible to a social service supervisor. The unit handles suspected welfare ineligibility or overpayments not resolved by eligibility workers, allegations of fraud in AFDC and adult cases, food stamp eligibility violations and investigations of forged endorsements on warrants and ATP's, boarding home violations and collects overpayments or delinquent or defaulted responsible-relative payments. It does the investigation of suspected or reported cases of fraudulently received aid in any program within the welfare department, interviews all suspects and witnesses, and takes the completed case reports to the District Attorney's investigators, signs complaints and follows through until prosecuting action is completed. The unit locates and negotiates with absent parents for support payments and cooperates with the District Attorney and county counsel for enforcement of child-support laws. The unit also interviews responsible relatives regarding payments in the adult programs. The unit holds classes and presents fraud and fraud prevention training to eligibility workers.

The eligibility workers assigned to the unit recompute all budgets and cases of unreported income and testify in court to the accuracy of budget figures when necessary. The eligibility worker also handles correspondence with clients regarding overpayments and interviews the client and obtains promissory notes for repayments and prepares collection memorandum.

SPECIAL INVESTIGATIVE UNIT STATISTICS, FISCAL 1972

	<u>Fraud Investigations</u>		<u>Citation Hearings</u>		<u>Judgments &amp; Convictions</u>	
	<u>AFDC</u>	<u>Adult</u>	<u>AFDC</u>	<u>Adult</u>	<u>AFDC</u>	<u>Adult</u>
1st Quarter	124	12	0	0	15	0
2nd Quarter	118	7	0	0	15	0
3rd Quarter	162	13	1	0	4	0
4th Quarter	139	12	2	0	12	0
Total	<u>543</u>	<u>44</u>	<u>3</u>	<u>0</u>	<u>46</u>	<u>0</u>

Stanislaus County Welfare Caseload, 1/1/72: 16,094

Tulare County

Tulare County investigations are handled by the Family Support and Fraud Unit under the supervision of Larry Flynn, Supervisor of Investigations. His unit is comprised of three social workers and one support payment adjustor, and is responsible directly to the assistant county welfare director.

The unit handles suspected welfare ineligibility or overpayments not resolved by eligibility workers, allegations in fraud in AFDC and adult cases, collection of overpayments and delinquent or defaulted responsible relative payments. It will begin investigating food stamp eligibility violations effective July 1, 1972. In certain cases, it investigates forged endorsements on warrants.

The social workers on the staff complete the fraud investigation and present it to the District Attorney's Office for acceptance or rejection. One investigator in the District Attorney's Office assists with certain types of fraud violations and in most cases he is the individual who obtains the complaint if one is to be obtained. It has been proposed that the county administrator reclassify the social workers' position into that of investigator positions. The supervisor of the unit is deputized but the social workers have no law enforcement status.

FAMILY SUPPORT AND FRAUD UNIT STATISTICS, FISCAL 1972

	Fraud Investigations		Citation Hearings		Judgments & Convictions	
	AFDC	Adult	AFDC	Adult	AFDC	Adult
1st Quarter	52	19	0	0	4	1
2nd Quarter	58	13	0	0	5	0
3rd Quarter	45	5	0	0	11	3
4th Quarter	38	6	0	0	8	1
Total	<u>193</u>	<u>43</u>	<u>0</u>	<u>0</u>	<u>28</u>	<u>5</u>

Tulare County Welfare Caseload, 1/1/72: 17,719

Ventura County

The investigative unit is known as the Fraud Control Unit, headed by Ellis C. Graham, Supervising Welfare Investigator, with a staff of three investigators, two collection officers and one clerical employee. His unit is directly responsible to the Chief Administrative Officer and the duties of the unit include investigations of suspected welfare ineligibility and overpayments not resolved by eligibility workers, allegations of fraud in AFDC and Adult Programs, boarding home violations, and allegations of internal embezzlements. Collection officers collect overpayments and delinquent and defaulted responsible relative payments. The unit also makes recommendations for internal controls for the prevention of fraud. Investigators do not have law enforcement status.

Ellis Graham submitted the following summary of the history and functions of the unit:

## History

On March 9, 1970, the Fraud Control Unit of the Ventura County Department of Social Welfare was activated with a staff of one supervising investigator and two welfare fraud investigators, operating within the Administrative Services Division of the Department and answering to the Director through the Administrative Officer. Clerical services were provided by the clerical unit of the Special Services Division. The very finest in technical investigative equipment was provided, giving the unit high capability in the photographic and recording fields. The unit was charged with the duty of assisting in the training of social and eligibility workers in the prevention and detection of fraud; of making complete investigations into all allegations of recipient fraud and making written reports of these investigations; of recommending for referral to the District Attorney those cases in which the investigations established probable criminal actions; and of assisting the District Attorney in the preparation and prosecution of these cases. In November, the mission of the unit was expanded to include the collections' effort of the Department.

The concept of the unit had been accepted by the workers in the Department, and with the increase in the number of welfare cases in the county and the reorganization of the Department into District Offices, the number of referrals to the unit for investigation avalanched.

## Policy

The Fraud Control Unit's basic policy is that enunciated by the County Welfare Director in the report of his task force study of welfare, Time for Change: "For so long as income maintenance programs require certain acts of cooperation by a person receiving aid, some system of penalties or sanctions is essential to enforce such requirements. However, an ineffective sanction is worse than no sanction at all."

In fraud matters, the primary thrust of this policy hinges on the "certain acts of cooperation" rather than on the penalties and sanctions. Through active education and training of those other departmental personnel dealing directly with the recipients, the unit attempts to insure that the recipient is aware of this requirement for cooperation and can and does knowledgeably and correctly carry out this requirement. To this end also, it is the policy of the unit that each worker receives a complete report of the investigation made on any allegation of fraud by a recipient for whom that worker has the responsibility, whether the case is going to be criminally prosecuted or whether the allegation has not been substantiated. Thus the worker can evaluate how well the recipient understands and is carrying out his requirement for cooperation.

As to the penalties and sanctions, it is the policy of the unit that each allegation against a recipient be thoroughly, objectively and impartially investigated. Facts and circumstances favorable to the recipient are as completely explored and reported as those which might reflect unfavorably. No case is referred to the District Attorney for prosecution before the recipient has been accorded the opportunity to be personally informed of the fact that an investigation is in progress, the reason for the investigation and the chance to provide his side of the story. The unit recommends referral for prosecution only those cases which are not amenable to other solutions.

In the collections' effort, it is the policy to protect the interests of the taxpayer to the maximum extent possible without undue harassment and unduly jeopardizing the precarious financial posture of a disadvantaged debtor. The primary thrust in obtaining legally authorized restitution is through investigation into the possibility of undisclosed or unrecognized assets to use in settlement of the obligation.

#### Accomplishments

The unit began operation in 1970 with only 23 fraud cases assigned to it. Acceptance by the Department has grown to where the average number of referrals per month is now 42. The selectivity in those cases referred for prosecution and the quality of investigations is reflected in the facts that in only three instances in two years has the District Attorney declined to issue a criminal complaint on a case referred to him and that in 1971, 46 cases were prosecuted with every one being settled by a plea on the part of the defendant. No case referred by the unit has ever resulted in the acquittal of the defendant. A more complete picture of the unit's investigative operation is reflected in the attached table and graph. Productivity increased from ten cases completed per investigation per month in 1970 to 14 cases per investigation per month in 1971.

After being placed in the Fraud Control Unit, collections activity for 1971 increased significantly over the prior year. Improvement can be attributed to the assignment of an additional Collections Officer and a greater concentration on the recovery of General Relief funds during the final month of the year. An analysis of 1971 operations show individual collection actions increased by 41% over the prior year from a monthly average of 205 to 290. Amounts collected during the same period increased 21% from a monthly average of \$12,114 to \$14,657.

TABLE 9

COMPARATIVE STATISTICS  
CALENDAR YEARS 1970 AND 1971

VENTURA COUNTY

	<u>1970</u>	<u>1971</u>
Cases on hand - January 1	9	105
Received for investigation		
AFDC cases	288	449
- Adult categories	45	56
Investigations completed	237	340
Cases on hand - December 31	105	270
Cases pending in DA's office - January 1	16	20
Criminal cases referred to DA		
AFDC cases	32	59
Adult categories	3	4
Criminal cases denied by DA	3	0
Convictions	22	46
Dismissals	3	9
Acquittals	0	0
Pending in DA's office - December 31	20	28

PERCENTAGE DATA

	<u>1970</u>	<u>1971</u>
Percentage referred to DA	14.3%	18.5%
Overpayments discovered	58 %	122 %
Percentage of cases in which overpayment was discovered	26 %	36 %

RECOVERIES

	<u>1970</u>	<u>1971</u>
Grant Adjustments	\$ 6,917	\$11,201
Cash Repayments	941	27,305
Agreements to Repay	10,627	45,454
Total Recoveries	<u>\$18,485</u>	<u>\$83,960</u>

Fraud Control Unit Statistics, Fiscal 1972

	Fraud Investigations		Citation Hearings		Judgments & Convictions	
	AFDC	Adult	AFDC	Adult	AFDC	Adult
1st Quarter	63	8	9	1	9	1
2nd Quarter	80	11	11	2	13	0
3rd Quarter	88	6	9	0	5	1
4th Quarter	<u>107</u>	<u>7</u>	<u>9</u>	<u>1</u>	<u>4</u>	<u>0</u>
Total	338	32	38	4	31	2

Ventura County Welfare Caseload, 1/1/72: 13,388

4. Group "D" Counties

El Dorado County

All fraud investigations are handled by the District Attorney. Fraud statistics for fiscal 1972 are:

	Fraud Investigations		Citation Hearings		Judgments & Convictions	
	AFDC	Adult	AFDC	Adult	AFDC	Adult
1st Quarter	6	2	0	0	2	0
2nd Quarter	5	1	0	0	1	0
3rd Quarter	0	4	0	0	0	0
4th Quarter	<u>3</u>	<u>0</u>	<u>0</u>	<u>2</u>	<u>1</u>	<u>1</u>
Total	14	7	0	2	4	1

El Dorado County Welfare Caseload, 1/1/72: 2,445

Kings County

The Financial Resources Unit of the County Welfare Department has been assigned the responsibility for investigation of all suspected recipient fraud, both AFDC and Adult; location of absent parents and enforcement of support obligation; responsible relative law enforcement; probates; investigation of community complaints related to recipient fraud; foster home and child care licensing matters, and collection of categorical aid overpayments. The unit is headed by Quinton O. Ross, Financial Resources Supervisor, and he has two investigators on his staff. He is responsible directly to the Administrative Service Officer. At the time of the survey, the County Administrative Office had under advisement plans to combine investigative staff of the Welfare Department and the District Attorney's Office. Welfare investigators have no law enforcement status. Fraud statistics for fiscal 1972 are:

	Fraud Investigations		Citation Hearings		Judgments & Convictions	
	AFDC	Adult	AFDC	Adult	AFDC	Adult
1st Quarter	1	2	0	0	0	0
2nd Quarter	8	11	0	0	4	0
3rd Quarter	1	8	0	0	1	0
4th Quarter	39	21	0	0	0	0
Total	49	42	0	0	5	0

Kings County Welfare Caseload, 1/1/72: 4,342

### Lake County

The county has one welfare investigator, C. Dwayne Stewart, assisted by a child support investigator, and he is directly responsible to the county welfare director. The welfare investigator's duties are to make investigations of suspected fraudulent receipt of aid in the AFDC and Adult programs; to locate and interview suspects, absent parents, witnesses, and other; to evaluate their testimony; to examine records to secure information concerning suspected violations; to assemble and report the facts developed and to handle liaison with the District Attorney's office. He also investigates forged warrant matters, boarding home violations, and allegations of internal embezzlements, and has responsibility for physical security and he makes recommendations for internal controls to guard against thefts and losses. He also has the duty of making arrangements for collecting and recovering funds unlawfully obtained, and he collects support payments from responsible relatives. He does have peace officer status.

### Statistics, Fiscal 1972

	Fraud Investigations		Citation Hearings		Judgments & Convictions	
	AFDC	Adult	AFDC	Adult	AFDC	Adult
1st Quarter	5	1	0	0	1	0
2nd Quarter	3	2	0	0	0	0
3rd Quarter	10	2	0	0	1	1
4th Quarter	16	0	0	0	0	0
Total	34	5	0	0	2	2

Lake County Welfare Caseload, 1/1/72: 2,018

Madera County

The county's fraud investigations are conducted by the Financial Resources Unit, under the direction of Tom Davies, Social Service Supervisor, with a staff of two welfare investigators. Duties of the unit include investigating suspected welfare ineligibility or overpayments not resolved by the eligibility workers, allegations of fraud in the AFDC and Adult programs, food stamp eligibility violations, and investigating forged warrant matters. The unit also is responsible for locating and interviewing absent parents, investigating responsible relative liabilities, and investigating property holdings. He has no law enforcement status.

Statistics, Fiscal 1972

	<u>Fraud Investigations</u>		<u>Citation Hearings</u>		<u>Judgments &amp; Convictions</u>	
	<u>AFDC</u>	<u>Adult</u>	<u>AFDC</u>	<u>Adult</u>	<u>AFDC</u>	<u>Adult</u>
1st Quarter	11	2	3	0	0	0
2nd Quarter	7	2	0	0	0	0
3rd Quarter	7	3	0	0	0	0
4th Quarter	10	1	0	0	2	0
Total	35	8	3	0	2	0

Madera County Welfare Caseload, 1/1/72: 4,103

Mendocino County

The county has a Family Support Division, consisting of one special investigator, Donald K. Scotto, who is responsible directly to the Welfare Director. He investigates all nonsupport cases in the county in line with an approved county plan of cooperation with the District Attorney, and investigates all phases of fraud involving welfare categorical assistance, including suspected ineligibility or overpayments not resolved by eligibility workers, fraud allegations in the AFDC and Adult programs, forged warrant cases, and he recommends internal controls to guard against embezzlement and thefts. He has no law enforcement status.

Statistics, Fiscal 1972

	<u>Fraud Investigations</u>		<u>Citation Hearings</u>		<u>Judgments &amp; Convictions</u>	
	<u>AFDC</u>	<u>Adult</u>	<u>AFDC</u>	<u>Adult</u>	<u>AFDC</u>	<u>Adult</u>
1st Quarter	24	0	0	0	1	0
2nd Quarter	6	0	0	0	1	0
3rd Quarter	2	0	0	0	0	0
4th Quarter	26	0	1	0	0	0
Total	58	0	1	0	2	0

Mendocino County Welfare Caseload, 1/1/72: 3,446

Napa County

All welfare fraud investigations are handled by the District Attorney's Fraud Unit.

Statistics, Fiscal 1972

	<u>Fraud Investigations</u>		<u>Citation Hearings</u>		<u>Judgments &amp; Convictions</u>	
	<u>AFDC</u>	<u>Adult</u>	<u>AFDC</u>	<u>Adult</u>	<u>AFDC</u>	<u>Adult</u>
1st Quarter	7	2	0	0	0	0
2nd Quarter	4	1	0	0	0	0
3rd Quarter	2	0	0	0	1	0
4th Quarter	9	3	2	0	1	1
Total	22	6	2	0	2	1

Napa County Welfare Caseload, 1/1/72: 3,306

Nevada County

The District Attorney has a special investigator who handles all welfare fraud matters.

Two adult fraud investigations were reported during fiscal 1972. No convictions were reported.

Nevada County Welfare Caseload, 1/1/72: 1,720.

Placer County

The District Attorney's staff makes all fraud investigations in the county.

Statistics, Fiscal 1972

	<u>Fraud Investigations</u>		<u>Citation Hearings</u>		<u>Judgments &amp; Convictions</u>	
	<u>AFDC</u>	<u>Adult</u>	<u>AFDC</u>	<u>Adult</u>	<u>AFDC</u>	<u>Adult</u>
1st Quarter	4	0	2	0	0	0
2nd Quarter	4	0	1	0	0	0
3rd Quarter	9	0	0	0	0	0
4th Quarter	10	0	4	0	0	0
Total	27	0	7	0	0	0

Placer County Welfare Caseload, 1/1/72: 4,049

Siskiyou County

The District Attorney has the responsibility for fraud investigations. No convictions were reported during fiscal 1972.

Siskiyou County Welfare Caseload, 1/1/72: 1,695

Sutter County

The county has a Family Support Unit consisting of one welfare fraud investigator, Daniel N. Muzik, responsible directly to the Welfare Director. The unit's function is to investigate ineligibility and fraud in the AFDC and OAS cases, to obtain agreements for child support, refer to District Attorney cases of absent parents that do not voluntarily pay child support, and to obtain voluntary statements of paternity. Application for law-enforcement status is pending. A policy of the unit is to emphasize fraud prevention, and experience has shown that a well-informed recipient is less apt to commit fraud.

Statistics, Fiscal 1972

	<u>Fraud Investigations</u>		<u>Citation Hearings</u>		<u>Judgments &amp; Convictions</u>	
	<u>AFDC</u>	<u>Adult</u>	<u>AFDC</u>	<u>Adult</u>	<u>AFDC</u>	<u>Adult</u>
1st Quarter	3	0	0	0	3	0
2nd Quarter	2	1	0	0	3	0
3rd Quarter	1	0	0	0	0	1
4th Quarter	3	0	0	0	2	0
Total	9	1	0	0	8	1

Sutter County Welfare Caseload, 1/1/72: 2,186

Tehama County

The District Attorney's office has the responsibility for fraud investigations.

Statistics, Fiscal 1972

	<u>Fraud Investigations</u>		<u>Citation Hearings</u>		<u>Judgments &amp; Convictions</u>	
	<u>AFDC</u>	<u>Adult</u>	<u>AFDC</u>	<u>Adult</u>	<u>AFDC</u>	<u>Adult</u>
1st Quarter	2	0	0	2	0	0
2nd Quarter	1	1	0	0	0	0
3rd Quarter	3	1	0	0	0	0
4th Quarter	3	0	0	0	0	0
Total	9	2	0	2	0	0

Tehama County Welfare Caseload, 1/1/72: 1,700

Tuolumne County

The county has a Financial Resources Coordinator, John J. Lydon, who has the responsibility of investigating allegations of fraud in AFDC, Adult, and commodity eligibility matters. He interviews all AFDC applicants and recipients where an absent parent is involved, conducts investigations to locate absent parents, and investigates to establish paternity and child support responsibilities. He has peace-officer status.

Statistics, Fiscal 1972

	Fraud Investigations		Citation Hearings		Judgments & Convictions	
	AFDC	Adult	AFDC	Adult	AFDC	Adult
1st Quarter	1	0	0	0	1	0
2nd Quarter	1	0	0	0	1	0
3rd Quarter	5	0	0	0	0	0
4th Quarter	2	0	0	0	2	0
Total	9	0	0	0	4	0

Tuolumne County Welfare Caseload, 1/1/72: 1,186

Yolo County

One welfare investigator, Luther M. Gilbertson, handles absent-parent child support activities and fraud investigations. He estimates 80 percent of his work involves child support cases. He has no law-enforcement status. In fraud matters, once the case of suspected fraud has been reviewed and found to merit attention, it is referred to the District Attorney's investigators, who prepare the case for prosecution.

Statistics, Fiscal 1972

	Fraud Investigations		Citation Hearings		Judgments & Convictions	
	AFDC	Adult	AFDC	Adult	AFDC	Adult
1st Quarter	7	3	0	0	2	0
2nd Quarter	6	3	0	0	1	0
3rd Quarter	16	5	0	4	0	0
4th Quarter	10	1	0	0	1	1
Total	39	12	0	4	4	1

Yolo County Welfare Caseload, 1/1/72: 4,509

Yuba County

The responsibility for fraud investigations is with the District Attorney's office.

Statistics, Fiscal 1972

	<u>Fraud Investigations</u>		<u>Citation Hearings</u>		<u>Judgments &amp; Convictions</u>	
	<u>AFDC</u>	<u>Adult</u>	<u>AFDC</u>	<u>Adult</u>	<u>AFDC</u>	<u>Adult</u>
1st Quarter	6	1	0	0	0	0
2nd Quarter	1	1	0	0	0	0
3rd Quarter	0	0	0	0	0	0
4th Quarter	4	0	0	0	0	0
Total	<u>11</u>	<u>2</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

Yuba County Welfare Caseload, 1/1/72: 2,995

5. Group "E" Counties

Alpine County

The welfare caseload as of 1/1/72 was 31 cases. There were no fraud matters during fiscal 1972. All fraud investigations are handled by the District Attorney.

Amador County

The welfare caseload as of 1/1/72 was 488 cases. Eight fraud investigations in the Adult categories were made during fiscal 1972 but no convictions were reported. The District Attorney handles fraud matters.

Calaveras County

The welfare caseload as of 1/1/72 was 717 cases. Two AFDC fraud investigations were made in fiscal 1972, but no conviction was reported. Fraud investigations are made by the District Attorney.

Colusa County

As of 1/1/72, the welfare caseload was 572 cases. Four AFDC convictions or judgments favorable to the county were reported for fiscal 1972. Investigations of fraud matters are made by the District Attorney.

Del Norte County

The County Welfare Department has a Family Support and Investigative Unit consisting of one investigator, Al Warfield, whose duties, under the supervision of the Director, include investigating all fraud allegations and obtaining and presenting facts and evidence to support administrative action or prosecution, negotiating for and securing repayment of funds obtained fraudulently, seeking to control and prevent violations in the AFDC, OAS, and Food Stamp categories, and maintaining liaison with the District Attorney and law enforcement agencies. The investigator does not have law-enforcement status. Statistics for fiscal 1972 are:

Statistics, Fiscal 1972

	Fraud Investigations		Citation Hearings		Judgments & Convictions	
	AFDC	Adult	AFDC	Adult	AFDC	Adult
1st Quarter	0	0	0	0	0	0
2nd Quarter	5	1	0	0	0	0
3rd Quarter	8	1	0	0	0	0
4th Quarter	9	3	0	0	0	0
Total	22	5	0	0	0	0

Del Norte County Welfare Caseload, 1/1/72: 901

Glenn County

The welfare caseload as of 1/1/72 was 845 cases. The District Attorney investigates all fraud matters, and there was one investigation and one conviction in the Adult category during fiscal 1972.

### Inyo County

As of 1/1/72, the welfare caseload was 763 cases. The District Attorney has the responsibility of investigating all fraud matters. On June 5, 1972, Marie Lane, County Welfare Director, pled guilty in Inyo County Superior Court to charges of embezzlement following an investigation conducted by the District Attorney and State Department of Social Welfare's newly-formed Operations Security Office. There were no recipient fraud convictions during fiscal 1972.

### Lassen County

Although the county has no formal fraud investigations unit, an Administrative Assistant acts in the capacity of an investigator, handling matters of suspected welfare ineligibility or overpayments not resolved by eligibility or social workers, allegations of fraud in AFDC and Adult cases, food stamp eligibility violations, and investigations of forged endorsements on warrants. He is deputized as a Lassen County deputy sheriff. Nine AFDC and one Adult Fraud investigations were made during fiscal 1972, but no convictions were reported. The welfare caseload for the county as of 1/1/72 was 777 cases.

### Mariposa County

Fraud matters are the responsibility of the District Attorney. No investigations or convictions were reported for fiscal 1972. The welfare caseload as of 1/1/72 was 310 cases.

### Modoc County

The welfare caseload as of 1/1/72 was 476 cases. Fraud investigations are handled by the District Attorney, and there were three AFDC convictions or judgments favorable to the county during fiscal 1972.

### Mono County

The welfare caseload as of 1/1/72 was 130 cases. Fraud investigations are conducted by the District Attorney's office. One AFDC fraud investigation, two Adult fraud investigations, and one AFDC citation hearing were reported for fiscal 1972.

### Plumas County

The District Attorney conducts fraud investigations; however, at the time of the survey, a position of welfare investigator had been created in the welfare department, but was unfilled. Four AFDC fraud investigations and one AFDC conviction were reported during fiscal 1972. The welfare caseload for the county as of 1/1/72 was 758 cases.

### San Benito County

The county's welfare caseload as of 1/1/72 was 951 cases. The county welfare department has one part-time welfare investigator for fraud investigations in the AFDC and Adult categories, food stamp violations and forged warrant cases. One AFDC fraud investigation was reported during fiscal 1972.

### Sierra County

The District Attorney investigates all fraud matters, and two convictions or judgments favorable to the county were reported during fiscal 1972. The welfare caseload as of 1/1/72 was 80 cases.

### Trinity County

As of 1/1/72, the welfare case load was 438 cases. Investigation of all fraud matters is handled by the District Attorney. Two investigations, but no convictions were reported for fiscal 1972.

TABLE 10

TOTAL STATEWIDE FRAUD STATISTICS, FISCAL YEARS 1971 AND 1972

	AFDC Fraud Inves- tiga- tions	Adult Fraud Inves- tiga- tions	AFDC Cita- tion Hear- ings	Adult Cita- tion Hear- ings	AFDC Convic- tions; judg- ments	Adult Convic- tions; judg- ments
7/1/70-6/30/71	13,907	2,159	253	36	1,427	106
7/1/71-6/30/72	17,732	3,262	605	145	2,681	435
Increase	3,825	1,103	352	109	1,254	329
% Increase	+27.5%	+51.1%	+139.1%	+302.7%	+87.8%	+310.4%
Comparative Caseloads						
			AFDC	ADULT	TOTAL	
Caseload as of 6/30/71			477,972	596,832	1,074,804	
Caseload as of 6/30/72			437,307	521,644	958,951	
*Decrease			40,665	75,188	115,853	
% Decrease			-8.5	-12.6	-10.7	

\* (It is believed the decrease in caseload can be attributed to three factors: the impact of the Welfare Reform Act of 1971; a slight improvement of the economic condition; and the increased emphasis by most counties on the investigation and prosecution of recipient fraud.)

Table 11 summarizes the duties of the various counties' Special Investigative Units.

TABLE 11

COUNTY SPECIAL INVESTIGATIVE UNITS

	Size of SIU Staff	Annual SIU Budget (Where Known)	PRINCIPAL DUTIES INVESTIGATES:		
			Recipient Fraud	Forged Warrants	Employee Embezzlements
CLASS "A" (over 100,000 cases) 19 Los Angeles	76	\$1,005,492	X		
CLASS "B" (20,001 - 100,000)					
01 Alameda	15		X	X	X
07 Contra Costa	5		X	X	
10 Fresno	5		X		
15 Kern	9	161,550	X	X	
30 Orange	5	97,572	X	X	
33 Riverside	5		X		X
34 Sacramento	18	375,000	X	X	X
36 San Bernardino	3		X		
37 San Diego	6	97,000	X	X	
38 San Francisco	7		X		
39 San Joaquin	5		X		X
43 Santa Clara	6	96,192	X	X	X
CLASS "C" (5,001 - 20,000 cases)					
04 Butte	2	21,800	X	X	X
12 Humboldt	2	19,503	X	X	X
13 Imperial	1		X		X
21 Marin					
24 Merced	1		X	X	
27 Monterey					
40 San Luis Obispo	4	29,400	X		
41 San Mateo	1		X		
42 Santa Barbara	9	109,896	X		
43 Santa Cruz					
45 Shasta	4	74,092	X	X	X
49 Solano	4		X	X	
49 Sonoma	3	60,000	X	X	X
50 Stanislaus	4		X	X	
54 Tulare	4		X		
56 Ventura	6		X		X
CLASS "D" (1,001 - 5,000)					
09 El Dorado					
16 Kings	3		X	X	
17 Lake	2		X	X	X
20 Madera	3		X		
23 Mendocino	1		X	X	
28 Napa					
29 Nevada					
31 Placer					
47 Siskiyou					
51 Sutter	1		X		
52 Tehama					
55 Tuolumne	1		X	X	X
57 Yolo	1	22,800	X		
58 Yuba					
CLASS "E" (1,000 or less)					
02 Alpine					
03 Amador					
05 Calaveras					
06 Colusa					
08 Del Norte	1		X	X	
11 Glenn					
14 Inyo					
18 Lassen	1		X		
22 Mariposa					
25 Modoc					
26 Mono					
32 Plumas					
35 San Benito	1		X		
46 Sierra					
53 Trinity					

## PART II

### A. ESTIMATED EXTENT OF INTERNAL FRAUD

National crime statistics indicate a rising rate of embezzlement and theft. The FBI's Uniform Crime Report for fiscal 1971 estimates there were 10,500 arrests by police agencies during the year for embezzlement and 57,000 for forgery.

County welfare departments must take all possible precautions to reduce the opportunity for the commission of these crimes.

Embezzlements by employees have not been uncovered to any great extent, there have been several, however, and those that have been found have amounted to considerable losses of money. The two most significant recent cases were a major food stamp embezzlement in Sacramento County (Virginia Stephens, et al) and an embezzlement of welfare funds by Marie Lane, the former welfare director of Inyo county. The full extent of the losses in both of these cases was not determined. Both cases involved conversion of negotiable instruments to personal use. Certain internal fiscal controls were lacking in both cases.

The Inyo County case involved the unlawful conversion of a check payable to the welfare department. Investigation conducted reflected that for a number of years the county welfare director had had the exclusive control of a welfare revolving fund. However, at the time of the investigation the complete records of this fund, including the ledger cards, the cancelled checks, and the bank statements for the past several years had disappeared, and an audit of this fund was not possible.

The Virginia Stephens case involved county employees who, in collusion with relative recipients, issued forged ATP's (authorities to purchase food stamps) which were successfully negotiated fraudulently in the amount of \$37,000 in documented losses and with substantial undetermined other losses. This embezzlement was possible because blank ATP forms were available without proper accounting as were blank identity card forms. The investigation and prosecution of individuals in this matter resulted in the conviction of nine persons.

Other internal frauds have involved the thefts of welfare warrants and food stamps from the county welfare departments. The prevention of internal embezzlements by adequate controls and sound accounting procedures should be the objective of management. Sufficient study and supervision should be given to this problem to preclude the opportunity for embezzlement to arise.

### B. NEGOTIABLE INSTRUMENTS

The several types of negotiable instruments used in county welfare departments lend themselves to embezzlement schemes if not properly controlled. These instruments are:

Payroll checks.

Welfare warrants both computer issued and manually issued.

Emergency aid checks.

Authorities to purchase food stamps (ATP's) both computer issued and manually issued.

Food stamps.

Social Security and Veteran's Administration checks which are sent to county welfare departments as trustee or guardian for recipients.

Absent parent and responsible relative payments collected by county welfare departments.

Substitute payee account checks or welfare revolving fund checks issued by county welfare departments.

Purchase of services payments made by county welfare departments.

The most prevalent offense and one which was the subject of a statewide survey which will be discussed more fully in the next part of this report is the theft of warrants for aid payments by persons unknown, either within or outside the county welfare departments, and cashing these warrants by forging endorsements of the payee thereto. Such warrants have been stolen both prior to being mailed and following their return to the county welfare departments when undeliverable by the post office. Other embezzlement schemes involve diverting negotiable instruments from the normal flow of funds and hiding the detraction of the funds by false entries in the records. Many schemes can be devised by inventive persons to circumvent even the most complex procedures and fiscal control officers must be alert constantly to ensure that adequate supervision and surprise audits are given to every unit responsible for funds.

## C. PRINCIPLES OF INTERNAL CONTROL

There are certain fundamental principles of internal controls which are listed below, these should be in effect in every accounting procedure throughout the county welfare departments.

### 1. Segregation of Duties

One person should not control a transaction from start to finish. More than one person should participate in the accounting procedures in each transaction.

The computer programmer should not operate the computer. This is fundamental since the programmer could program procedures which could divert money to his own benefit, if permitted to operate the computer.

2. Rotation of Duties

Unannounced and irregular changes should be made in employee assignments where employees are handling funds.

3. Mandatory Vacations

A study of bank embezzlements made in 1960 indicated that large embezzlements were usually perpetrated by officers of banks who did not take vacations, therefore, a requirement of a compulsory two-week vacation completely away from the financing and funds was instituted by banks as a safeguard which resulted in a decrease of such embezzlements. The perpetuation of an embezzlement of any size requires constant presence and attention to maintain the proper juggling of records.

4. Dual Controls

This is particularly important in the storage and maintenance of blank negotiable instrument forms, blank identity cards, negotiable instruments, and cash.

5. Audit Trails

There should be a clear audit trail fixing responsibility in each transaction.

6. Direct Verifications

This is a recognized technique to deter falsification of records. Procedures must be in effect in county welfare departments to ensure that payments are made to the individuals named in the records and the payments are made without collusion of employees. Procedures must be in effect to ensure that funds deposited to welfare accounts are not siphoned off to other channels, such as payments for services to fictitious corporations or individuals.

7. Outside Audits

The general accounting office has recommended that outside auditing firms be used by county welfare departments in addition to the audits made by state and county auditors.

8. Constant Review of Procedures

It is important to ensure the controls do not become obsolete or inaccurate due to new innovations or changes in management procedures.

D. SURVEY OF INTERNAL CONTROLS UTILIZED BY THREE COUNTIES

I. Los Angeles County - Procedures and Controls Relating to Negotiable Instruments

The survey of internal controls in Los Angeles County was coordinated and prepared by Donn R. Byron, Chief, Special Services Division, Bureau of Fiscal Affairs and Administrative Services. A summary of his comprehensive report follows:

Machine-Issued Warrants

The Department of Data Processing has a one-month supply of warrants for printing the payrolls. The monthly supply is physically stored in a secured room near the computer room for ease in the operation of printing warrants. The warrants in this location are strictly controlled and are under the control of Data Processing, who then provides an accounting of the warrants used to the Auditor.

The warrants are stored in the Auditor's Aids Division vault which is a key type with a burglar alarm that is fire-proofed and secured in a locked room. Keys are only issued to supervisory personnel who need to gain access to the area. The security personnel of the Auditor's office have reviewed and approved the facilities where warrants are stored.

The monthly stock kept near the computer room is housed in a fire-proofed room which is locked. The room, in turn, is located within a security area behind a combination locked door. Additionally, this is within a larger security area with an outside electrically locked door guarded by a County Deputy (24-hour basis).

The warrants are printed on watermark paper with a panographic background.

The Warrant Control sheets reflect the warrants used for mailing and also show the warrant numbers which are spoiled in the production. All warrants, those utilized or destroyed are accounted for by the Auditor's Aids Division and the Welfare Data Centers operation staff. Spoiled or voided warrants are accounted for from the daily control sheet and subsequently shredded.

The Auditor's Aids Division maintains an accurate inventory, by serial number, of all blank warrant forms. The serial numbers are recorded by the computer operator and controlled by the operator's supervisor. The Auditor's Aids Division accounts for warrants used on a daily basis.

There are three basic systems for machine Issuance of Family Aids Warrants:

Computerized

Punched Card/Magnetic Tape

Punched Card/Tabulating Machine

Procedures for District Issuance of State Numbers gives the procedures under which decentralized issuance of State Numbers is now being implemented. These procedures are undergoing further development to better assure that there is no issuance of aid to one family under more than one State Number.

The authorizing data is transmitted by district offices via teletype (validity of the documents maintained by district procedures) to the Welfare Data Center (WDC). A positive response for each action is then returned to the district for processing and/or exception is generated if invalid data has been entered. Total documents received and the range of document numbers (number assigned to each input by the districts) is similarly sent to the district on a daily basis.

The data received is updated to the master file utilizing the case State Number and the separate family as the identifiers. Any duplications are rejected and a corresponding exception generated. Valid transactions then generate warrants which are forwarded with the corresponding controls to the Auditor's Aids Division. In conjunction with the payrolls, warrants, etc., bank tapes reflecting the warrant information are produced.

Audits of issuance are made by teams from the AFDC Program Staff, Fraud Investigation Staff, Fiscal Division, members of SDSW and members of HEW. Internal audits are also made at the district level, Welfare Data Center site, and in the Auditor's Aids Division's section.

On all Adult Aids and GR (General Relief) cash cases, Districts determine the eligibility and needs of clients at the District Office. For each case, the District submits an authorizing document with instructions and forwards to either Adult Aids Payments Section or GR/Vendor Payments Section, as appropriate. In GR cases, the actual computation of the grant as well as processing for payment occurs centrally. In Adult Aids, computation is done in the district and processing for payment takes place centrally.

Each authorization document received from the Districts in the Adult Aids Payments Section is date stamped and audited (accepted or rejected). The accepted documents are posted to financial cards and batched for daily submission to WDC. The rejected documents are returned to the districts for correction. A money tape is run on each batch submitted to WDC, and is used for reconciliation with the proof/edit lists received daily from WDC.

The documents used to generate payment for telephone AIW's and corrections by the Adult Aids Payments Section are serial-numbered and secured in a locked supply room under the responsibility of one person who issues these documents daily to authorized staff. They are then issued to the audit clerks who post to the financial card, date and initial. These documents are then included in the daily batching process as above. Daily reconciliation is made.

Each authorization document for GR payment is logged into the section via an internal transmittal slip (these slips are filed and maintained for a period of four months after processing of case). Cash grant cases are processed through Computation Units where grant is computed based on current authorized amounts, and checked by a second party ("checker") in the unit; a submission document is prepared, checked against authorization batched, money amounts balanced, State Numbers recorded and submitted daily to WDC for keypunch.

Since a "hot deck" of paycards is maintained under close security in the section, both submission documents and paycards are returned to GR Section by WDC. Paycards are interfiled in the deck. The deck is picked up and run by WDC once each month to produce monthly warrants for clients. Supplemental warrants are issued daily in much the same manner.

Termination of cases are closely monitored in the section to prevent duplicate aid.

Payrolls listing all warrants printed and payee are received in the section.

Bank cancellation and reconciliation are the responsibility of the Auditor-Controller.

The Auditor maintains paid warrants for six months after the date of issuance. The warrants are filed in numerical order by the date they were paid. After six months the warrants are stored for five years by the Auditor's Control Warrant Division. The Auditor reports all warrants issued to the bank. The bank matches the paid warrants to the issue records daily and reports any exceptions to the Auditor. A monthly reconciliation is prepared by the bank which is reconciled to the Auditor's warrants drawn account by the Accounting Division.

This system detects fraud or counterfeiting because it identifies any unauthorized warrant numbers, duplication of numbers or altered dollar amounts.

To eliminate duplicate payments of Family Aids, predeterminations of money totals on manual systems are used to insure accountability of issuance. Matches against State Numbers and separate family codes are used to insure nonduplication on each case. District and central files are utilized to prevent persons from using more than one case identification (State Number and separate family). Where a duplicate warrant is issued to replace a lost or stolen warrant, and both the original and duplicate are negotiated, a forgery or fraud evaluation is made by the Auditor and DPSS.

Both Districts and WDC must control for duplicate payments of adult aids. Adult Aids Payments Section has instituted an ongoing 100% survey to reconcile financial cards against payroll by a responsible clerical person assigned directly to the Section Head. Adult Aids Payments Section of DPSS Fiscal Division reviews for accuracy the M-cards received from District, records totals, and when lists, payrolls, and M-cards are received back from WDC, checks them against the input amounts. Computer Services Division's Intake/Output Unit - records M-card totals and lists; when new M-cards, and payrolls are received from WDC, checks them against log and batch ticket totals (batch tickets retained from input). Welfare Data Center's Input/Output Unit - performs review and balancing functions by matching lists, payrolls, warrants, adding machine tape totals (provided by Fiscal) and log totals. Auditor-Controller's Aids Division - matches lists, payrolls, warrants, and totals on certification forms which are prepared by WDC I/O.

The GR Section, in conjunction with a 100% survey of the caseload, is setting up a 3x5 name cross reference file of all GR clients. These cards include name, State Number, address and social security number. Every new authorization coming into the section is checked against the name file to ensure that there is no case already open for the client under another State Number. If a case is discovered to be open under another State Number the case is immediately referred to line management.

An additional control in the section is the checking of each change document received for ongoing cases against the payroll to ensure against State Number errors resulting in potential computer exceptions from duplicate or setting up of ongoing grant under an incorrect State Number as well as correct one. In each case, the payroll is dated and initialed.

In addition, each termination document is logged into the section and logged out after it is processed. This is especially important to ensure that GR has been promptly terminated within the specified number of days to prevent duplicate payments on a GR case that is approved for a categorical aid.

The Auditor conducts occasional audits, random samples, and spot checks of warrants issued with the case files to verify validity. However, in the past it has not been done on a regular extensive basis. The Family Aids Payments Division has established an auditing team to apply validity comparisons to warrants, authorization, and payments.

In the Adult Aids Payments Division, both Adult Aids Program Section and General Relief are audited at various levels.

A staff Audit Team is stationed on the line to randomly sample submissions and payrolls in both line sections of the Division. The team presently consists of two Auditors headed by a Principal Welfare Fiscal Analyst. The main purpose is to detect and/or prevent any unauthorized payments from occurring.

The General Relief Section matches all authorization documents to the payroll to ensure amounts paid are correct.

In Adult Aids, a clear audit trail is established at various steps in the processing of the submission document.

- The financial ledger card - an ongoing record of all transactions pertaining to case.
- The payroll indicating length of time case has received warrants and as a source for obtaining warrant numbers to trace the cancelled warrant.
- The submission document upon return from WDC, filed and held in storage.
- The serial number log for internally generated documents showing date and name of person to whom issued.

In the General Relief Section, the following documents would be valuable in auditing for a fraudulent case.

- Financial folder - includes duplicate copies of all documents used in transactions on a GR case.
- PA 84 GR authorization document - including signatures made in district at time of authorization. The GR Section worker who computed budget must date and initial document. (Maintained in financial folder, one in district.)
- PA 83 - temporary authorization of payment, including GR worker completing computation. (One copy maintained in financial folder, one in storage.)
- Submission document - upon return from WDC, filed and held in locked stock room for reference.
- Internal transmittal documents indicating date received and check against cross reference file.
- Payrolls indicating length of time case was being paid and as a source for obtaining warrants.
- In Adult Aids Payments Section, an ongoing 100% audit of financial ledger cards to payroll is conducted.

In Family Aids, in most instances, depending on the method used, documents will lead to one or more parties to any attempted fraud. The basic audit trails are the CA 241 authorization and the paycards which vary in format and form number according to program. The CA 241 is signed by the EW, Supervising EW in the district and initialed by the Welfare Computation Clerk in the Fiscal Section. Retention is permanent. The paycards are the source for key punching payroll information and are initialed by the Welfare Computation Clerk. Retention is for a minimum of 2 years. The payrolls and internal transmittal documents provide information to trace warrants and cross reference files.

Punched Card, Card/Tape and fully computerized systems are currently under study to tighten security. An audit team has been established in Family Aids Payments Division and has begun this study. Revised district procedures to tighten control of "computer" budgets in district offices are now being finalized.

#### Emergency - Aid Payments

Checks are issued in AFDC Districts for both approved cases and intake cases. The general procedure in both situations is given below.

- Client notifies District Office of emergency needs.
- Need is verified by Eligibility Worker and/or Social Worker. This entails a mandatory home call in all intake situations prior to the issuance of any aid via check.
- When the need has been verified the worker will fill out a PA 66-1, Cash Aid Requisition (CAR) listing all pertinent information as required in the Check Writing Handbook and obtaining the client's signature. All necessary documents (e.g., CA 241-E, PA 487, etc.) must be attached to the requisition.
- The CAR is presented to the E/W or S/W Supervisor for review and approval. In cases requiring County supplementation or special needs (i.e., clothing) the requisition will be submitted by the supervisor to an Eligibility or Social Services Deputy for final authorization.
- After being properly authorized, the Eligibility Worker takes the CAR to the cashier and identifies the client to the cashier.
- The cashier types out the check from information appearing on the CAR. The check is signed in the presence of the cashier by the client, and the signature is compared to the client's signature on the Cash Aid Requisition, before the cashier places her authorizing signature on the check.
- The check is then given to the client, and the cashier routes the various control copies of the check and CAR to their appropriate destinations.

The issuance of cash to meet emergency needs in AFDC Districts is negligible. A small amount of cash aid (e.g., \$25.00) is usually kept on hand for the issuance of \$.50 amounts which complete the grant entitlement for a lost, stolen or destroyed 1st half warrant; (i.e., As the check writer is only capable of writing whole dollar amounts in a situation where an LSD 1st half warrant was \$110.50, \$110 would be issued via the check writing system, and the odd \$.50 would be given to the client in cash aid.)

Only two AFDC facilities (i.e., Monrovia and Saugus-Newhall) do not have ready access to a check writing machine and are issuing all emergency aid by cash.

Within the Adult Aids and GR Programs, emergency aid is generally limited to the General Relief Program and includes: (1) Emergency Grocery Orders (EGO), (2) Clothing Orders, and (3) Meals and Lodging Orders. Cash is given only under the most severe need circumstances.

Emergency aid invoices are issued to clients in districts. Clients take them to vendors who provide services and submit signed invoices to the GR Unit for payment.

In Adult Aids and General Relief, cash is given only in rare cases. On a pending case, the Deputy District Director's signature is required; on an approved case, the Bureau Director's authorization is necessary. However, virtually all the emergent aid given in the Adult Aids and GR Programs is in-kind.

Two signatures are required to validate each check issuance, the written signature of the District Cashier; and the imprinted signature of Mr. Ellis P. Murphy which is embossed on the check together with the dollar amount and the date at the time the Check Writing machine is activated.

Procedures have been established which prohibit any one individual from both authorizing a check issuance and actually issuing the check. The possibility for collusion as well as the unauthorized use of a Cash Aid Requisition does exist; however, normal operating procedures and control points such as the Check Writing Control Clerk, the Eligibility Worker, etc., should detect any fraudulent activity of this type.

Presently, the Check Writing system has no procedures for making random sample comparisons of cancelled checks, and comparing them with case files to insure that a legitimate file exists. At the time of issuance the original copy of the check is given to the client and the single check copy is forwarded the following day to the Auditor-Controller's office, where it is used as a source document for originating the "Daily Proof Listing of Issue Cards". We are in the process of training an audit team to conduct security and validity audits in this and other programs.

### Machine-Issued ATP's (Authority to Purchase Food Stamps)

The Machine-Issued ATP Forms are stored in the security room of the DPSS Central Stationery Stockroom from the time that they are received from the printer until they are requested to be delivered to the vault of the County Auditor. The blank forms are issued only upon the verbal and written request of the Computer Services Input-Output Unit of this Department who oversees the security and accountability of ATP's. A one month's supply is delivered from the Auditor's vault to the Welfare Data Center security room prior to printing of the ATP's. The ATP's are handled by designated personnel and receipt and delivery of the cartons requires the signature of both deliverer and receiver.

The blank ATP's are stored in the locked security cage in the Central Stationery Stockroom. The vault has maximum security. The one month's supply delivered to the Welfare Data Center is also maintained under lock and key.

ATP's are printed on a safety-type paper stock that has an intricate pattern and is colored.

Voiding of these forms is accounted for by a document count of those that have been misprinted or mutilated. This count is provided twice a month to the Food Stamp ATP Security Clerk in Computer Services I/O Unit. Destruction of these documents is accomplished under controlled conditions and is witnessed and verified.

After printing by WDC, the ATP's are moved to the Auditor's bursting room. Here they are burst and stuffed in envelopes. They are put in canvas bags for the Post Office, who sends a truck to pick them up. The Post Office mails them so the clients will receive them the first and fifteenth of the month or shortly thereafter. The client takes the ATP to the bank and after proper identification, signature and payment of cash, is issued food stamps in the amount shown on his ATP.

The bank-cancelled ATP's are returned to Claiming and Accounting and filed in batches of 200 for subsequent identification by batch number in reconciliation.

The banks send the cancelled ATP's to Claiming and Accounting who review the individual ATP's of seven of the small banks to their adding machine tapes as submitted. If in agreement with tape totals and 250 Reports, they are satisfied that the 250 Report is correct. On the larger banks where the volume is substantial, Claiming and Accounting routes the boxes of ATP's, along with the ATP's from the small banks, to WDC via CSD I/O.

At WDC the cards are read to tape in the sequence received (by bank). ATP listings by bank are produced. The ATP tapes are matched against the issue tape and a usage listing is generated. A bank recap is generated which gives the total number of ATP's, item count and money amount per bank.

The edit exception (nonmatch) list is produced. The master usage list is also produced. The ATP's are returned (in batches of 200 with sequence Batch Identification Cards) to Claiming and Accounting. Usage listings and exception listings etc., are also forwarded to Claiming and Accounting for review and manual reconciliation. The data acquired from the usage list and the exception list for a particular bank should equal the 250 Report. However, since the system is incapable of identifying amounts other than that originally issued, a complete reconciliation cannot be achieved in this manner.

A new batching process and program revisions to the Edit Exception List now allows us to reference the original document and identify the bank, batch and card number on the Edit Exception List. This was implemented for the January redeemed ATP's. In addition, a new program changes the Edit Exception List so that all duplicates are identified in the legend in this new format. Implementation is set for the February redeemed ATP's. All fraud ATP's should be isolated in this group.

Under requirements presently being established in the new food stamp contracts with banks, the banks will be responsible for a major role in the reconciliation process. Each ATP received by the bank will be key punched with all pertinent information including cash value, book value, ATP number, and bank identification. This data will be then fed into a computer tape by the bank and sent to Claiming and Accounting with the 250 Report. Verification of the correctness of the 250 Report will be made. The tape will then be sent to WDC to be matched with the issuance tape. Any type of ATP not regularly issued, including counterfeit, altered, or stolen ATP's, will be identified by this reconciliation process.

The County Auditor's Department audits all systems within DPSS. WDC produces monthly district payrolls that presently allows district staff to compare cases on the file against their case records for validity. Monthly management reviews are conducted of random samples, and a Departmental audit team will be established July 1, 1972.

Audit trails are available in every step, although certain documents could be removed/destroyed making tracing more difficult. Fraudulent input could come from various sources and at different points in the process. Since there are records and input documents retained throughout the process, the source at which data was fraudulently entered can be identified.

The following documents would be available:

- Computer Services I/O Unit Batch Tickets
- Food Stamp M-Cards
- Food Stamp Central Line Operations Unit Batch Tickets
- Master Payroll (Monthly)
- Carbon M-Grams
- District Payroll (Monthly or Semi-monthly)
- "L" Sheets
- Negotiated ATP

### Manually Issued ATP's

The ATP Forms are stored in the cartons in which they are received and remain unopened. Each carton contains 2800 ATP Forms, and ATP's are issued only in blocks of 2800. The cartons are sequentially numbered by the vendor and they are inspected at the time of receipt with verification of the serial numbers listed on the carton. Any broken or suspicious carton is closely examined for content and appropriate action taken immediately.

Each carton is entered on the Inventory Control Form in numerical order with the serial numbers included. Each carton is inspected and initialed by 2 storekeepers and immediately moved to the security room. The boxes are stored in numerical order on flats arranged so that all cartons are visible for inspection. The cartons are issued in numerical order, and at the time of issuance, the District Messenger signs for the boxes on the Inventory Control and the storekeeper issuing the boxes also signs. A monthly inventory of stock in the security room is also conducted. Each carton is individually counted and inspected on each storage flat. The box numbers are listed on an inventory sheet and reconciliation to the Inventory Control Form is subsequently completed.

The forms are stored within a locked security cage having a double lock. Entry to the security cage requires the presence of 2 of the 4 supervisory personnel having one of the 2 keys to each lock. One of the key holders must be in the security cage at all times that the door is open. The security cage is within the Central Stationery Stockroom which also has limited access.

District Cashiers/ATP Clerks are the only County personnel authorized to handle manually-issued ATP's in the district.

Before a manually-issued ATP can be generated, a computer input document, the M-Gram, must be prepared in duplicate by the Budget-Comp. Clerk. The carbon is filed by this clerk. The original is submitted to the Food Stamp Central Line Operations Unit where it is permanently filed. Information regarding the ATP is also posted to a DI-ATP log in all cases. Copies of this log are stored in the district and at the Food Stamp Central Line Operations Unit. In addition, information regarding the issuance is posted to an "L" sheet which summarizes all food stamp activity on each case. Putting a case on computer also generates an "M" card in the Data Center. This M-Card is returned to the district and filed in a central district deck. Cases on computer will also cause case information to appear on a master payroll as well as a district payroll every month.

All spoiled or voided ATP's must be submitted daily with a log to Food Stamp Central Line Operations Unit.

A monthly management review by the Deputy District Director includes a random audit of 10 cases and comparison of the ATP's to the district payroll and case records.

Effective July 1, 1972, a full time team of 6 Departmental Food Stamp Auditors will be established to conduct intensive ongoing audits of district operations including random validity checks.

Beginning not later than July 1, 1972, the Department will conduct quality control testing of food stamp cases. This will be done by the Eligibility Control Unit of the Bureau of Fiscal Affairs and Administrative Services.

## 2. San Francisco County - Procedures and Controls Relating to Negotiable Instruments

The survey of internal controls in San Francisco County was made by J. W. O'Sullivan, Head Accountant; Gertrude Kanner, Assistant Director, Income Maintenance, Family and Children's Program; and Sarah Knight, Supervisor Food Stamp Program. The material following is summarized from their reports.

### Machine-Issued Warrants

All blank warrants are under the control of the Controller (County Auditor.)

All blank warrants are stored in a double-locked vault (combination lock and key-lock). Only three shift supervisors and one chief control clerk have a key and know the combination. The combination is changed whenever there is a change in personnel.

Warrants are printed on safety type paper. The erased section would be indicated by a color different from that of the warrant.

All spoiled warrants are physically returned to a designated supervisor in the Data Processing (EDP) Center and shredded. Any voided warrants are stamped VOID and attached to payroll. All voided and spoiled warrants are logged by serial number.

EDP maintains an inventory by serial number of all blank warrants. Each payroll records the beginning and ending serial number used. Each computer operator signs the warrant control register for the serial numbers he uses.

Warrant Issuance Process is outlined as follows:

### Present Application System

-Applicant comes into department.

-Intake clerk gives applicant packet of forms and gets some identifying information.

- Applicant sees Intake Worker and fills out various forms, (i.e., CA 201, face sheet 3703).
- If applicant is eligible and in immediate need, Intake Worker obtains case number; (from TP terminal).
- The Case Folder is received (from Central Index) in the Intake Unit.
- The Unit Clerk finishes 'logging' in the case information.
- The Intake Eligibility Worker prepares: the 278L; Budget Sheet (158/241); and the Form 6.
- He then gives the case (forms) to the Unit Supervisor.
- The Unit Supervisor approves workers actions and 'recommends' for payment.
- The client receives his 'supplemental' warrant.
- The case is transferred to a Continuing Unit.

Present 278M (Payment) System - AFDC, OAS, AB and ATD

- Eligibility Worker makes out the 241 and 278L (158 and 278L for Adult cases).
- Unit Supervisor approves and dates actions.
- Unit Clerk logs out the 241 and 278L. If this is a new case, the Unit Clerk would also prepare; a list of "recommendations" for statistics, finish setting up case (after case # assigned and case folder started by Central Index) with Location cards, and Blue cards.
- Unit Clerk also keeps list of pending applications, Restorations, etc.
- The Budget Typing Unit selects the pre-punched 278M (from tray) for the case, and audits the 278L amount for MPB, stamps and dates the 278L, types the 239 and fiscal action data on 278M, and sends 278M's to Accounting (AFDC). They send the 241 and 278L back to Unit Clerk who logs them in and returns forms to E.W. for case folder. (In Adult cases the Unit Clerk performs the "Budget Typing" function and sends the 278M's to Accounting - ADULT.)
- Accounting sorts the 278M's by Kind of Action and Aid, audits the 278M's for MPB, then mails the 239's. Accounting then batches (includes adding machine taping) the sorted 278M's stamping them with 'Batch Date' (1 to 2 days in advance of the current date). From their work sheets Accounting prepares the 913 Transmittal Sheet (showing Aid/Action/Persons Count/current or prior month), and sends to Tabulating Records Unit (TAB).

- TAB receives 278M cards, Header cards (separating the sorted M cards), twice a day from AFDC - Accounting (once a day from ADULT Accounting). TAB then audits, keypunches, and verifies all typewritten 'M' changes (1 'M' card may generate 15 key-punches cards). The next morning the punched cards containing fiscal actions (grant amounts, persons counts, etc.) are 80-80 listed, and a 'Balance Check List Totals' Report (in Action/Aid sequence) is produced in TAB and sent back to Accounting.
- Accounting balances '913' with the 'Balance Check-List Totals' (if out of balance-find mistake, enters correction on listing for return to "TAB" for punching of replacement card). When they balance, the 'OLD' M card is filed in 'WORK FILE' for EDP Balancing.
- TAB lists 'M' cards giving totals, and sends 'M' cards to Mail Unit.
- Mail Unit delivers 'M' cards to EDP, by 3:30 that afternoon.
- EDP processes 'M' cards (usually night of Batch Date). Producing:
  - 1) Change Voucher which is a list of changes to the Master tape and cards not processed;
  - 2) Supplemental (Cash) Change Voucher which is a list of Cash transactions for the day and a list of payment-grant cards not processed;
  - 3) Supplemental Payroll Register is the list of Cash transactions with warrant numbers;
  - 4) EDP balances run with TAB totals and sends all vouchers and warrants to Controller by 1:00 next day. (Warrants in Aid/Serial Order.)
- Controllers call Accounting for 'Daily Holds' (indicates by red circle around case name/number on the payroll register).
- Accounting reconciles the 913, TAB List and Change Vouchers (if necessary the 913 is corrected and resubmitted to TAB) the 913 is signed (by the Director of Administrative Services) and sent to Controllers Office.
- Controllers staff pull 'Held' warrants, stuff warrants, and finally put warrant envelopes through postage meter and mail them (during the first and second work day after the batch day).
- EDP punches a new 278M card and sends it to TAB.
- The 'M' cards, sorted by Aid/Serial number (and 3 digit Unit number for Adult Aids), are sent to Accounting.
- Accounting pulls "Duplicate 278M" requests and sends new 'M's to the Budget Typing Unit (to the requesting Unit if 'M' for an Adult Case, where the Unit Clerk logs it in).

### Month-End Warrant Process (All Programs)

- EDP processes monthly warrant programs, printing a warrant for every nondiscontinued case.
- Sends warrants and Warrant Register to Controller. A copy of register sent to Social Services Accounting, where "red circling" of warrants to be held is done (from "Center Stripe" cards or from TAB list of those cards). "Red circled" Register sent to Controller.
- Controller manually pulls warrants which were "red circled" on the register (2 men, 2 days = 32 man hours). Controller phones SS Accounting for "Emergency" holds. Controller "blue circles" these on the register and they are also pulled.
- In 'stuffing' unit, warrants are stuffed separately into envelopes on Pitney-Bowes Model 3140, inserting machine (without postage meter).
- Warrants to Controller's Office where envelopes are run through postage meter. Then the warrants are mailed.
- Warrants paid by Treasurer are returned to Controller's Office and filed in warrant number order by fund and appropriation.
- A print-out of Warrants paid by the Treasurer is sent to the Outstanding Warrants section of the Controller's Office.

The Controller's Outstanding Warrants Section reconciles the warrants paid by the Treasurer to the payrolls.

Any counterfeit check would be discovered because it would not appear on the payroll. As the warrant amount is punched in the check, any raised checks would be discovered when the Treasurer reconciles the individual bank payment requests. The Treasurer also runs a machine listing of checks cashed at his office and verifies the amount paid to the amount punched in the check.

Requests to issue a duplicate check for a lost or stolen warrant are first checked against the Treasurer's Paid List up to the date prior to re-issuance. A stop-payment is placed on the original warrant when the duplicate is issued. A list of stop-payments is provided each teller in the Treasurer's Office. Any check on which a stop-payment had been placed is presented for payment is mutilated and charged back to the bank.

Setting up a fraudulent case would be possible through collusion between the worker and client or other(s) outside the agency.

The following permanent records signed by the responsible person would constitute an audit trail to detect the fraud and lead back to the department person responsible:

Application

Affirmation of Eligibility

Budget Work Sheet

Authorization Document (278-L)

It would be impossible to set up fraudulent paperwork without leaving a trail back to the originator. The 278-M is prepared from the 278-L prepared by the eligibility worker.

Under the present payroll system, the Accounting Units reconcile the payroll cards punched by Tabulating with the authorizations (278-M's) received from the Social Service Units.

Active warrants are maintained in the Controller's Office filed by Aid Program in case number order. Warrants, other than those to be mailed, are released by: a) Presentation by the recipient of a release card signed by the worker or unit supervisor. All pertinent data (Recipients' name and case number, date of warrant and month for which paid); or b) The respective accounting units requests the warrants to be mailed. The accounting unit receives the release cards from the workers.

After office hours, the warrants are maintained in a locked file in the Controller's Office. The supervisor of the Controller's Welfare Section has custody of the key.

The warrant signature machine is operated by a key kept in a locked desk. The use of the key is controlled by the EDP Control Supervisor. Only two computer operators are authorized to use it. Only the supervisor and two assistants have access to the key.

The Civil Service Commission investigates all applications for employment.

All County Employees are covered by a Blanket Bond.

#### Emergency - Aid Checks

No emergency check (EC) will be issued for more than \$99.99 except when authorized by the I.M. Assistant Director in the Family and Children's Programs.

An EC may not be issued for day(s) outside the month in which it is signed, nor for day(s) prior to the date of issuance.

EC's are payable only to the recipient with one exception: A vendor payment may be made when authorized by the Assistant Director. When the client is already on modified payments, such vendor EC's do not need the authorization of the Assistant Director.

EC's may not be mailed. If the client is unable to come to the office, a worker or aide may receive the EC to deliver it, by signing a receipt for it. Upon delivery, the employee must obtain the recipient's signature on a receipt. Both receipts are to be attached to the original copy of the Emergency Check Authorization which is forwarded by Front Desk personnel to Accounting the same or next day.

The supply of Emergency Check Authorization Forms 963 and 963-A is retained centrally by Reception at 965 Mission. The eligibility worker registers for each set as needed, showing the name of the client for whom it is procured. If a form or set of forms must be voided, the voided forms must be returned.

No Emergency Check request is to be submitted to or signed by supervisory personnel unless necessary information is recorded on the back of Form 241, Budget Work Sheet. If the budget is out of the unit, the worker will complete the front and back of a blank Form 241, Budget Work Sheet, which must subsequently be attached to the budget. Following information to be supplied:

- Reason for issuance.
- Liquid assets or other resources of client, i.e., cash on hand, in bank, friends and relatives, available community resources.
- Amount to be issued.
- How and when to be adjusted.

After the Budget Work Sheet is completed, the worker will prepare Form 963 in duplicate. It should be printed or typed. Items to be filled out are:

- Aid code (F.G. - Use aid code shown on 278-L).
- State number (5 digit number, or 500,000 series).
- Status (i.e., AE for presumptive eligible, R for Regular).
- Persons count for Federal and Nonfederal adults and children.
- Date of issue (Date of check).
- Payee name and address.
- Amount of check.
- Month applied.

- Reason for emergency.
- Worker's signature.
- Supervisor's signature (In accord with level of supervisor approval needed for action.)
- Recipient's first signature (To be signed when recipient is given copy of Form 963 - Emergency Check Authorization.)
- Recipient's second signature (To be signed when he picks up check. Second signature must match the first. Recipient surrenders his copy of Form 963 at this stage.)

After supervisory approval, the worker will deliver the original of Form 963 to the Emergency Check desk at 965 Mission Street. The duplicate of Form 963 will be given to the recipient so that he may pick up the check when it is ready.

Emergency Check Authorization Forms 963 are left at the Front Desk by the social worker. The Front Desk clerk shall deliver them to the Emergency Check typist. When the checks are prepared, the Front Desk clerk will pick them up and release them at the Front Desk. The recipient must present the duplicate copy of Form 963, which he previously has signed over the first signature line, and sign it again on the second signature line, before the check will be released. The two signatures must match. The signed copies of Form 963 shall be hand carried to Room 200, where the Front Desk clerk will then place them in the appropriate unit mail folders. Checks will be released to recipient only, not to other members of the family or outside persons.

(If a check is not picked up by the recipient by the end of the day, the social worker will be notified, the check will be held through the following day, and then cancelled.)

The original of Form 963 will be used as the source document for typing lists of checks issued. This listing shall be checked to the duplicate copy of issued checks to verify that case number, name, and amount are in agreement. The Form 963's, copies of check, and listing for the day, shall be sent to General Accounting by 10 o'clock of the following day.

The Emergency Check typist will type the check based on the information on Form 963. The check number shall be posted to Form 963. These checks require two signatures.

No checks shall be signed without an attached authorization Form 963.

Completed checks shall be picked up by one of the Front Desk Clerks.

Since Emergency Checks are a part of the AFDC grant, they must be posted to the List of Authorizations to Start, Change or Stop Aid Payments, Form 278-L. This will be done by the unit clerk after receipt of the 241 Budget Work Sheet from the worker and copy of Emergency Check Request Form 963 from the Front Desk clerk. If the 278-L is in the Budget Unit, the unit clerk will hold the Budget Work Sheet and copy of Form 963 until the 278-L is returned from the Budget Unit. After posting, the duplicate copy of Form 963 is filed in the case record.

Each month, a summary of Emergency Checks issued will be prepared by Tabulating and recorded through EDP to the individual payment history file for charging against the proper case and for claiming federal and state financial participation.

#### Emergency Aid Is Never Paid to the Recipient in Cash

Two signatures are needed to validate an emergency aid check. No one individual can both authorize and issue the check without cross controls from another individual or department. The same person signing the authorization may not sign the check.

Checks are issued by General Accounting in a block of serial numbers. Blank checks are stored in a safe overnight. Listings by check number to account for each check issued are forwarded to General Accounting, along with originals of the authorization forms for cross-check purposes. Authorization Forms (963) show the serial number of the check issued. Authorization forms are issued on a controlled basis.

It would not be possible to issue more than one emergency aid check to the same individual unless the individual represented himself as two different persons and was successful in getting two cases opened; or unless he was eligible to an additional amount of emergency aid.

It would not be possible to issue an emergency-aid check to the recipient without a permanent file being maintained concerning the eligibility and details of the issuance.

Duplicate payment, i.e., payment of the same amount to the same case, would require loss of the case record, or fraud and collusion or inattention to duties on the part of both a unit supervisor and a worker. An entry is made on the 278-L for all aid issued.

All aid issued is registered on the 278-L. In addition the original of the emergency check authorization form is forwarded to Accounting, where a monthly case history is maintained for each case, so a cross check can be made of total amounts issued by both regular grant and emergency aid check methods.

## ATP's

ATP's are handled in the same way as blank warrants, kept under lock and key in a storeroom having no windows, and one entrance having both a combination and key lock.

ATP's are printed on IBM stock, pre-punched with a serial number that is also printed in red in the upper righthand corner.

Spoiled or mutilated forms are treated in the same manner as are warrants; put through a shredder. No records of shredded forms are kept. There have never been any spoiled or voided forms.

When the computer operator receives the input tape, he gets the required ATP's from the warrant room with the aid of the shift supervisor, who unlocks the door. The job takes about 8 hours. If the job is finished during the night the produced ATP's are stored in the warrant room until they can be stuffed and mailed.

Each ATP has a zip code printed on it to help it through the Post Office Department.

ATP's are received from one of four agencies. An item count is established, mutilated ATP's and hand issues are keypunched; the agencies returns are then put on to magnetic tape for reconciliation.

After the reconciliation, the ATP's are sorted by serial number order, boxed 2,000 per box and cased, 5 boxes/case. Each case is numbered from 00 through 99. If the items in a case number from 270,000 through 279,000, the case number would be 27. The cases are then delivered to Social Services Department. They check for possible fraudulent cases, keep the used ATP's for one calendar year and then scrap.

All ATP's issued (manually or machine) are recorded on magnetic tape. All ATP's received are compared against this magnetic tape. A listing is produced listing all duplicates, late items, items with different values, items for which there is no record of issuance, and items which were issued to replace previously issued items. Counterfeiting would be immediately evident. Unauthorized issuance of ATP's would also be immediately evident. The listing is used to catch clients who regularly come in stating that their ATP's were lost and could they have replacements. If both sets are used, it will show up on the reconciliation listing. First, a line is printed showing the number of the replaced ATP and the number of the replacement ATP. Then, if the replacement ATP is used, a line is printed with the notation "RE-ISSUE". Both of these will be printed as a matter of course. If however, the "lost" ATP is used, a third line will be printed showing when it was "accounted" for, and why. This is an indication of possible fraud. Prior month's listings are checked for habituality. If this exists, the specific ATP's in question are pulled from the files and have their signatures checked.

If we cannot meet the regular deadlines for the main or supplemental payrolls, ATP Cards are manually issued.

One clerk manually issues ATP Cards.

We keep records on all manually issued ATP Cards and if fraud exists, it would be detected.

### 3. Alameda County - Procedures and Controls Relating to Negotiable Instruments

The material concerning Alameda County internal controls has been summarized from material submitted by Colonel H. Adams, Assistant Manager, Alameda County Welfare Department.

All blank machine-issued warrants and ATP's are under the control of the county auditor and are stored in a locked storeroom. Both warrants and ATPs are printed in purple ink on an intricately patterned safety paper. Control over spoilage and voiding is accomplished in the auditor's office. An accurate inventory by serial number of all ATPs and warrants is maintained, and an accountability of those used in each computer run is recorded.

Authorization for issue is accomplished by an eligibility technician. A separate unit in the welfare department types input for optical scanning. The data processing center then produces warrants and registers and in-and-out control listings which are used for audit by a central unit in the welfare department fiscal section. This output is checked by this section against the original authorization documents that have been forwarded by the input typing section. Bank-cancelled warrants are ultimately returned to the county auditor via the treasurer for reconciliation and filing. ATPs, after negotiation, are returned to the welfare department mail room for receipting and delivery to the data processing division for matching and with ultimate delivery for reconciliation and storage to the bookkeeping section. Bank-cancelled warrants are reconciled through the use of magnetic coding and tape which can detect fraud and counterfeiting. ATPs are also reconciled by matching those cancelled against the tapes representing issues.

No random sampling of warrants or ATPs back to the case is accomplished on a routine basis. A unit in the fiscal section has on occasion conducted a random sample comparison of machine-issued warrants with the case file, but this has been neither routine nor extensive.

Only by failure of recognition of irregularities by various employees in the chain of handling a case opening routine, or by short circuiting supervisory control, could fraudulent data be used to provide a warrant to a fictitious recipient, but such a scheme is possible, and the audit trail could be obliterated.

In most payments there is a reconciliation between the authorization and the payments, except that in a few computer calculated issuances of aid payment supplements reliance is placed upon program notices flowing to the appropriate caseworker.

The electronic data programming includes 49 checks for errors on feeding data; of these, 22 could detect feed-in which might be the result of attempted fraud. Some of these errors are:

Incorrect type of input form.

New approval for case already active.

Multiple actions of same type.

Failure to enter approval for inactive case or case not on master tape.

Adjusted net income amount greater than maximum for eligibility.

Incorrect paycode for "zero cash" case.

Cancellation of midmonth authorization where no such authorization was issued.

Cancelling and rewriting two authorizations for a month where only one authorization was issued.

A cancellation or rewrite received without its related action.

Rewrite action cash and stamp amounts not valid.

Incorrect dates on cancellation and rewrite actions.

More than two cancellation and rewrite actions entered.

Incorrect data affecting generated address changes.

Failure to report renewals before cutoff.

ATP cashed is in the fiscal file but not on the master file.

Cashed authorizations in the case exceed the expected number for the case.

#### 4. Embezzlements of Aid Payment Supplements

Of significance is the finding by Alameda County that the controls governing the issuance of aid-payment supplements were weak, because shortly after the survey an embezzlement scheme was detected in Alameda County in which employees had taken advantage of the procedures for issuing supplemental warrants. In addition, almost simultaneously, a similar scheme for embezzlement was uncovered in Los Angeles County. In Alameda County, during March 1972, fraudulent Form 0-20s (Notice of Authorization Action) were submitted through channels in Oakland which caused the issuance of supplemental aid payment warrants to welfare recipients. Two incorrect forms were first detected in payroll section, and thought to have been inadvertent errors by an eligibility worker,

but upon examination there were indications of disguised handwriting and incorrect worker numbers on the documents. A further check revealed that a large number of such forms had been issued, resulting in the mailing during February and March, 1972, of \$15,339.00 in unauthorized warrants, and an additional \$5,150.00 in illegal warrants was intercepted in payroll prior to being mailed to recipients. Additional investigation determined that welfare department employees, in collusion with the recipients, had perpetrated the scheme of sending through fraudulent authorization notices which effected the issuance of the unauthorized warrants, and on September 7, 1972 a criminal complaint was issued variously charging 17 persons with forgery with intent to defraud and grand theft for perpetrating the fraud.

### PART III

#### A. FORGED AID PAYMENT WARRANTS

A continuing problem to law enforcement agencies is the increasing number of warrants for payment of aid which are negotiated bearing forged endorsements of the payees to whom issued. Sections 29850 and 29851 of the Government Code provide for issuance of duplicate warrants upon the filing of affidavits by payees that the originals have been lost, stolen, destroyed or cashed with a forged endorsement. In such cases the original warrants are not honored by the county auditor's office and losses due to the forgery must be accepted by banks, merchants or others who cash the forgeries.

Warrants are stolen from within county auditor's offices and welfare departments prior to being mailed, from the mails, from the homes and persons of recipients, and lost by recipients and found by others and negotiated. In some cases they have been cashed by the payees and false affidavits have been filed to obtain a duplicate which also has been cashed. Police fraud investigators suspect, based upon results of investigations, that some recipients trade warrants, forge each others names thereto, and both parties apply for, and receive, and cash the duplicate warrants as well as the originals.

#### B. SURVEY OF FORGED WARRANTS

To determine the extent of the losses to the public sector as a result of forged warrants, the following survey of 35 counties was made for the month of December 1971 (with the exception of the figures for Los Angeles County which is the monthly average for the first five months of 1971):

TABLE 1:

## FORGED WARRANTS - DECEMBER 1971

	Number of Forged - Warrants Affidavits Filed			Value of Duplicate Warrants Issued		
	AFDC	Adult	Total	AFDC	Adults	Total
<b>Group "A" Counties</b>						
*Los Angeles	2,358	379	2,747	\$122,292	\$45,482	\$167,774
Total	2,368	379	2,747	\$122,292	\$45,482	\$167,774
<b>Group "B" Counties</b>						
Alameda	30	11	41	3,210	1,084	4,294
Orange	15	7	22	1,618	819	2,437
Riverside	32	6	38	2,524	798	3,322
Sacramento	15	5	20	1,633	332	1,965
**San Diego	9	0	9	847	0	847
San Francisco	68	28	96	8,500	4,200	12,700
San Joaquin	17	9	26	1,575	1,422	2,997
Santa Clara	26	3	29	2,980	419	3,399
Total	212	69	281	\$22,887	\$9,074	\$31,961
<b>Group "C" Counties</b>						
Butte	1	0	1	87	0	87
Humboldt	1	0	1	77	0	77
Imperial	0	0	0	0	0	0
Marin	13	2	15	1,550	250	1,800
Merced	4	0	4	398	0	398
Monterey	12	0	12	1,249	0	1,249
San Luis Obispo	2	1	3	204	159	363
San Mateo	30	10	40	3,565	940	4,505
Shasta	0	0	0	0	0	0
Solano	1	2	3	102	263	365
Sonoma	0	0	0	0	0	0
Stanislaus	5	2	7	568	272	840
Tulare	3	2	5	264	203	467
Ventura	4	2	6	436	295	731
Total	76	21	97	\$8,500	\$ 2,382	\$ 10,882
<b>Group "D" Counties</b>						
El Dorado	0	0	0	0	0	0
Lake	0	0	0	0	0	0
Madera	2	0	2	232	0	232
Tehama	0	0	0	0	0	0
Tuolumne	0	0	0	0	0	0
Yuba	2	1	3	157	144	301
Total	4	1	5	\$389	\$ 144	\$ 533
<b>Group "E" Counties</b>						
Alpine	0	0	0	0	0	0
Del Norte	0	0	0	0	0	0
Inyo	0	0	0	0	0	0
Lassen	0	0	0	0	0	0
Mariposa	0	0	0	0	0	0
Sierra	0	0	0	0	0	0
Total	0	0	0	\$0	\$0	\$0
Grand Total	2,660	470	3,130	\$154,068	\$57,082	\$211,150

Projecting the above total, it is estimated that the loss to the public sector may exceed \$2,500,000 a year throughout the state and that Los Angeles County accounts for almost 80 percent of this total.

\* The figure for Los Angeles County is the monthly average for the first five months of 1971.

\*\* Includes AFDC and Adult - no breakdown of categories available.

Since the incidence of forged warrant cases is so much greater in Los Angeles than in other counties, it is suspected that warrants are being stolen there from a source where a theft of a large number of warrants can be made at one time, as opposed to individual thefts from mail boxes of recipients. Warrants are available in quantity at the time printed and mailed from the auditor's office and welfare department or at the various post offices through which they are distributed (they are received at the postal substations sorted by zip code), and those undeliverable are returned to a central point in the welfare department. Thefts in bulk could take place in any such location. Thefts from street mail storage boxes have been reported recently.

C. FORGED WARRANTS IN LOS ANGELES COUNTY

The Field Fiscal Audits Bureau in 1971 made a survey of forged warrants in Los Angeles County. The results are contained in an SDSW Report prepared by A. Robert Cartego, Chief, Field Fiscal Operations Bureau, SDSW, dated November 1971, entitled "REPORT ON A STUDY OF FORGED WELFARE WARRANTS IN LOS ANGELES COUNTY", the results and recommendations of this study follow:

1. Summary of Investigation

The Office of the Governor instructed both the State Department of Social Welfare and the State Banking Department to determine the extent of forged warrants in Los Angeles County and fully explore workable solutions. These instructions were in response to a letter written to the Governor by a Los Angeles County merchant.

Results of Examination

In compliance with the Governor's instructions, an investigation was conducted in Los Angeles County. This investigation included an extensive review of procedures within the Auditor-Controller's Office, as well as the Department of Public Social Services. The results are:

The percentages of the amount of forged warrants to total categorical aid payments in Los Angeles County are as follows:

	<u>Total Paid</u>	<u>Amount of Forged Warrants</u>	<u>Percentage</u>
1969	\$ 480,353,197	\$ 709,416	.148%
1970	628,006,930	1,540,364	.245%
1/1/71 to 5/31/71	<u>305,426,697</u>	<u>838,215</u>	.274%
Total	<u>\$1,413,786,824</u>	<u>\$3,087,995</u>	

Although the percentages of the amounts of forged warrants are small in relation to total payments, it is noted that the amount of forged warrants in 1971 has almost doubled as compared to the year of 1969 and continues to grow.

Losses resulting from alleged forged warrants for all aids including General Relief in Los Angeles County for the period January 1, 1969 through May 31, 1971 are as follows:

<u>Period</u>	<u>DOLLAR AMOUNT</u>		
	<u>Amount</u>	<u>Monthly Average</u>	<u>Percentage of Increase from 1969</u>
1969	\$ 765,214	\$ 63,768	
1970	1,663,759	138,647	117%
1/1/71 to 5/31/71	920,163	184,033	189%
<b>Total</b>	<b>\$3,349,136</b>		

	<u>NUMBER OF WARRANTS</u>						
	<u>OAS Aged</u>	<u>AB Blind</u>	<u>ATD Disabled</u>	<u>Subtotal</u>	<u>AFDC Children</u>	<u>Total</u>	<u>Monthly Average</u>
1969	375	26	578	(979)	9,763	10,742	895
1970	893	81	1,631	(2,605)	20,148	22,753	1,896
1/1/71 to 5/31/71	529	35	1,028	(1,592)	10,191	11,783	2,357

Assistance payments for all aids are made on the first of the month and on the fifteenth of the month for the Aid to Families with Dependent Children Program.

Of special note is that: OF THE TOTAL NUMBER OF WARRANTS IN WHICH LOSSES WERE EXPERIENCED, 88.2% WERE WARRANTS FOR AID TO FAMILIES WITH DEPENDENT CHILDREN AND ACCOUNTED FOR 71.8% OF THE DOLLAR LOSS.

Merchants and banks hold that they have no recourse but to reluctantly absorb their losses and give these reasons:

- The usual four to six month delay in notification by the county that particular warrants are fraudulently obtained and forged and thus not honored by the county treasurer.
- Professional forgers present fraudulent identification on cashing warrants and are untraceable.
- Perpetrators of fraud are also recipients of aid and thus poor sources for recovery, even after conviction, which is rare.

The major causes of losses are:

- Warrants stolen and forged, thieves using fake identification.
- Recipients fraudulently cashing both the duplicate warrant (replaced) and the original warrant and later denying the accusation. (Proof is very difficult if not impossible to obtain.)

- Recipients exchanging warrants and identification with friends, relatives, etc., endorsing and cashing same, then obtaining duplicate warrants through the sworn affidavit process.
- Some merchants not requiring adequate identification before cashing warrants.

Other pertinent findings:

- The situation has become so profound that some banks refuse to cash aid warrants unless the holder has an account with that bank. Many innocent recipients are experiencing extreme difficulty because of this situation.
- Safeguards are limited to after-the-fact investigation (handwriting analysis to determine forgery and fraud) rather than prevention.
- There is a growing recipient awareness that the above safeguards are limited and prosecutions rare, thereby encouraging recipients to claim that they did not receive their warrants or that the warrants were lost or stolen. Furthermore, many recipients are now doing this on a repeating basis.
- Current payment procedures are extremely vulnerable to fraud and forgery.
- Lack of flexibility in state regulations hampers preventative measures.

Research for a Workable Solution

On June 3, 1971 the State Department of Social Welfare in conjunction with the State Banking Department conducted a meeting with interested and involved federal and county personnel and representatives of various private concerns. The meeting was held in the Department of Social Services office in Los Angeles.

Various alternatives were suggested and discussed as follows:

- A change of procedure whereby banks are notified within a few days rather than four to six months later that a warrant has been forged and not honorable. This may provide some protection for the banks, but not for merchants and is an after-the-fact action, rather than preventative procedure.
- Stagger payments of aid throughout the month, rather than paying on the 1st and 15th. This would make the theft of mail less lucrative due to reduced daily amounts.
- Bank issuance of aid rather than mailing warrant. This should be in the form of direct payment and NOT A CHECKING ACCOUNT.

- Identification cards issued to clients for purposes of cashing warrants.
- Initiate a statewide publicity campaign emphasizing the importance of using proper identification techniques.
- Increase the penalty for recipients who cash warrants and fraudulently claim it was lost, destroyed, or stolen.
- Utilization of fingerprinting for positive identification.

A point brought home sharply by the representative of the United States Postal Department was the Department's concern for the safety of their postmen and especially so with the advent of increased mail deliveries of food stamps in conjunction with warrant deliveries. In addition, there exists the problem of nondeliveries by less than energetic postmen, as well as in-house pilfering. The unanimous decision was that AID PAYMENTS SHOULD BE REMOVED FROM THE MAILS.

After much discussion on the various alternates regarding their effectiveness, cost and problems of implementation, it was decided that the ultimate solution would be a combination of the suggestions with emphasis on PREVENTION.

It was agreed that the following recommendation would be presented by representatives of the State Department of Social Welfare and State Banking Department. This recommendation consists of several actions that of necessity have to be implemented to insure success of the venture.

## 2. Recommendation For Direct Payment to Recipients

- Clients be assigned to specific banks which would issue their aid payments.
- Colored photographic identification cards be prepared in duplicate, one issued to the client and one to the bank to which client is assigned.
- County prepare payroll by bank and branch. This payroll would serve as authorization to pay recipient cash grant upon presentation of the I. D. cards, which would be matched with the one on file in that bank.
- Bank issue cash and issue food stamps to those recipients utilizing the voluntary deduction method in food stamp counties.
- Payment dates be staggered to provide a daily flow of "trade", thus preventing the first of the month and fifteenth of the month rushes upon banks.
- Recipient's signature and when in doubt fingerprint be required by bank upon receipt of payment.
- Recipients be fully informed as to reason of change in payment procedures with emphasis on protection of the innocent potential victim of fraud and forgery.

### 3. Advantages to be Acquired Through This Approach

- Although certain I. D. cards can be altered, the matching process would prevent the passage of an altered card. Such a card would immediately be recognized as an alteration and law enforcement action could be initiated on the spot.
- The reduction in warrant writing and food stamp authorization costs and related postage by the county could offset bank charges for the services.
- Established security procedures of banks would be a distinct deterrent to theft of funds.
- Removal from the mails would eliminate the theft of warrants and food stamps, nondelivery by postmen and the numerous postal returns due to improper address, etc., thus resulting in reduced county administrative costs.
- Bank issuance would expedite the mandated voluntary deduction process for food stamp issuance and the variable purchase requirements in the balance of the Food Stamp Program.
- The affidavit and duplicate warrant process related to nonreceipt of aid, lost, stolen or destroyed warrants would be practically eliminated, thus additional reduction of county cost.
- Merchants and banks would no longer suffer losses on welfare warrants as all negotiations would be for cash and/or food stamps.
- Innocent clients would be protected, in that the aid payments would be available to them on the designated day and would no longer experience hardship due to lost, stolen or destroyed warrants.
- Issuance of emergency aid for such cases would be eliminated with further reduction of county cost.
- Banks could legally require signature and fingerprinting of recipients upon receipt of payment. This would provide for positive identification of the individual receiving pay, provide a definite deterrent to unauthorized persons attempting to obtain payment, and provide acceptable evidence in the prosecution of those that should successfully obtain aid payments fraudulently.

The recommendation as stated above is considered capable of providing the best protection to both public funds and to the recipient of aid.

In order to combat fraud and duplication, the State of Pennsylvania is presently experimenting with having banks issue payments to the recipients. They are also using identification cards with photographs. The State of Pennsylvania feels that if successful, the program could save the state an estimated \$15 million to \$20 million in a year.

Admittedly each of the seven alternatives as outlined may be implemented singularly with anticipated improvement to the situation. However, the combination of the alternatives aimed at prevention of fraudulent and forged payments provides resultant benefits not available in a less comprehensive arrangement. This is demonstrated in the following paragraphs.

The possibility of lack of cooperation by the various state banking concerns must be considered. In that event alternate procedures must be provided.

One procedure would entail the continued use of the mails. Some of the items stated in the primary recommendation could be utilized as follows: Staggered payment dates, colored photographic identification cards and recipient signature and fingerprinting upon cashing of warrant.

Although the advantages to be gained by this approach would be similar to those of the previous recommendation, it must be recognized that significant preventative measures would be lost. Those losses are as follows:

- Mail theft, nondelivery of warrants and pilfering by postal employees could still occur, though probably to a lesser degree because of liquidation of peak periods by staggered payment dates.
- The matching process of comparing I. D. cards to each other and to the bearer could not exist because the client could cash his warrant at a variety of establishments. Providing duplicate I. D. cards to all potential cashers of warrants would be impracticable if not impossible. In addition, the single I. D. card would have to be unalterable to provide the security necessary.
- Switching of warrants and I. D. cards could not be prevented and the volume of duplicate issues would probably diminish little for these or legitimately lost, stolen or destroyed warrants.
- In addition, the problem of communicating signature and fingerprint information from the numerous warrant cashing facilities would be monumental.

A second alternate procedure would be identical to the primary recommendation, with this exception. The counties would establish payment centers throughout the county to provide the service as outlined for the banks. The preventative measures desired could probably be obtained. However, the additional staff costs and the facilities necessary to provide the physical security must be considered.

In conjunction with the primary and alternate recommendations, serious consideration should be given toward more effective means of apprehension and ultimate conviction of forgers and perpetrators of fraudulent aid payments.

Of particular assistance would be the development of a rapid communication system of extending information of fraudulent or forged receipt of payments to law enforcement agencies. An added deterrent would be the increase of penalty for those convicted of forgery or fraud.

D. PROCEDURES IN EFFECT IN ORANGE COUNTY

The following procedures utilized by Orange County have been successful in decreasing the number of applications for duplicate warrants. This material was submitted by Gerald F. Schultz, Supervising Investigator. Similar procedures are in affect in other counties, for example, Sacramento, Sonoma and Kern.

A program has been implemented by the Special Investigative Unit of Orange County Welfare Department to reduce the number of replacement warrants issued as the result of a recipient merely completing an affidavit and receiving a replacement warrant. An accurate account of this Unit's activity relating to welfare warrant cases during the month of December, 1971, follows:

The affidavit completed by the recipient before an eligibility worker is only the first step in activity required in order to have a replacement warrant issued. All affidavits with photocopies (face and back) of questioned warrants are forwarded to this unit for further action. Inquiry as indicated by information available on the questioned warrant is conducted. The recipient is interviewed by a Welfare Investigator. During this interview, identifying material (for example, driver's license, Social Security number, credit cards, food chain identification cards) are examined and appropriate information recorded. A form approved by the criminologist of the Sheriff's Department is used to obtain exemplars of recipient's handwriting when appropriate. The recipient then is afforded the opportunity to examine either the photocopy or the original questioned warrant. The probable sequence of events which will follow after recipient has completed a Declaration of Forgery is explained. The recipient then either completes a Declaration of Forgery and, based on said Declaration, is authorized to receive a duplicate warrant, may decide that the affidavit originally prepared before the eligibility worker was in error and may even acknowledge to having received the questioned warrant.

During the month of December, 1971, of the 52 cases referred to this unit, 26 within the AFDC category withdrew requests for replacement warrants. Total amount of requests withdrawn was \$2,206.50. Four of the Adult Aid cases were withdrawn, representing a total amount of \$615.00.

In summation, through this unit's effort, Declarations of Forgery were obtained in December in 22 cases, representing a total amount of \$2,437.50. On the basis of this units' activity, the County Treasurer can return questioned warrants for payment, avoiding loss of public funds. In 30 cases where recipient was interviewed by an investigator and freely and voluntarily withdrew request for replacement warrant, the total sum of \$2,821.50 did not become an additional burden on the private community.

As can be noted from the recommendations contained in the Los Angeles study and in the procedures utilized by Orange County, basically the action necessary to correct the forged warrant problem is:

- The issuance of not easily duplicated identity cards, with photographs of the recipients appearing thereon, and
- An interview program of the applicants for duplicate warrants prior to issuing duplicates.

#### E. PHOTO - IDENTITY CARDS

The Polaroid Corporation recently made a presentation to officials of the State Department of Social Welfare concerning the work being done by Polaroid in furnishing photo identity cards to welfare recipients in New York City. Polaroid has signed a contract with New York City Welfare Department to provide 1,100,000 identity cards over a 12-month period. The New York City welfare caseload is approximately 510,000 cases, the cost of the 1,100,000 cards is \$603,000, thus, the direct cost of the card is about \$0.55. The additional costs, including salaries of personnel involved in processing these recipients in obtaining the cards and the cost of car fare for the recipient to and from the process center, bring the total cost of each card to a little over \$2.00.

Statistics furnished by Polaroid representatives concerning losses due to forged warrants in New York City are:

Over a four-year period to 1970, \$9,000,000 in fraudulent check losses were sustained and over \$4,000,000 of this was lost to banks, the remainder being to merchants or others cashing checks.

As of June 9, 1972, 310,000 photo identity cards had been issued in New York City with no cases of forgeries associated with the card reported to date. The Polaroid Corporation claims that the issuance of the cards will not only affect savings for the public sector, but will affect some savings to the welfare department for the following reasons:

The New York Welfare Department has found that a great number of recipients have failed to show up at the processing center for their photographs and the issuance of the identity cards. The reason for this is not known, except that it is believed many of these people do not want to have their photograph taken, others are not at the known address. New York plans to make an identity card mandatory, and anticipates that 20,000 cases will be dropped due to the fact the individual did not show for the photograph. New York projects their estimated savings as a result of dropping these 20,000 cases at \$40,000,000 the first year and some continued savings for the same reason in future years.

Firms other than Polaroid can contract to supply photo identity cards.

## PART IV

### A. SDSW-HRD EARNINGS CLEARANCE SYSTEM

As part of the Welfare Reform Act of 1971, Section 1094 of the Unemployment Insurance Code was amended to grant authority to the Director of the State Department of Social Welfare to review earnings of workers submitted by employers to the Department of Human Resources Development (HRD) for maintenance of Unemployment Insurance Records. Procedures were developed to search these records quarterly against the names and social security account numbers of the AFDC recipients who are listed in the State Master Persons File who received aid payments during the relevant quarter. This search is made by means of electronic data processing and five separate reports are generated for each of the 58 counties. The search is made during the mid-month of a quarter for data on file in the second quarter prior to the search. The data is six months old at the time of the search, but it is not available earlier.

The five reports generated are known and described as:

County Report #2. This report is in list form, and contains all invalid social security account numbers in the SDSW file. This is for use by the counties to correct the Master Persons File.

County Report #5. This report is in individual printout form by case of those recipients whose earnings were in the upper ten percentile in each county and who were eligible for aid all three months of the quarter.

County Report #6. This report is in list form and contains the remaining ninety percentile of recipients eligible during all three months of the quarter, plus those of the upper ten percentile who were eligible either one or two months, but not all three months of the quarter.

County Report #9. This report is also in list form and reports the duplicate social security account numbers in the SDSW file, either under different names in the same county, or under the same name in different counties. This may be due to errors in the SDSW file, or it may be persons transferred from aid in one county to another county during the quarter, or it may detect persons obtaining aid in two counties at the same time.

County Report #10. This is also a list, reporting social security account numbers which are the same in SDSW's files and HRD's files, but with unmatching names. This is due either to an error in one file or the other of the social security account number, or it indicates a person is employed under a name different from the name in which that person is receiving aid.

The purpose of the Earnings Clearance System is to detect the amount of unreported earnings of AFDC recipients, to detect and deter fraud, and thus to protect public funds. (As previously noted, approximately 90% of recipient fraud is due to concealment of earned income.)

The first reports, for the quarter April to June, 1971, were released to the counties in December, 1971. On February 1, 1972, a suit was filed by the Golden Gate Welfare Rights Organization of San Francisco against the Director of SDSW. A temporary restraining order was issued the same day followed by a preliminary injunction dated March 3, 1972, restraining SDSW from acquiring information from HRD regarding the earnings of AFDC recipients, and restraining the use of the information previously obtained. The Director of SDSW petitioned the Court of Appeal for the Third Appellate District for extraordinary relief and on May 25, 1972, the Appellate Court stayed the preliminary injunction. On August 1, 1972, that court set aside the modified preliminary injunction, finding:

"...it to be eminently fair, and simply common sense for the executive branch of the State of California to verify the legality of the past AFDC payments by recourse to information which it has lawfully acquired and which is lawfully available for that purpose. Neither sound business practice nor the law demands less care if public confidence in the AFDC program is to be maintained."

On October 5, 1972, the California Supreme Court denied a petition for Hearing.

#### B. PRELIMINARY RESULTS

A second series of Earnings Clearance Reports was issued to the counties for the quarter October to December, 1971, and members of the task force and SDSW auditors surveyed one county in an effort to determine the extent of unreported income in the AFDC program. The county selected for review was San Francisco, since it was one of the three larger counties in AFDC caseload. The following has been extracted from the report submitted concerning that survey:

A review of AFDC files at San Francisco County Welfare Department was made June 26-29, July 12, 14, 21, and 28, 1972 by Richard B. Peterson, David E. Todd, and State Department of Social Welfare auditors.

ECS printouts of County Reports #5, #6, and #10 for the quarter ending December 1971 were utilized to make comparisons of the earned income recorded in the recipients' case files with the earned incomes reported by employers to Human Resources Development (HRD) for unemployment insurance records. Printout data is keyed to the Social Security numbers of the recipients in the State Department of Social Welfare Master Persons File and HRD records.

A total of 632 case files were reviewed. Of these, 533 were active at the end of the quarter, and 478 were active at the time the review was made. Tabulated by report:

	<u>Total Reviewed</u>	<u>Active End of Quarter</u>	<u>Active at Time of Review</u>
County Report #5	485	457	411
County Report #6	70	14	11
County Report #10	<u>77</u>	<u>62</u>	<u>56</u>
Total	632	533	478

County Report #5 listed 495 cases of earnings credited to Social Security numbers of recipients who were reported in the Master Persons File as having received public assistance grants for all three months of the quarter and whose HRD earnings reports showed income of \$1600 or more during the quarter.

County Report #6 listed the earnings of recipients who were reported receiving welfare grants during only one or two months of the quarter. Only cases in which HRD earnings reports exceeded \$2000 were reviewed.

County Report #10 listed earnings credited to Social Security numbers of 214 recipients in the Master Persons File, but whose names in HRD files did not match. Only files from this list were reviewed in which the recipient's first name began with the same letter as the payee's first name (payee's full first name was not printed).

The prior Report #5, for the quarter ending June 1971, which was originally subject to the injunction prohibiting its use, contained the names of 89 payees which were repeated on the current Report #5. The data for the prior quarter was reviewed in these cases.

In 166 of the 632 cases reviewed, the ECS data was not applicable, or could not be tabulated for one or more reasons: Case was not AFDC, recipient was not identical to the HRD report payee, recipient was not on aid all three months of the quarter, or the overpayment adjustment had already been made.

In seven of the cases, fraud had already been detected by the county and an investigation had been initiated.

As the result of the review, it was found that in those cases which contained data for tabulation, there was an overall discrepancy of over 50% between the information reported by HRD as having been earned by the recipients, and the information recorded in the files as earned income of the recipients. This is set out as follows for the quarter October-December 1971:

	Cases	HRD Earnings Report	Earned Income Recorded in File	Difference	% Discrepancy
Report #5	416	\$807,302	\$389,077	\$418,225	51.7%
Report #6	7	15,277	7,848	7,429	48.6%
Report #10	43	80,082	38,153	41,929	52.4%
Totals	466	\$902,661	\$435,078	\$467,583	51.8%

With respect to County Report #5, the following breakdown into categories has been made of the ECS data and the material recorded in the 416-case sample of county welfare files.

Category I is earnings shown on welfare records substantially in agreement with those reported by HRD.

Category II is earned income reported by HRD of \$100 to \$500 more than shown in welfare files.

Category III is earnings reported by HRD of more than \$500 as shown in welfare files.

Category IV is earnings of over \$1600 per case reported by HRD, but no earnings indicated in welfare files.

TABLE 13

## DISCREPANCIES IN EARNED INCOME REPORTS - SAN FRANCISCO COUNTY

OCTOBER - DECEMBER 1971

## COUNTY REPORT #5

	<u>AFDC-U Cases</u>	<u>AFDC-FG Cases</u>	<u>TOTAL Cases</u>
I.	2	45	47
II.	14	125	139
III.	14	79	93
IV.	54	83	137
	<u>84</u>	<u>332</u>	<u>416</u>

CASH GRANTS PAID:

	<u>AFDC-U</u>	<u>AFDC-FG</u>	<u>TOTAL</u>
I.	\$ 1,399	\$ 21,855	\$ 23,254
II.	7,230	65,153	72,383
III.	10,363	46,017	56,380
IV.	36,622	56,162	92,784
	<u>\$55,614</u>	<u>\$189,187</u>	<u>\$244,801</u>

EARNINGS REPORTED BY HRD:

	<u>AFDC-U</u>	<u>AFDC-FG</u>	<u>TOTAL</u>
I.	\$ 3,328	\$ 78,976	\$ 82,304
II.	26,787	224,459	251,246
III.	30,783	156,395	187,178
IV.	126,391	160,183	286,574
	<u>\$187,289</u>	<u>\$620,013</u>	<u>\$807,302</u>

EARNINGS RECORDED IN WELFARE FILES:

	<u>AFDC-U</u>	<u>AFDC-FG</u>	<u>TOTAL</u>
I.	\$ 3,231	\$ 77,456	\$ 80,687
II.	22,944	188,588	211,532
III.	10,985	85,873	96,858
IV.	-0-	-0-	-0-
	<u>\$37,160</u>	<u>\$351,917</u>	<u>\$389,077</u>

DISCREPANCIES BETWEEN HRD REPORT AND WELFARE FILES:

	<u>AFDC-U</u>	<u>AFDC-FG</u>	<u>TOTAL</u>
I.	\$ 97	\$ 1,520	\$ 1,617
II.	3,843	35,871	39,714
III.	19,798	70,522	90,320
IV.	126,391	160,183	286,574
	<u>\$150,129</u>	<u>\$268,096</u>	<u>\$418,225</u>

TABLE 14

TOTALS OF INCOME DISCREPANCIES - SAN FRANCISCO COUNTY

OCTOBER - DECEMBER 1971

The totals for County Report #10 are as follows:  
(No breakdown was made between AFDC-U and FG.)

	<u>Cases</u>	<u>Grants Paid</u>	<u>HRD Earnings Report</u>	<u>Earnings Recorded in Files</u>	<u>Discrepancies</u>
I.	7	\$ 3,387	\$12,142	\$12,082	\$ 60
II.	10	6,001	17,305	14,781	2,524
III.	11	4,733	21,097	11,290	9,807
IV.	15	12,102	29,538	-0-	29,538
Total	<u>43</u>	<u>\$26,223</u>	<u>\$80,082</u>	<u>\$38,153</u>	<u>\$41,929</u>

The totals for County Report #6 are:

	<u>Cases</u>	<u>Grants Paid</u>	<u>HRD Earnings Report</u>	<u>Earnings Recorded in Files</u>	<u>Discrepancies</u>
I.	-0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
II.	2	579	4,285	3,524	761
III.	4	1,478	8,992	4,324	4,668
IV.	1	336	2,000	-0-	2,000
Total	<u>7</u>	<u>\$2,393</u>	<u>\$15,277</u>	<u>\$7,848</u>	<u>\$7,429</u>

Totals for Reports #5, #6, and #10 follows:

	<u>Cases</u>	<u>Grants Paid</u>	<u>HRD Earnings Report</u>	<u>Earnings Recorded in Files</u>	<u>Discrepancies</u>
I.	54	\$ 26,641	\$ 94,446	\$ 92,769	\$ 1,677
II.	151	78,963	272,836	229,837	42,999
III.	108	62,591	217,267	112,472	104,795
IV.	153	105,222	318,112	-0-	318,112
Total	<u>466</u>	<u>\$273,417</u>	<u>\$902,661</u>	<u>\$435,078</u>	<u>\$467,583</u>
Av/Case -		\$ 585	\$ 1,936	\$ 933	\$ 1,003

From a review of the data, it can be concluded that the recipients (54 of them) in Category I have met their income-reporting responsibilities. The recipients in Category II (151) have reported most of their earned income, and it appears the difference could be attributed to several factors:

Recipients are reporting net income rather than gross, or are giving the eligibility worker a round figure for earnings, and the eligibility worker accepts this figure and does not verify it by asking to review wage-payment vouchers. Also there is a tendency to carry the same figure from month to month, rather than to require a monthly earnings report from the recipient.

Recipients may be failing to report overtime, bonuses, or commissions earned.

There could be a difference of one paycheck in recipient's report and HRD report, due to employer's method of reporting to HRD (i.e., employer paying wages on the first of the month may be reporting them to HRD as paid during the prior month). Thus, a difference of as much as one-sixth of quarterly earnings where employees are paid twice a month could arise.

It cannot be assumed, therefore, that all those in Category II are failing to report income.

The recipients in Category III (108) show income in HRD reports considerably more than recorded in the file, the discrepancy averaging \$323 per month. In many of the cases reviewed, using this additional \$323 per month in the budget computation would have reduced the grant to almost zero, and it is believed that in many of these cases, the recipient is deliberately failing to report earned income to remain eligible.

In Category IV, (153 recipients) where no earned income is reported although the HRD report shows earnings averaging \$693 per month, it is suspected that in most cases a deliberate fraud is being perpetrated to obtain aid. In one such case investigated already by the county, the recipient has admitted receiving over \$4000 in aid while working full time and concealing the income from the worker. There are many cases where from a review of the file, there is a clear indication the recipient is violating the law by working full time and receiving welfare grants, in many cases using a maiden or married name or completely fictitious name for employment records, and receiving aid under another name. In this regard, County Report #10 should be of inestimable value to the counties in detecting persons working under other identities.

The overall statistics of the state for the upper 10% of ECS data reflects that 10,985 recipients were reported to have earned \$22,236,139. If the picture statewide is comparable to San Francisco County, unrecorded earned income not used in computing grants would project to \$10,677,420 per quarter, or \$3,559,140 per month.

It is also noted that statewide there were 15,215 cases in which earnings reported by HRD were more than \$1600, and 44,434 in which earnings were over \$900 per quarter. This latter figure is significant since earned income of \$300 per month is the point where the amount of the grant begins to be affected, appreciably, by earnings.

Although at this time, it is not possible to state accurately what savings might be effected by the proper application of the Earnings Clearance System, the following estimate is submitted, based on the results of San Francisco County sample and projected to the 15,215 statewide cases of earnings over \$1600.

<u>Category</u>	<u>Cases</u>	<u>Percent</u>	<u>Statewide Projected Cases</u>	<u>Estimated Savings</u>	
I	54	8.5	1,280	None	= \$ --
II	151	23.9	3,630	\$15/mo./case	= 54,450
III	108	17.1	2,590	\$80/mo./case	= 207,200
IV	153	24.3	3,700	\$190/mo./case	= 703,000
Closed, etc.	166	26.2	4,015	None	= --
	<u>632</u>	<u>100.0</u>	<u>15,215</u>		<u>\$964,650</u>

This possible savings of \$964,650 a month considers only 15,215 of the 129,504 records read by the computer, and if applied to the 44,434 recipients who earned over \$900 during the quarter, the amount of savings might double.

All counties were requested to return to SDSW a tabulation of the amount of each overpayment in the upper ten percentile of the ECS report and to identify those cases which were referred to county investigative staff for a fraud investigation. It was found, however, that this data was not immediately available and the computation of the overpayments was not possible in many cases without a complete investigation to determine, sometimes from employers by subpoena, the amounts of monthly wages, since aid budgets are computed using monthly earnings, and the HRD quarterly totals did not lend themselves to this. Also it was necessary to resolve reporting discrepancies between recipients' reports to the counties and employers' reports to HRD which in some cases amounted to substantial legitimate differences. At the time of the writing of this report, twenty-eight counties had reported actual overpayments computed in 704 cases, totalling \$324,999, or an average of \$461 per case.

Projecting this statewide, the total estimated overpayments due to unreported income corresponded closely to the figure obtained by projecting the San Francisco survey figures, indicating that the results found in San Francisco applied generally throughout the state. The method of computation follows:

It was found also in these 28 counties, that approximately 20% of the cases listed on County Report #5 were not applicable, due to either discontinuances of the cases prior to or during the quarter, or due to a social security amount number error (these are errors by the counties in failing to keep the Master Persons File updated). The 28 counties also found that overpayments occurred in 42% of the cases after eliminating the cases having Master Persons File errors.

Applying these results to the 15,215 cases of earnings reported in excess of \$1600 per quarter:

Number of cases	15,215
Less 20% Master Persons File errors	<u>3,043</u>
	12,172
Multiplied by 42% overpayments	<u>.42</u>
	5,112
Multiplied by average overpayment per case	<u>461</u>
	\$2,356,632

Or \$785,544 in overpayments per month (as compared with the prior estimate of \$964,650).

Thus it can be reasonably concluded that unreported earned income of recipients is costing the State Welfare Administration from three quarters of a million to one million dollars a month for the 15,000 recipients earning over \$1600 per quarter. Since there are an additional 55,000 recipients earning from between \$500 per quarter to \$1600 per quarter, the loss per month may be double or triple this overpayment figure.

Such losses deserve vigorous action by the counties to correct this. Although some counties have taken prompt corrective, investigative, and prosecutive action in some of the fraudulent cases, many counties have been slow to make use of the information provided them through this program.

#### C. PLANS FOR IMPROVED USE OF THE EARNINGS CLEARANCE SYSTEM

A third series of ECS reports were sent to the counties for the quarter of January to March, 1972, containing earnings reports for recipients as follows:

Report #5	8,613
Report #6	112,440
Report #10	6,968

Only the names on Report #5 were sent on individual printouts, the other names were included on lists. When this data is received by the counties, the only effective way it can be used is to have each file pulled and reviewed, thus the employee doing this needs each name on a separate sheet of paper, and supervisors need copies for control purposes, thus time-consuming reproduction and copying of data by the counties is necessary to initiate action. Also, of the 112,440 names of wage earners on Report #6, some 58,000 earned less than \$500 per quarter. Income less than \$500 per quarter if earned in three monthly payments will in most cases not affect the amount of the grant, and even if unreported, district attorneys are not prone to prosecute unless an overpayment actually has been made. Thus the cost of processing wage-earners of small amounts of money does not bring significant results, thus it is recommended that data be sent to the counties concerning only those recipients whose quarterly wages exceed \$500.

Reports #5, #6, and #10 could be consolidated into one report, and printed on a 3½" x 7" 4-copy manifold computer paper and sent to the counties in this form, thus facilitating their abilities to handle each case on an individual basis promptly. Such a form would be somewhat as follows:

TABLE 15

PROPOSED FORMAT FOR SDSW-HRD  
EARNINGS CLEARANCE SYSTEM PRINTOUTS

SDSW-HRD EARNINGS CLEARANCE SYSTEM							
ALAMEDA COUNTY			06/09/72 RUN DATE		OCT-DEC 71 QUARTER		01-0008 PAGE
SDSW CASE IDENTIFICATION DATA							
01	35	057268	0	19	11/30/71	74	XXXXXXXXXX
CC	AID	FILE NO.	FBU	PC	EFF. DATE	ELIG.	COUNTY USE
DOE		JOHN			626-68-0506	08/03/39 M	1 1 1
Recipient Name			Soc. Sec. Acct. No.			Date of Birth	Months on Aid
HRD EARNED INCOME REPORT				Prior Q.	Current Q.		
DOE	J.		626-68-0506	\$2,956.96	\$2,763.54		
Employee Name			Soc. Sec. Acct. No.	Total	Total		
JOHNSON & CO.			1 ROWE ST.	1,315.44	.00		
4866550			OAKLAND, CA. 94144	Amount	Amount		
Employer Name & No.			Employer Address				
ROBERTSON CONST. CO.			4395 BLACK ST.	161.52	2,763.54		
			ALAMEDA, CA. 94244	Amount	Amount		
Employer Name & No.			Employer Address				
Employer Name & No.			Employer Address	Amount	Amount		

#### D. TRENDS OBSERVED

Investigative units throughout the State have observed a number of specific cases by wage-earning recipients of AFDC cash grants. These are described briefly:

- A large percentage of recipients report none of their earned income to their eligibility workers.
- Many receive two checks for wages each month, but report only income from one check, submitting wage stubs to substantiate earnings, but withholding all information concerning the second check.
- A prevalent practice is failure to report overtime earnings and bonuses. (Christmas bonuses were given during the October-December 1971 review period.)
- Some recipients are paid biweekly, thus receive three checks during two months of the year. Either by oversight or design some failed to report this third check.
- A trend was noticed by wage-earners who suffered period layoffs not reporting their return to work.
- Unmarried pregnant working girls forced to resign their jobs and apply for public assistance often returned to the same employment following birth of the child and failed to report this.

The impact of the Earnings Clearance System upon the caseloads of the investigative units of the counties has been tremendous. At the end of fiscal 1972, the recipient fraud investigative caseload on hand throughout the state totalled 9,343 cases (7,797 AFDC and 1,546 adult category). From the ECS printout sent to the counties in June, 1972, approximately 3,700 AFDC cases were referred for investigation and it was estimated from the results of the preliminary survey made, that from the ECS printout mailed in September, 1972, provided the counties made full use of the material sent and reviewed all cases where ECS reported earned income by recipients of \$500 or more during the quarter, (ECS showed 70,000 records in this category) there was a potential of from 20,000 to 25,000 new cases. The investigative staffs in the counties at this time are not equipped to handle such a caseload.

## PART V

### A. RECOMMENDATIONS TO STRENGTHEN COUNTY WELFARE DEPARTMENTS INVESTIGATIVE UNITS

The recommendations of this survey are designed to make needed changes within the existing framework of county welfare departments' organizational structures consistent with existing provisions of the Welfare and Institutions Code. Regulations now in effect provide for Special Investigative Units within the county welfare departments. As can be seen from the contents of this report, the duties, authority, and scope of investigations performed vary greatly from county to county, and although some county investigative units are doing excellent work in combatting recipient fraud, others are not.

The task force recommends changes in SDSW Regulations (Section 20, Policies and Procedures Manual) designed to upgrade the county investigative units in authority, responsibility and in the qualifications and training required for investigative personnel. The proposed regulations are:

#### 1. County Welfare Departments Responsibilities

County welfare departments are to be responsible for making all determinations as to eligibility and ineligibility for assistance.

Establishing proper and efficient administrative procedures and maintaining adequate qualified staff to control and prevent fraudulent actions by recipients or applicants as far as possible and to detect and investigate irregularities.

Making prompt investigations to establish facts regarding any situation where it appears assistance is being applied for, is being received, or has been received because of inaccurate, incomplete, or false data. In this regard, the principal recipient violations are:

Failing to report all income. (False statements of income.)

Failing to report all personal property. (False statements of assets.)

Failing to report all real property. (False statements of assets.)

Making other false statements material to eligibility.

Receiving aid payments for a person or persons not in the home.  
(Dependent children being cared for by relatives in the relatives homes, etc.)

Failure to report a change in status which eliminates the deprivation.  
(As failing to report the return of an absent father, or failure to report a child over 16 dropping out of school.)

Receiving aid payments from more than one county, or from more than one state. (Multiple applications for aid.)

Receiving aid for nonexistent children. (False statements of facts.)

Receiving multiple aid payments under different names.

Receiving aid directed to persons deceased (due to failure of those responsible to do so to notify welfare departments that recipients are dead.)

False verifications of housekeeping expenses and child care expenses.

Retaining and misappropriating boarding institution payments.

Misappropriation of shelter care payments.

The misuse of food stamps and obtaining food stamps fraudulently.

Misuse of funds which have been paid to be used for a specific purpose.

Misuse of AFDC funds.

Referral of cases to the appropriate prosecutive officials where it is found there is evidence fraud has been practiced and providing prosecutive officials with the results of investigations, and with all records pertinent to disbursement of aid to recipients or former recipients where such records are material.

Maintaining adequate records and submitting required statistical reports monthly on Forms DPA 266.1 and DPA 266.1A including the reporting of dispositions of cases referred to district attorneys or handled by county counsels.

Providing adequate training to staff in the prevention and detection of fraud.

Nothing in these regulations shall preclude the district attorney or his investigative staff or any other law enforcement agency from initiating and conducting such investigation as may be necessary in connection with any aspect of recipient fraud matters.

## 2. Organization of Special Investigative Units

Counties with caseloads of 5,000 or more categorical aid cases shall maintain Special Investigative Units to investigate welfare fraud. Counties with smaller caseloads may maintain such Special Investigative Units at the discretion of the county welfare director. Counties which decide not to maintain a Special Investigative Unit shall designate one person to be responsible for referring suspected fraud cases to district attorneys for investigation, including possible fraud cases detected through the Earnings Clearance System. This person shall also be responsible for compiling and forwarding fraud statistics to SDSW.

County welfare directors shall assign sufficient qualified investigative personnel to Special Investigative Units to enable all suspected fraud cases to be investigated promptly. This investigative staff shall be assigned in the ratio of one field investigator for every 2,500 categorical aid cases.

Special Investigative Units shall be independent from eligibility determination and social services' supervisory staff. In counties having less than 20,000 categorical aid cases, the investigative staff shall be directly responsible to the county welfare director. In counties having a categorical aid case load of between 20,000 and 60,000 cases, the investigative staff shall be directly responsible to either the county welfare director or to the first level of supervision directly below the county welfare director. In counties having case-loads in excess of 60,000 cases, the investigative staff shall be directly responsible to either the county welfare director or at least to the second level of supervision directly below the county welfare director.

### 3. Standards to be Met by Investigative Staff

Legislation enacted in 1972 provides that qualified welfare fraud investigators may be designated peace officers at the option of county boards of supervisors. Investigative staff of Special Investigative Units should meet peace officer qualifications for investigators as outlined by the Commission on Peace Officer Standards and Training, or in lieu thereof, shall meet the following minimum standards:

Shall be 21 years of age; of good moral character as determined by an investigation which includes fingerprinting and search of state and federal fingerprinting files; shall not have been convicted of a crime punishable by imprisonment in a state prison or federal penitentiary; must be a high school graduate or have passed the General Education Development test indicating high school graduation level or have a score on a written test of mental ability equivalent to that attained by the average high school student.

Shall have passed a physical examination by a licensed physician and found to meet requirements for investigators as set by the county personnel board.

Shall be interviewed prior to employment to determine suitability for investigative work as to appearance, personality, temperament, background, and ability to communicate.

Either at the date of hiring, or within two years thereafter, must have achieved at least six semester units or nine quarter units of college credit at an accredited college.

Must complete a basic training course in the investigator field within 18 months of entering on duty, this course to include 180 hours of training as follows:

Introduction to Law Enforcement and Orientation - 10 hours

Criminal Law and the Law of Arrest - 20 hours

Criminal Evidence - 10 hours

Administration of Justice and the Court System - 4 hours

General Investigative Techniques: the Collection, Identification and Presentation of Evidence, and Interviews and Interrogations - 12 hours

Community - Law Enforcement Relations; General Public Relations, and the Role of Enforcement Groups in Society - 20 hours

Field Procedures; Note Taking and Report Writing - 10 hours

General Principles of Investigation (records and sources of information, use and control of information, criminal intelligence, scientific aids; identification and location of suspects and witnesses; and process procedures) - 38 hours

General Laws for Investigators: Welfare and Institution Code; frauds; perjury; administrative hearings; other codes - 16 hours

Surveillance and Undercover Techniques - 6 hours

Juvenile Laws and Procedures - 6 hours

Defensive Tactics - 14 hours

First Aid - 10 hours

Examination - 4 hours

Total - 180 hours

#### 4. Authority and Duties of Special Investigative Units

Investigative staff of Special Investigative Units shall have authority to initiate recipient fraud investigations; shall be given access, in connection with their official duties, to all files and records in the county welfare departments.

Shall investigate, looking toward prosecution, or recoveries of funds, or to correct the outflow of aid being received fraudulently, all allegations of fraud reported from any source.

Shall investigate, looking toward prosecution, or recoveries of funds, or to correct outflow of aid being received fraudulently, cases in which there is evidence of any person aiding or abetting, or deliberately or negligently overlooking unlawful situations in the commission of recipient fraud.

Shall submit written reports on prescribed formats of completed investigations of such quality that the report of investigation when referred to a district attorney will contain sufficient details of the offense, the identity of the defendant, the names, addresses and testimony of witnesses, and necessary documentary evidence to establish the elements of the offense and the amount of funds received fraudulently so the district attorney will be able to proceed with prosecution or action to recover funds where warranted without his office being required to conduct additional investigation.

Shall submit to SDSW such statistical data concerning investigations conducted and the results thereof as required.

The Special Investigative Unit, with the approval of its immediate supervisory staff and the county welfare director, will have authority to discontinue investigations without referral to prosecutive attorneys or other action where it is found through investigation that the original allegation has no basis in fact or that no fraud was committed or attempted or where one or more of the following circumstances may exist:

The recipient made a full disclosure of the facts but the county welfare department, due to its own omission, neglect or error, failed to act on these facts and the recipient was not aware of an overpayment.

The recipient had no knowledge of the facts and made no knowing misrepresentation.

The recipient was not informed or was misinformed of the necessity to report the facts.

The recipient is so mentally deteriorated or retarded that he is not responsible for his actions.

Investigative staff of Special Investigative Units may interview recipients or possible witnesses, either in the office or at home providing this is done without threats, duress, force or false showing of authority or other misrepresentation. Observation of the premise or property, or observations of the movements of persons are permissible any time of the day or night.

Applicants or recipients of aid who are under investigation may be visited at any time of the day, announced or unannounced. However, when made outside of regular office hours or on other than regular working days, they are to be made only during reasonable hours of normal family activity. Evidence may be observed and noted, but may be removed from the premises only with written permission from the owner.

In conducting all investigations, special investigative staff shall do so in compliance with due process of law and shall be aware of and not infringe upon the constitutional rights of individuals under investigation.

Mass, indiscriminate or drag-net home visits are not to be used either for the purpose of fraud detection or for the purpose of deterring fraud.

Search of the home or property of a recipient by investigative staff for evidence of fraud is prohibited except in those cases where a valid search warrant has been issued.

When recipients are interviewed concerning an alleged violation of the law and the individual being interviewed is a suspect for such a violation he must be advised of his right to remain silent, that if he chooses not to remain silent what he says can be used against him in court, of his right to an attorney, that if he cannot afford an attorney, one will be provided and of his right to have the attorney present during the interview, and of his right to terminate the interview at any time.

In cases where recipients are notified by investigative staff of overpayments, grant adjustments or discontinuances of aid, the recipients must be advised of their right to a fair hearing in accordance with existing regulations.

#### 5. Training in Fraud Prevention For County Welfare Department Employees

All service workers, eligibility workers, and first line supervisors must receive eight hours training in fraud prevention and detection from investigative personnel in connection with their orientation. A four-hour refresher course shall be provided annually.

Eligibility workers shall advise applicants and recipients clearly of the program requirements for eligibility and when this is done, shall make a written signed and dated record for the file.

Eligibility workers shall advise applicants or recipients of their responsibilities in reporting changes in family status and changes in income. When this is done a written, signed and dated record shall be made for the file.

Eligibility workers must make a written record in the file that they know the signature appearing on the application and statement of facts is actually that of the person making application for aid.

Eligibility workers must specifically advise applicants and recipients that any false statements made in documents relating to eligibility for aid may subject them to criminal penalties and when this is done must make a signed, dated, written record for the file.

Eligibility workers shall advise applicants that they must report to the county welfare department within five days changes in family status, changes in income, or other factors affecting eligibility or aid paid.

Monthly income reports shall be required of all recipients who have any earned income or fluctuating unearned income in addition to their welfare grants.

The eligibility worker or county welfare department employee handling the monthly income report must take action on the information contained within ten working days of receipt.

#### 6. Responsibilities of County Welfare Department Employees

Where an eligibility worker or any other employee of the county welfare department has reason to believe an applicant or recipient may be ineligible for aid due to omission, false statement, or misrepresentation, the employee shall make an immediate referral of the case to the Special Investigations Unit in order that an investigation may be conducted to determine the facts and whether or not fraud has in fact been committed.

County welfare departments shall set up administrative procedures to review the data received quarterly from the Earnings Clearance System concerning earned income of recipients as recorded in HRD files. This data shall be utilized by county welfare departments in evaluating the income reports submitted by recipients. In cases where there is a substantial, unexplained discrepancy between the income reported to the county welfare department by the recipient and the income reportedly earned by the recipient as it appears in HRD files, the case shall be referred to the Special Investigative Unit to determine the facts and to resolve whether or not fraud has been committed. Discrepancies of \$300 or more per quarter shall be referred to Special Investigative Unit. This figure does not preclude referral for investigations of lesser discrepancies.

Cases in which welfare department employees have reasonable grounds to suspect that a material misrepresentation was willfully and knowingly made should be referred promptly to the Special Investigative Units for investigation even though the falsity of the statement was discovered before any overpayment of aid occurred. Upon completion of the investigation the prosecutive officials will decide whether or not criminal proceedings should be initiated.

Incidents involving physical violence, abuse of a child and other crimes which are witnessed or experienced by welfare department staff or of which welfare department staff have knowledge shall be reported promptly to the proper law enforcement agency. If any question arises as to which law enforcement agency should be advised, the report should be made to the Special Investigative Unit within the department.

#### 7. Other Duties of Special Investigative Units

The primary function of the Special Investigative Unit is to investigate recipient fraud, however, county welfare directors may assign other staff and duties to this unit. The following categories of additional duties may be so assigned:

Taking appropriate action to secure or collect all collectable overpayments.

Investigating Licensing Violations, such as allegations that a boarding home, foster home, etc., may be operating without a license or may be in violation of the standards required for a license.

Investigating reported forgeries and stop-payments of negotiable documents generated by the department.

Training of staff in the prevention and detection of welfare fraud.

Evaluating physical security of premises and internal fiscal controls and making surveys and recommendations to maintain internal fiscal integrity.

Fingerprinting applicants for foster home and day care licenses.

Collecting payments from responsible children of OAS recipients.

Handling liaison with all law enforcement agencies and prosecutive officials.

#### 8. Departments Which Do Not Have Special Investigative Units

In the smaller counties electing not to have Special Investigative Units fraud investigations will be conducted by investigators from the district attorneys' offices, and county welfare department employees have the same responsibilities for initiating fraud referrals as in counties with Special Investigative Units, however, the referrals should be made to the district attorney's office through the person designated by the county welfare director to perform special investigative duties.

B. RECOMMENDATIONS TO STRENGTHEN SDSW PROCEDURES TO COMBAT FRAUD AND TO ASSIST COUNTY WELFARE DEPARTMENTS TO DO THIS

1. Supervisory Responsibility

The task force's concept of SDSW's responsibility is that SDSW should actively supervise the investigative activities of the county investigative units, and give guidance and training to the county staffs.

2. Investigative Responsibility

SDSW also should be in a position to send trained investigators into the counties to conduct special investigations in such cases and at such times as this might be desirable or necessary to supplement the county's activities. This staff should be available to render special services for the counties, such as covering leads outside a county, or for serving subpoenas outside a county where necessary, and performing similar duties.

To accomplish this, it is recommended that SDSW maintain a staff of investigators meeting supervisory qualifications and having the same investigative training recommended in Part A above for county investigative staff.

3. Development of Investigative Manual

SDSW should develop a comprehensive investigative manual setting forth the elements of the various violations of welfare fraud statutes, detailed procedures as to investigative methods, and specific rules and regulations as to report writing, and should design uniform forms for the recording of investigative results.

4. Compliance Unit

It is also recommended that SDSW have a compliance or inspection staff in the field constantly reviewing both the work done by the county investigative units and the use to which the various programs which uncover fraud are being utilized in the counties, specifically whether full use is being made of the data furnished the counties through the SDSW-HRD Earnings Clearance System, and whether corrective action is being taken in all cases where Quality Control and Program Assessment Staff find undesirable trends.

Such compliance inspections should be made of current operations and a report of the findings should be submitted promptly to both the Director of SDSW, the Director of the County Welfare Department involved, and to other interested parties if advisable, and early follow-ups should be made to insure that the corrective action ordered has been taken.

A compliance unit can only be effective if staffed with sufficient personnel to enable a review of each county welfare department's investigative work at least annually. A manual detailing specifically all areas to be reviewed should be developed at an early date and copies of this manual furnished to the county welfare departments to apprise them of the requirements and of the areas that will be examined.

5. Training for Investigators

SDSW should develop a program for training investigative personnel and for supplementing county training given to investigators. Such training should be designed primarily for county investigative personnel who in turn could train other county employees.

6. Central File of Fraud Convictions

SDSW should establish a central file of those recipients who have been convicted of welfare fraud. It is not believed necessary to go back and include persons convicted in the past, but as new convictions are recorded the file should be established and names included therein. Such a file might be incorporated in the plans for the Expanded Data Reporting System now under development. Thus it would be immediately accessible to county investigative units by electronic data processing methods.

C. OTHER RECOMMENDATIONS

1. Photo Identity Cards

With regard to the problem of stolen and forged aid-payment warrants, it is strongly recommended that a photo-identity card be adopted statewide without which a warrant could not be negotiated. Both the identity card, and the warrant should bear the same control number for comparison purposes by persons who cash warrants. It is believed that the adoption of such an identity card would greatly curtail the losses to the public sector in forged warrant cases. Other recommendations in this area have been discussed in Part III, Paragraph C of this report.

2. Outside Audits

In order to combat internal embezzlements and thefts, it is recommended that the counties be required, as recommended by the General Accounting Office, to have an outside auditing firm make an annual fiscal audit of current fiscal practices and to examine procedures and controls on all transactions involving negotiable instruments. The need for current, thorough and frequent fiscal audits is emphasized by the task force.

### 3. Internal Fiscal Integrity Units

Also, the task force recommends strongly that each county establish a unit to evaluate physical security of premises and internal fiscal controls and to make surveys and recommendations to insure internal fiscal integrity. This should be a duty of the Special Investigative Units.

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