

Los Angeles County
Department of Public Social
Services
AFDC AFIRM
DEMONSTRATION PROJECT

Final Evaluation Report

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Applied Management & Planning Group
Los Angeles

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EXECUTIVE SUMMARY

This *Final Evaluation Report* presents the conclusions of the Impact, Process and Cost/Benefit Analyses of the evaluation of the Los Angeles County Department of Public Social Services' (DPSS) Automated Fingerprint Image Reporting and Match (AFIRM) system. The report spans the entire 36-month demonstration project period, from January, 1993 through September, 1996. The report incorporates and synthesizes information previously presented in the following documents:

- *First Annual Progress Report* (April, 1995)
- *Second Annual Progress Report* (August, 1996); and,
- *Interim Evaluation* (November, 1996).

HISTORICAL CONTEXT

The potential for multiple case fraud increased dramatically in the late 1980's and early 1990's, due to easier access to false identification documents and to the increased caseload for Eligibility Workers. The Los Angeles Department of Public Social Services (DPSS) experimented with a manual fingerprinting system in 1986 for General Relief in an effort to deter fraud, but the resulting system was cumbersome and not effective in detecting multiple case fraud. In 1988, DPSS recognized that advances in technology might permit a viable automated fingerprinting system. In October, 1990, DPSS entered into a five-year contract with EDS to supply the necessary hardware, software, training and operational support for the Automated Fingerprint Image Reporting and Match (AFIRM) system. This was the first use of automated fingerprint matching outside of law enforcement in the nation.

AFIRM was implemented in Los Angeles County General Relief with highly favorable results. The AFIRM program virtually eliminated multiple case fraud from the General Relief caseload, and led to \$15.7 million in benefit savings through January, 1995. In early 1992, the Los Angeles County Board of Supervisors instructed DPSS to seek the necessary State and Federal waivers to expand AFIRM to the Aid for Families with Dependent Children (AFDC) program. In March, 1994, the State of California authorized implementation and AFIRM was implemented in Los Angeles County AFDC in April, 1994, as a federal demonstration project.

A key condition of the federal Department of Health and Human Services support of AFIRM was adherence to the Waiver Terms and Conditions which required a 36-month outcome and process evaluation of the program. The basic evaluation design included the identification and longitudinal tracking of an experimental and control group of AFDC cases. The control group was designed to be representative of the behavior of AFDC recipients in the absence of AFIRM; the experimental group was assumed to be representative of the behavior of the entire AFDC caseload following implementation of AFIRM.

The experimental and control groups were randomly selected from Los Angeles County's entire AFDC caseload of 311,003 active cases as of April 1, 1994. The experimental group of 24,334 cases were sent an appointment letter fingerprinting under AFIRM. The control group of 16,235 cases have not been fingerprinted.

The key findings of this *Final Evaluation Report* are summarized below as they occur in the Impact Evaluation, Cost/Benefit Analyses and Process Evaluation as specified by the federal guidelines.

IMPACT EVALUATION

The impact evaluation of the AFIRM demonstration project was, according to the federal Waiver Terms and Conditions, to test the following research questions:

- Does AFIRM prevent, detect, and deter AFDC fraud? The outcome measures to be reviewed in answering this question included AFDC caseload, amount of AFDC benefits paid, and findings of fraud (i.e. multiple case filings).
- To what extent does AFIRM affect AFDC, Food Stamp, and Medicaid (Medi-Cal) participation and program costs? The outcome measures to be reviewed included exit and recidivism rates, receipt of AFDC and Food Stamp benefits, total benefit payments and receipt of Medi-Cal services.

FRAUD DETERRENCE

The impact of AFIRM in deterring fraud was reviewed through an analysis of a sample of cases terminated due to AFIRM, and from the continuing number of suspected fraud matches. The Welfare Fraud Prevention & Investigations Section of DPSS was responsible for investigating a sample of cases of those failing to cooperate with the AFIRM fingerprinting requirement. The purpose of the investigation was to determine the reasons for non-cooperation, evaluate why they went off aid, and to establish the incidence of possible fraud in this group.

- The incidence of fraud among cases terminated due to AFIRM was estimated at 69 percent. This was based on the final analyses of the in-depth review conducted by DPSS of a sample of cases terminated due to AFIRM.
- The total overpayment calculated from the fraud review sample was \$735,900, of which \$637,166 was attributable to AFDC, while \$98,734 was attributable to Food Stamps.
- Of the eight cases where multiple-case fraud was found conclusively, all were in jurisdictions outside Los Angeles County, and most were outside California. Since AFIRM was only able to compare fingerprints to other Los Angeles County AFDC records, the AFIRM system would not have been able to match these cases. This suggests that expanding the AFIRM

program to integrate data from multiple jurisdictions would have greater impact in deterring fraud.

- In the ongoing operation of AFIRM, DPSS continued to find one to two cases per month with positive matches to another AFDC case.

RECIDIVISM

Assessing the long term effects of AFIRM also included an analysis of the number of clients terminated due to AFIRM that later returned to aided status. This return to aided status, after a period of non-aid, is referred to as recidivism. Recidivism is crucial to the cost/benefit analysis, since the savings attributable to AFIRM decrease as clients initially terminated due to AFIRM (and therefore included in the original cost savings) return to aid.

The recidivism analyses were focused on those separate families (the unit that went on and off aid) that terminated during the initial period (June and July, 1994) in the experimental group only, with separate analyses of recidivism among those terminated due to AFIRM, and non-AFIRM terminations. The rate of recidivism among the non-AFIRM terminations was assumed to reflect the normal rate of return to aided status. The behavior of the AFIRM terminations reflected both the normal rate of return, and the effect of the initial AFIRM program.

Nine hundred and fourteen (914) separate families from the experimental group were terminated due to noncompliance with the AFIRM fingerprinting requirement in the initial three months of the program. By September, 1996, 315 (34 percent) had returned to aided status. The rate of recidivism declined from 118 in August, 1994, to zero in September, 1996. Analyses of the experimental group terminations due to AFIRM revealed no statistically significant differences in demographic characteristics between those who returned to AFDC and those who remained unaided.

REDUCTION IN MEDI-CAL BENEFITS

Analyses were conducted to determine the extent to which clients terminated from AFDC due to AFIRM would apply for Medi-Cal health benefits. Of the 599 separate families that were terminated due to AFIRM and remained unaided through AFDC, only nine (less than one percent) were receiving Medi-Cal Only benefits in September, 1996. This number is too small for meaningful analysis, given the variability in individual medical costs.

COST/BENEFIT ANALYSIS

A key condition to the federal waivers granted California to implement AFIRM was that the program demonstrate it was cost neutral; that is, that the costs of implementing the program were not larger than the savings attributable to it. The evaluation questions addressed for this topic were:

- Does the AFIRM program reduce AFDC and related program benefit costs by preventing, deterring or detecting fraudulent beneficiaries?
- Do savings generated by AFIRM exceed program implementation and operational costs?
- What is the estimated cost of replicating and extending AFIRM to other locales?

BENEFITS (SAVINGS) ANALYSIS

There were three methods identified for calculating the cost benefits (savings) due to AFIRM over the life of the demonstration program: the **Cost Neutrality Method**, the **Adjusted Cost Neutrality Method**, and the **Recidivism Method**. The first two of these methods used the difference in actual benefits paid to the experimental and control group members each month. Both methods used a weighting process to project the monthly results to the entire AFDC caseload. The difference between these two methods was in how these weights were determined.

The Cost Neutrality Method used weights derived from the original caseload and initial size of the experimental and control group as of April, 1994. Since these weights were fixed, they did not permit adjustment for natural attrition over time. As the experimental design did not call for replacement of cases that went off aid, over a very long time natural attrition would reduce any observed differences between the experimental and control groups. The Cost Neutrality Method yielded a final savings estimate of \$59 million.

The Adjusted Cost Neutrality Method was introduced to adjust the experimental and control weights to allow for natural attrition. Natural attrition was assumed to be measured by the attrition that occurred in the control group, whose behavior represented the entire caseload in the absence of fingerprinting. In the Adjusted Cost Neutrality Method, the weight for the experimental group was adjusted both for the natural attrition occurring in the control group, and for the initial ratio of the experimental to control group size, so that the proportion of the experimental to control group was constant. The Adjusted Cost Neutrality Method yielded a final savings estimate of \$73 million.

The weight for the control group was adjusted each month based on the number of separate families in the control group still receiving AFDC. Therefore, as the number of aided control group members decreased over time, the weight assigned to the control group increased correspondingly. The rate of natural attrition in the control group was then used to estimate the natural attrition that would have occurred in the experimental group in the absence of AFIRM. The resulting difference between the benefits issued to the experimental and control groups was attributed to AFIRM.

The third method, the Recidivism Method, was based on the experimental group only, and did not include actual benefits paid to either the experimental or control groups. The Recidivism Method was initially introduced as a means of factoring into the savings calculation an anticipated

high rate of recidivism in the experimental group. The Recidivism Method used August, 1994, as its starting point, after the experimental group had all been called in for fingerprinting. August was the first month in which the full impact of AFIRM occurred for the experimental group. The benefit savings estimate of \$4.5 million for that month was based on 914 separate families in the experimental group that had been terminated due to AFIRM. The Recidivism Method simply reduced down the \$4.5 million initial savings estimate each month by the proportion of those 914 families which came back onto aided status (recidivism). Using the Recidivism Method, the benefit savings due to AFIRM were estimated to be \$85.2 million.

Of the three methods, the first *Annual Progress Report* recommended the use of the benefit savings as calculated by the Recidivism Method. The estimate of benefit savings using this method was \$86.4 in the first *Annual Progress Report*, which is very close to the final estimate of \$85.2 presented here. The slight difference between the two estimates is due to the additional 18 months of actual tracking data in this final report.

The Applied Management & Planning Group also recommends consideration of the benefit savings as determined by the Adjusted Cost Neutrality Method. The Adjusted Cost Neutrality Method is based on a larger sample than the Recidivism Method since the Adjusted Cost Neutrality Method uses both the experimental and control groups, which have over 10,000 members each, while the Recidivism Method is based on a relatively small sample of 914 separate families from the experimental group only. The benefit savings attributed to the AFIRM program, using the Adjusted Cost Neutrality Method, is \$73 million.

By using the difference between the experimental and control group as the determinant of benefit savings, the Adjusted Cost Neutrality Method provides a more conservative estimate than the Recidivism Method. Over time the characteristics of the two groups would be expected to converge, since it is highly likely that many of the fraudulent cases in the control group would have heard about AFIRM and have dropped off aid to avoid detection. Although the Adjusted Cost Neutrality Method allows for natural attrition, there is no means of adjusting for the indirect impact that the implementation of AFIRM might have on the control group. The result of this indirect impact is to diminish the differences between the experimental and control group, which is used to project savings, thereby understating the actual cost benefits of AFIRM.

The "true" benefit savings attributable to AFIRM is probably somewhere in between the \$85.2 million estimated by the Recidivism Method and the \$73 million of the Adjusted Cost Neutrality Method. For the purposes of this report, the cost/benefit analyses are calculated using both, as high and low estimates.

COST ESTIMATE

The initially budgeted AFIRM program cost of \$22.2 million was reduced to \$20.6 million after a review of actual program expenditures over the 36 months of the demonstration.

COST/BENEFIT ANALYSIS

The net benefit of the AFIRM program was **between \$52.5 million and \$64.6 million**, depending on the benefit savings method used. With the \$20.6 million in actual program costs, the net benefit of the AFIRM program was \$64.6 million under the Recidivism Method. Using the Adjusted Cost Neutrality Method yielded a net benefit estimate of \$52.5 million through the end of the evaluation period in September, 1996.

The difference in net benefits between the two methods of calculating savings is less than 20 percent. Under either method AFIRM provides a highly rewarding rate of return, producing a projected net savings of \$3.13 for each dollar expended (Recidivism Method), or \$2.55 (Adjusted Cost Neutrality Method).

COST OF REPLICATING AFIRM

The costs of replicating AFIRM were estimated for Riverside County, an adjacent county with an AFDC caseload of approximately 40,000. The estimated cost, from 6 months of start-up through 30 months of operation, was \$3.4 million.

PROCESS EVALUATION

The focus of the Process Evaluation was to answer the following evaluative questions:

- Has the AFIRM system been planned and implemented effectively?
- Does AFIRM operate at a satisfactory service level?
- What effect does (did) AFIRM have on the appeals process?
- Can AFIRM be replicated and extended to other locales?

AFIRM PLANNING AND IMPLEMENTATION

The first *Annual Progress Report* addressed the initial planning and implementation of AFIRM. The findings from that report were:

- AFIRM was well planned and efficiently implemented into AFDC by DPSS staff. Process flows were smooth and efficient; policies and procedures were well thought out and well distributed; AFIRM-related organizational structure was deemed appropriate to the workload requirements; and AFIRM-related district office staffing and training needs were met.
- The AFDC client population was generally very receptive of AFIRM. In interviews conducted with 240 AFDC clients in district office reception areas, 92 percent felt that AFIRM would be effective in preventing multiple case fraud. Only five percent of those interviewed felt negatively about being fingerprinted.

- AFIRM did have a significant short-term impact on the appeals process. The number of appeals and related workload increased substantially as benefits were cut due to non-cooperation with AFIRM. However, this impact virtually disappeared once all approved clients were fingerprinted at the end of October, 1994.
- Analyses of terminations due to AFIRM indicated no differential impact according to ethnicity or Spanish/English as primary language. This indicated that AFIRM did not have a disparate effect on certain groups within the general AFDC population, such as immigrants, who might conceivably be hesitant about being fingerprinted.

Throughout the demonstration, AFIRM continued to be well-planned and well-implemented by DPSS staff.

AFIRM SERVICE LEVELS

The level of service provided by DPSS for the AFIRM program was assessed through interviews with DPSS staff, interviews with AFDC clients and analyses of staffing and training activities. The key findings were:

- The process flows remained smooth and efficient throughout the demonstration; policies and procedures were well thought out and well distributed. The AFIRM-related organizational structure was appropriate to the workload requirements.
- The AFIRM client population was very receptive of AFIRM even at the beginning of the program's implementation. Interviews with AFDC recipients in DPSS' waiting areas revealed that 95 percent felt they had not been inconvenienced by AFIRM.
- The AFIRM staffing design included the use of personnel hired through a contract temporary agency to function as fingerprint clerks. This feature worked well to the extent that the selected contractor was actively involved in providing high levels of service to the County.

APPEALS PROCESS

The impact of AFIRM on the appeals process, while initially substantial, completely subsided as all of the initially approved caseload were fingerprinted.

REPLICABILITY OF AFIRM

From the experience of the Los Angeles County demonstration program, it can be concluded that AFIRM was highly effective in combating multiple case fraud, and that it could be effectively replicated and extended to other areas of the State and country.

INTRODUCTION

This section describes the historical context for the Automated Fingerprint Image Reporting and Match system, followed by a summary of the evaluation design.

HISTORICAL CONTEXT

The potential for multiple case fraud increased dramatically in the late 1980's and early 1990's, due to easier access to false identification documents and to the increased caseload for eligibility workers. The Los Angeles Department of Public Social Services (DPSS) experimented with a manual fingerprinting system in 1986 for General Relief in an effort to deter fraud, but the resulting system was cumbersome and not effective in detecting multiple case fraud. In 1988, DPSS recognized that advances in technology might permit a viable automated fingerprinting system. In October, 1990, DPSS entered into a five-year contract with EDS to supply the necessary hardware, software, training and operational support for the Automated Fingerprint Image Reporting and Match (AFIRM) system. This was the first use of automated fingerprint matching outside of law enforcement in the nation.

AFIRM was implemented in Los Angeles County General Relief with highly favorable results. The AFIRM program virtually eliminated multiple case fraud from the General Relief caseload, and led to \$15.7 million in benefit savings through January, 1995. In early 1992, the Los Angeles County Board of Supervisors instructed DPSS to seek the necessary State and Federal waivers to expand AFIRM to Aid for Families with Dependent Children (AFDC). In March, 1994, the State of California authorized implementation and AFIRM was implemented in Los Angeles County AFDC in April, 1994, as a federal demonstration project.

Fingerprinting of the approved caseload began on April 25, 1994. Phase-in was staggered with approximately five of DPSS' 25 district offices becoming operational each week. The last group of district offices began printing approved clients on May 23, 1994.

At the time of implementation, there were slightly more than 300,000 active AFDC cases with one or more persons who were "fingerprint mandatory." A "fingerprint mandatory" person was defined as either an adult who receives AFDC benefits, a minor parent receiving benefits, or an adult payee who is not aided but collects benefits for one or more children. By October 21, 1994, the entire approved caseload had had an opportunity to be fingerprinted.

AFIRM PROCESS

Before scheduling appointments for fingerprinting, special notices were sent to all approved clients who were expected to be fingerprinted. The special notices were multi-lingual and explained what AFIRM was in addition to client responsibilities. These special notices were followed by appointment notices which informed clients of a pre-scheduled time to appear at the district offices for fingerprinting. If the pre-scheduled appointment was inconvenient for the client, she or he was given the opportunity to reschedule, provided rescheduling was requested on or before the original appointment date.

Upon arriving at the district office for the appointment, the client was directed to a fingerprinting clerk who used a special camera and a computer to capture an image of the index finger's print. The entire process usually took less than ten minutes.

If the client failed to show up for the fingerprinting appointment without notifying the district office, a series of steps was initiated to begin the process of removing the person from aided status. The steps differed depending on whether the client was an aided or non-aided payee.

An aided client who did not reschedule their appointment for fingerprinting, and failed to show for their fingerprinting appointment was first sent a letter informing her/him that an appointment had been scheduled with an AFIRM Eligibility Worker (AEW) for an interim assessment of overall case eligibility. At the same time, action was taken to delete the client from the case and send a Notice of Action (NOA) informing the client that payment of his or her benefits would be stopped in no less than ten days from the date of the notice. (Benefits would continue for the children on the case.) Depending on the client's response to the AEW appointment and NOA, several outcomes could occur. If the client came in and was fingerprinted in the same month, he/she was restored to the case without a break in aid. If the client came in the following month or thereafter and was fingerprinted, he/she would be restored to aided status as of the date of the printing. If the client showed up for the AEW appointment and refused to be printed, but was determined to be apparently eligible, he or she would remain off the case, benefits would continue for the children, but the case would be referred to DPSS' Welfare Fraud Prevention & Investigations Section for investigation. Finally, if the client simply did not show for the AEW interview, the entire case was terminated for failure to meet eligibility requirements following the issuance of an additional 10-day notice. The vast majority of cases where a client missed the first fingerprinting appointment was resolved by the client coming in, getting printed, and being restored to aided status.

For the non-aided payee, since he or she was receiving benefits only for children, it was not necessary to delete the payee from the case, and the notice simply informed the client of an AEW appointment to review the status of the case.

Fingerprinting of intake (new) applicants began on April 11, 1994. The phase-in was also staggered with four to five district offices becoming operational each week until all district offices were operational on May 16, 1994. The procedure for fingerprinting new applicants was somewhat different than for approved clients because fingerprinting was incorporated into the application process. After eligibility for aid was determined, the client was sent to the fingerprinting clerk to be printed. Again, the process was quick and added only a few minutes to the end of the application process. If the applicant was determined to have emergency need, fingerprinting took place immediately and benefits were issued that same day. If the client refused to be fingerprinted for any reason, benefits were issued only for the children, and the case was referred for fraud investigation.

EVALUATION DESIGN

A key condition of the federal Department of Health and Human Services support of AFIRM was adherence to the Waiver Terms and Conditions which required a 36-month outcome and process evaluation of the program. The basic evaluation design included the identification and longitudinal tracking of an experimental and control group of AFDC cases. The control group was designed to be representative of the behavior of AFDC recipients in the absence of AFIRM; the experimental group was assumed to be representative of the behavior of the entire AFDC caseload following implementation of AFIRM.

The experimental and control groups were randomly selected from Los Angeles County's entire AFDC caseload of 311,003 active cases as of April 1, 1994. The experimental group of 24,334 cases were sent an appointment letter for fingerprinting under AFIRM. The control group of 16,235 cases have not been called in for fingerprinting, and will not be fingerprinted until after the conclusion of the demonstration project.

Prior to initiation of the AFIRM process, comparisons between the experimental and control cases indicated no statistically significant differences between the two groups in terms of demographic or initial aid characteristics.

In the 1995 *Annual Progress Report*, comparisons were made between those experimental cases terminated due to noncompliance with the AFIRM fingerprinting requirement, and the entire experimental group. Two differences were found:

- Cases in which the payee's primary language was other than Spanish or English were slightly less likely to be terminated due to AFIRM; and,
- Cases in which the payee was between the ages of 18 and 24 were somewhat more likely to be terminated due to AFIRM.

The federal Waiver Terms and Conditions required a third-party evaluator to conduct the cost/benefit analyses. Through the Los Angeles County Department of the Auditor-Controller, DPSS contracted with Ernst & Young for the first 18 months of the evaluation. Ernst & Young in

turn subcontracted with a local Los Angeles firm, the Applied Management & Planning Group (AMPG), for statistical and database management services.

The Ernst & Young team prepared several key documents, including:

- *Final AFIRM Evaluation Plan* (June, 1994);
- *Preliminary Evaluation* (October, 1994);
- *Annual Progress Report* (May 1, 1994 - April 30, 1995); and,
- *Review of AFIRM 120-Case Fraud Investigation* (February, 1996).

In December, 1995, AMPG replaced Ernst & Young as the third-party evaluator, as Ernst & Young withdrew from the project, without prejudice. Since AMPG had been participating in the evaluation, DPSS contracted with AMPG to provide continuity in the evaluation efforts. AMPG prepared two subsequent reports, including:

- *Second Annual Progress Report* (May 1, 1995 - April 30, 1996); and,
- *Interim Evaluation* (November, 1996).

This *Final Evaluation Report* was prepared by AMPG, incorporating material from all previous reports.

The remainder of this report is organized according to the three components of the federal Waiver Terms and Conditions:

- Impact Evaluation;
- Cost/Benefit Analysis; and,
- Process Evaluation.

IMPACT EVALUATION

The impact study of the evaluation of the AFIRM demonstration project was, according to the federal Waiver Terms and Conditions, to test the following research questions:

- Does AFIRM prevent, detect, and deter AFDC fraud? The outcome measures to be reviewed in answering this question included AFDC caseload, amount of AFDC benefits paid, and findings of fraud (i.e. multiple case filings).
- To what extent does AFIRM affect AFDC, Food Stamp, and Medicaid (Medi-Cal) participation and program costs? The outcome measures to be reviewed included exit and recidivism rates, receipt of AFDC and Food Stamp benefits, total benefit payments and receipt of Medi-Cal services.

This chapter presents the impact of AFIRM in terms of:

- Fraud deterrence;
- Reduction in AFDC and Food Stamp benefit payments;
- Recidivism;
- Impact on Medi-Cal benefits; and,
- Reasons for non-participation in AFIRM.

FRAUD DETERRENCE

A key evaluative criterion for the AFIRM program was the extent to which it prevented, deterred or detected AFDC fraud and the resulting duplicate benefits. The impact of AFIRM in deterring fraud was reviewed through an analysis of a sample of cases terminated due to AFIRM, and from the continuing number of suspected fraud matches. The following section is based in large part on the *Review of AFIRM 120-Case Fraud Investigation* (February, 1996), and reiterates the key findings from that report.

SAMPLE CASE FRAUD INVESTIGATION

The federal Waiver Terms and Conditions associated with the AFIRM demonstration project required the County to investigate a random sample of cases from those failing to cooperate with the fingerprinting requirement. The investigation was required in order to determine the reasons for non-cooperation and to establish the incidence of possible fraud in this population of cases. The State of California settled on a sample size of 120 cases for the investigation. In selecting the cases, the County investigators over-sampled, resulting in a total of 137 cases being investigated.

This section covers the following:

- Examination of the selection method of the 137-case sample investigated;
- Review of the categorization of investigated cases, i.e., whether or not fraud existed in the case and, if so, what type of fraud it was;
- Analysis of the investigation results; and,
- Conclusions related to the investigation results.

SELECTION PROCESS

The selection process began as the first cases, scheduled to be printed in April, 1994, missed their initial and follow-up appointments after which aid was terminated. Two major prerequisites were established to facilitate investigation and to reduce the likelihood that cases investigated would fall into the recidivism category, i.e., those cases which reapplied and were subsequently returned to aided status.

The first prerequisite was that cases would only be sampled when the Welfare Fraud Prevention & Investigations (WFP&I) investigators were ready to immediately begin the investigative process. This would ensure the cases were only recently terminated and would increase the likelihood that, if fraud did exist, the investigator would be able to find it due to the "freshness" of the case.

The second prerequisite was that the investigator, just prior to beginning his or her investigation, would check the WCMIS system (a system which stores case status information) to ensure the case had not reapplied for aid. The assumption behind this requirement is that if a terminated client had reapplied for aid, the likelihood of the existence of multiple-case fraud dropped significantly. This requirement also acted to reduce the size of the population from which the 137 cases were drawn for investigation. The average length of time between AFIRM-related termination and the WCMIS clearance just prior to investigation was 42 days. Of the 10,531 total cases terminated due to AFIRM, 6,750 of them remained off aid and had not reapplied after 42 days. Thus the population from which the 137 sample cases were drawn was the 6,750 cases identified using the two prerequisite conditions.

Following these procedures, the first sample was requested by WFP&I and drawn on July 6, 1994. WFP&I wanted about half of the 120 cases in the first draw. The Research & Statistics (R&S) Section of DPSS had 774 cases which had been terminated at that time as a result of AFIRM. R&S calculated that to get 60 cases from 774, they would have to sample every twelfth case. Using a random start point, this provided a total sample of 64 cases to WFP&I. Following the WCMIS clearance, only 16 cases remained for investigation.

This small yield led WFP&I to immediately request an additional draw from the June tape. The second draw occurred on July 20, 1994, beginning with a new random start point and again taking every twelfth case on the list. This resulted in a total of 65 cases drawn, of which 41 were discarded because they had returned to aided status. Twenty-four cases from the second draw were sent to WFP&I. Following the WCMIS clearance, ten cases remained for investigation.

In September, 1994, WFP&I requested additional cases for investigation. R&S pulled from the August tape, on which there were 2,349 cases terminated due to AFIRM. R&S began its draw with the sixteenth case and used an interval of 20, which yielded 117 cases in the sample. Only 18 of these had returned to aided status which left 99 cases referred to WFP&I for investigation. Following the WCMIS clearance, 50 cases remained for investigation.

The fourth and final draw took place on November 14, 1994. R&S pulled 216 cases for investigation from the 2,812 cases on the September tape, of which 105 were sent to WFP&I. Following the WCMIS clearance, 61 cases remained for investigation.

The end result of the four selections was a total of 292 cases submitted to WFP&I for investigation. While the selection process was not a true random sample of all terminated cases, in that it focused on the recently terminated cases, the process was designed to yield a representative sample. Throughout the process, WFP&I performed its final WCMIS clearance to ensure it only had cases which had not returned to aided status immediately prior to the beginning of the investigation. The selection process left WFP&I with 137 cases of the 292 submitted. It was decided that all 137 would be investigated for fraud because it was felt that WFP&I had sufficient resources to investigate all of these cases.

Table I illustrates the results of the 120-case selection process.

TABLE I
Results of 120 Case Selection Process

Draw	Total Terminated Cases/Tape	Total Drawn	Rescinded	Sent to WFP&I	Investigated
First draw-July 6, 1994	774	64	0	64	16
Second draw-July 20, 1994	774	65	41	24	10
Third draw-September 12, 1994	2349	117	18	99	50
Fourth draw-November 14, 1994	2812	216	111	105	61
Total	NA	462	170	292	137

INVESTIGATION PROCESS

In order to investigate the 137 cases provided by Research & Statistics, WFP&I set up an investigation team with a Supervising Welfare Fraud Investigator and five Welfare Fraud investigators. The team was overseen by one of WFP&I's Deputy Directors and was dedicated full time to the project.

INVESTIGATION FINDINGS

Of the 137 cases investigated, 68.6 percent were found to be participating in some type of fraudulent activity. Thirty-one cases (22.6 percent) were verified or determined with high probability to be participating in multiple-case fraud. No fraud was found in 43 cases (31 percent) of the total 137 cases investigated. It was discovered upon investigation that most of the non-fraud cases simply let their aid lapse because at the time of fingerprinting they no longer needed aid from Los Angeles County -- they had moved to another jurisdiction, found employment, or were being supported by others.

TABLE 2
Fraud Investigation Findings

Total Multiple-Case Fraud	31		
Confirmed Multiple-Case Fraud		17	
Verified multiple-Case Fraud			8
Phantom Clients			9
Highly Probable Multiple-Case Fraud		14	
Fraud other than Multiple-Case	63		
No Overpayment	10		
No Fraud Found	33		
No Evidence of Fraud		27	
Inconclusive Fraud Findings		6	
Total Cases Investigated	137		

Other findings included:

- The total overpayment calculated from the sample was \$735,900 of which \$637,166 was attributable to AFDC, while \$98,734 was attributable to Food Stamps.
- Of the eight cases where multiple-case fraud was found conclusively, all were in jurisdictions outside Los Angeles County, and most were outside California.

- Not only did AFIRM prevent multiple-case fraud; it also deterred types of fraud other than multiple-case. This was evidenced by 63 cases, or 46% of the total sample, which were terminated as a result of non-cooperation with AFIRM but where no evidence of multiple cases fraud was found. Other types of fraud were found, however, such as unreported income or a reportedly absent parent living at home.

IMPLICATIONS FOR AFIRM IMPLEMENTATION

If the findings of the fraud investigation were extrapolated to the entire demonstration program caseload, then 68.9 percent or 7,256 of the total 10,531 cases terminated due to AFIRM may be considered to have been involved in some form of welfare fraud. The average overpayment to each case was \$7,829 (dividing the total overpayment of \$735,900 by the 94 cases with fraudulent activity). Thus a rough estimate is that the AFIRM implementation deterred \$56,807,224¹ in welfare fraud. As may be inferred from the investigation results, most of the deterrence effect was not in Los Angeles County, but in other California counties and outside of the State. Nonetheless, this estimate provides further justification for expanding AFIRM to other California counties, other states, or nationwide.

SUSPECTED FRAUD MATCHES

Suspected fraud matches were found at the rate of three per month, on average, during the first year of fingerprinting (from May, 1994 to May, 1995). Thereafter, the rate of suspected fraud matches dropped to a steady level of roughly one per month throughout the remainder of the demonstration project. These matches reflect those that were referred to the Welfare Fraud Prevention & Investigations Unit for investigation. Overall, the low rate of matches after the first year may be interpreted as further evidence of the fraud deterrence effect of AFIRM.

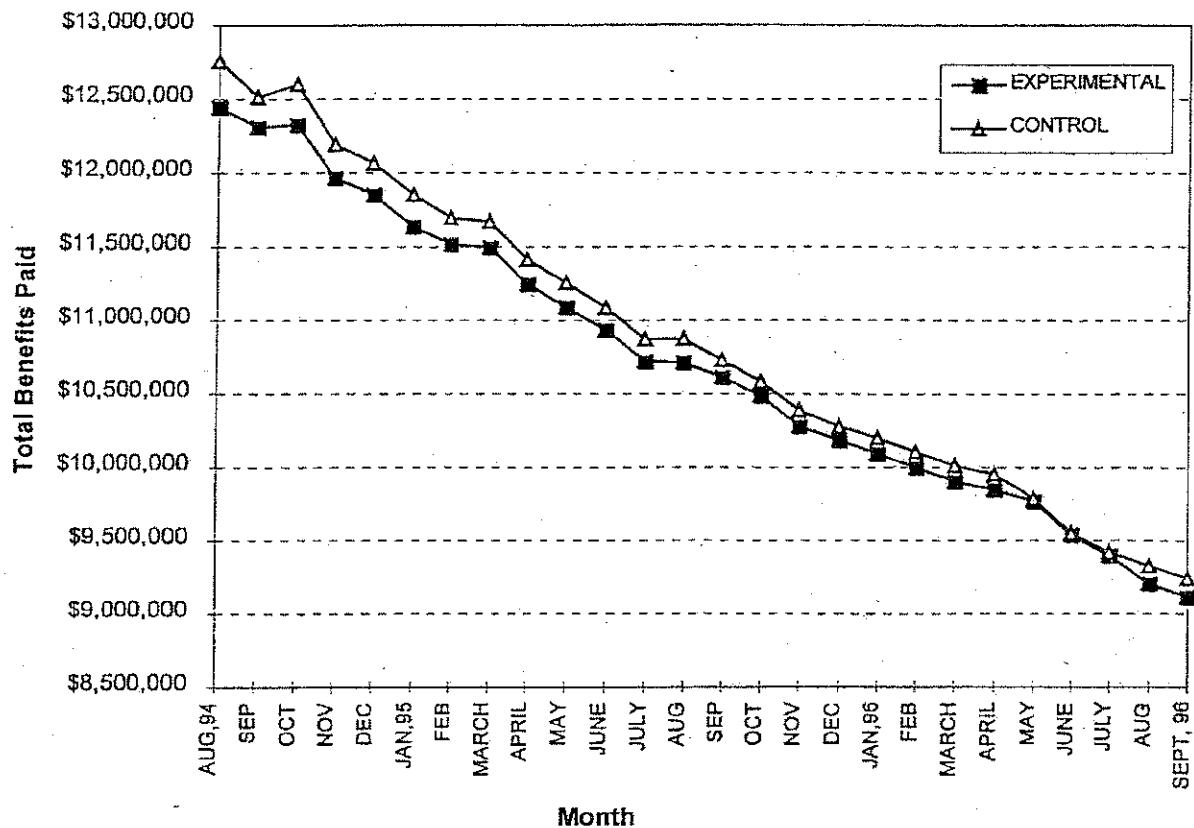
REDUCTION IN AFDC AND FOOD STAMP BENEFITS

The central evaluative question was whether AFIRM reduced benefit payments as a result of its ability to prevent, deter, or detect AFDC fraud. This section presents a longitudinal analysis of the difference in AFDC, Food Stamps and Total Benefits (AFDC+Food Stamps) benefits paid to the experimental and control groups. The analysis is for each month from August, 1994, when AFIRM was implemented, through September, 1996.

¹ This estimate is presented for illustrative purposes only and is not an alternative to the cost/benefit figures for AFIRM presented later in this report.

As may be seen in **Figure 1**, the difference between the two groups in terms of AFDC benefit payments was largest in August, 1994 at about \$312,000. Since that time, the difference between the two groups diminished steadily due to natural attrition in both groups. The moderate rise in AFDC benefits paid in October, 1994, reflects retroactive benefits paid that month due to a court reversal of a benefit reduction. By September, 1996, the difference had dropped to \$125,579.

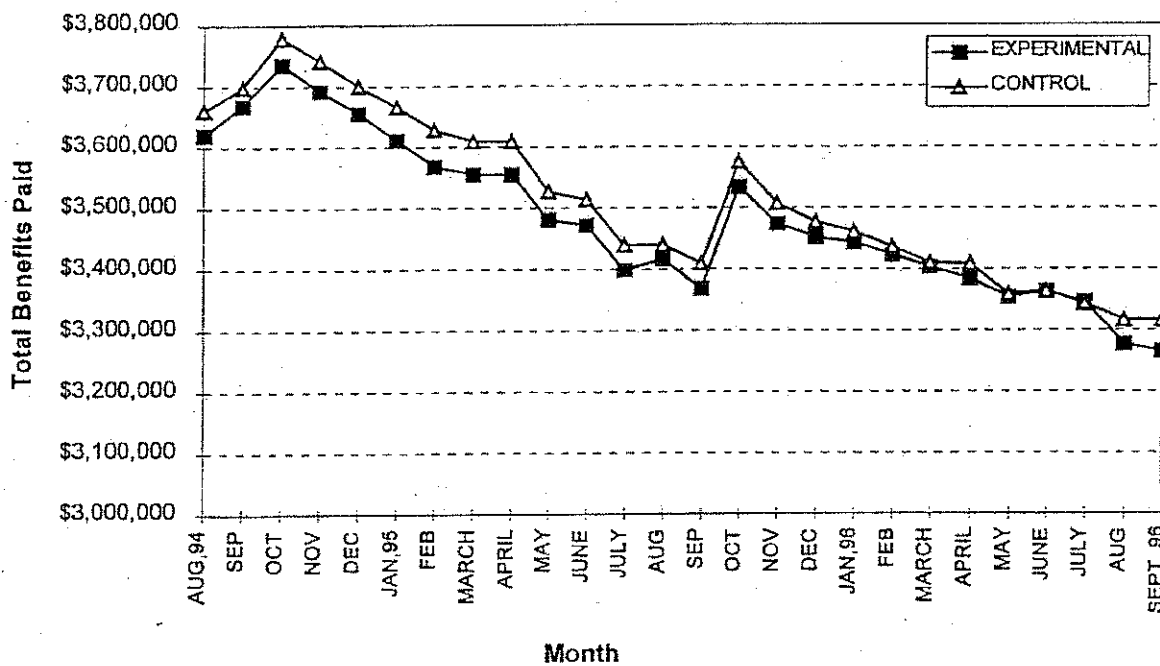
FIGURE 1
Total Monthly AFDC Benefits Paid
Experimental vs. Control



Note: In Figure 1 the benefits paid to the control group were adjusted for comparability with the experimental group. The adjusted control group benefits paid were the product of the actual monthly control group benefits paid and ratio of the experimental to control group members as of April, 1994 (1.4990245).

Figure 2 presents the longitudinal analysis of total Food Stamp benefits. Early in AFIRM's implementation, Food Stamp benefits to the experimental group increased significantly as the large numbers of persons deleted due to high no-show rates caused automatic recomputation and an increase in Food Stamp benefits. Food Stamp benefits dropped back down in July and August, 1994, as deleted persons either were fingerprinted and returned to aided status, or the entire case was terminated for non-cooperation. An increase in September/October, 1994, was due to an automatic increase in Food Stamps paid from the AFDC benefit reduction. The October, 1995, increase was due to a federal cost of living increase in overall Food Stamp benefit levels.

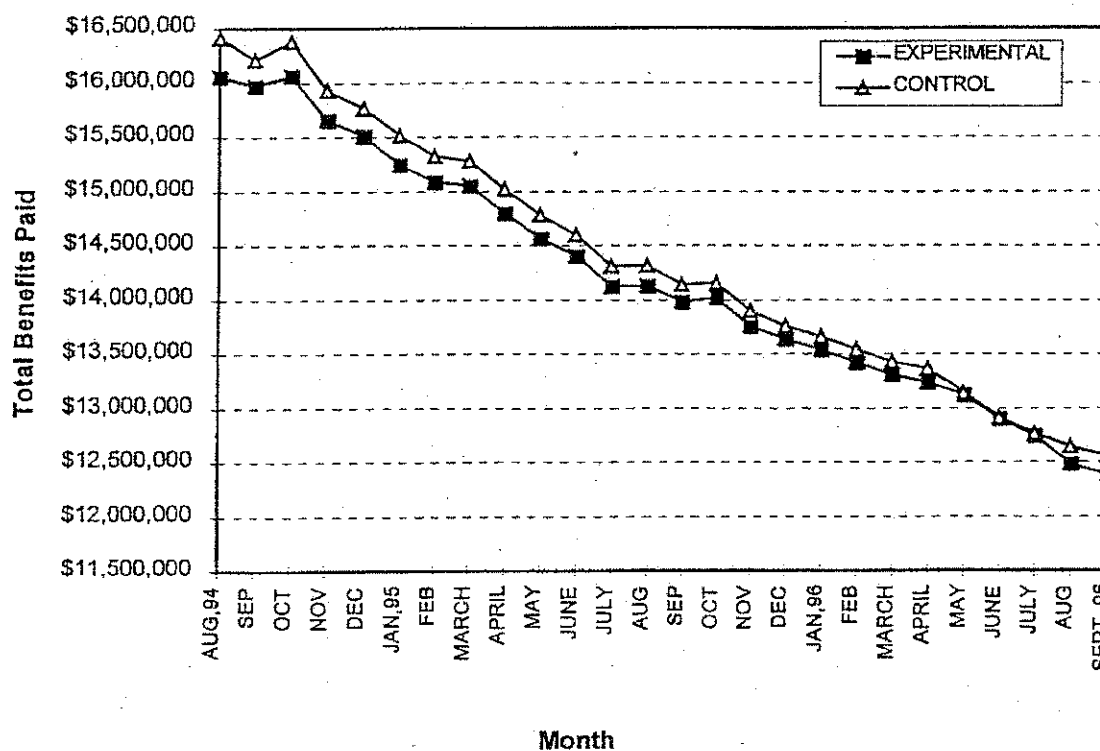
FIGURE 2
Total Monthly Food Stamp Benefits Paid
Experimental vs. Control



Note: In Figure 1 the benefits paid to the control group were adjusted for comparability with the experimental group. The adjusted control group benefits paid were the product of the actual monthly control group benefits paid and ratio of the experimental to control group members as of April, 1994 (1.4990245).

Figure 3 presents the total actual monthly AFDC and Food Stamp Benefits paid to the experimental and control groups. The largest monthly difference between the experimental and control groups for AFDC and Food Stamp benefits combined was in August, 1994, at about \$352,000. By September, 1996, this difference had declined to \$177,076, due primarily to natural attrition in both groups.

FIGURE 3
Total Monthly AFDC and Food Stamp Benefits Paid
Experimental vs. Control



Note: In Figure 1 the benefits paid to the control group were adjusted for comparability with the experimental group. The adjusted control group benefits paid were the product of the actual monthly control group benefits paid and ratio of the experimental to control group members as of April, 1994 (1.4990245).

AFIRM IMPACT ON AFDC POPULATION SUBGROUPS

At the time AFIRM was implemented, there were concerns that AFIRM might differentially impact subgroups within the AFDC population. Two sets of analyses were conducted to assess whether there was any differential impact:

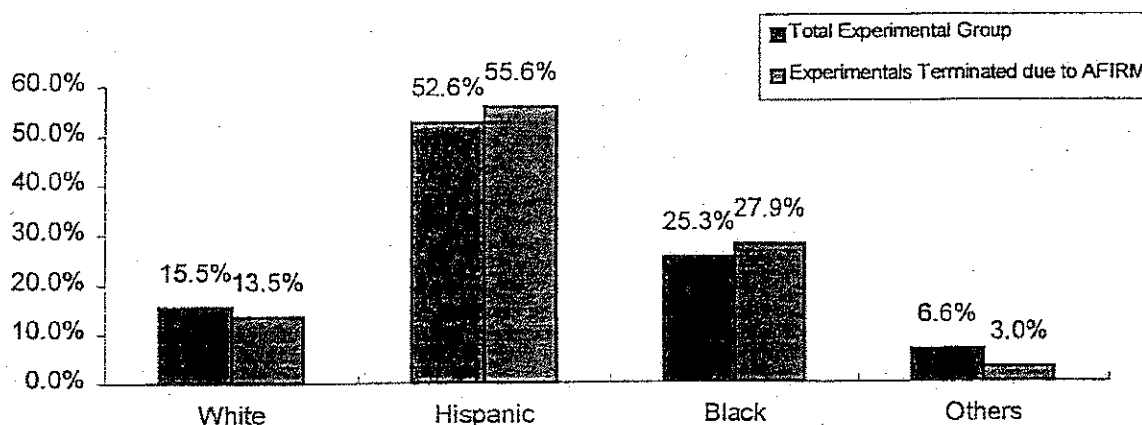
- Comparisons between those experimental cases terminated due to AFIRM and those complying with the fingerprinting requirement; and,
- Among the experimental cases originally terminated due to AFIRM, comparisons between those remaining off aid and those returning to aided status (recidivism).

ANALYSIS OF CASES TERMINATED DUE TO AFIRM

The experimental cases terminated due to AFIRM did not differ statistically from those experimental cases that were fingerprinted and remained aided in terms of the case ethnicity.

As shown in **Figure 4**, very little difference existed in the distribution of ethnicity between total cases in the experimental group and those terminated due to AFIRM.

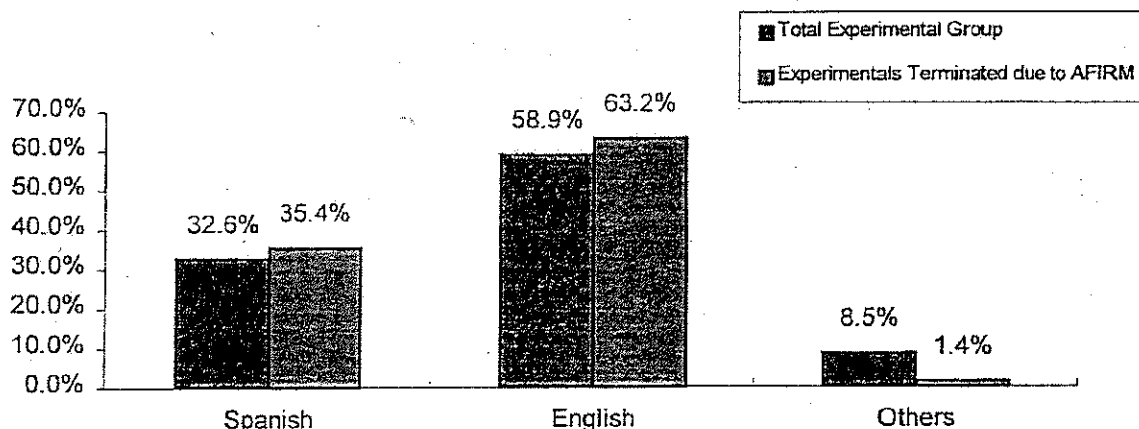
FIGURE 4
Comparison of Experimental Cases and Cases Terminated Due to AFIRM
ETHNICITY



Data Source: Experimental data are based on caseload population as of April 1994. Terminated experimental data are from June to September 1994 DPSS statistical tapes.

The share of those speaking Spanish and English were slightly higher in the terminated group, while those speaking a language other than Spanish or English accounted for a smaller proportion in the terminated group, as shown in **Figure 5**.

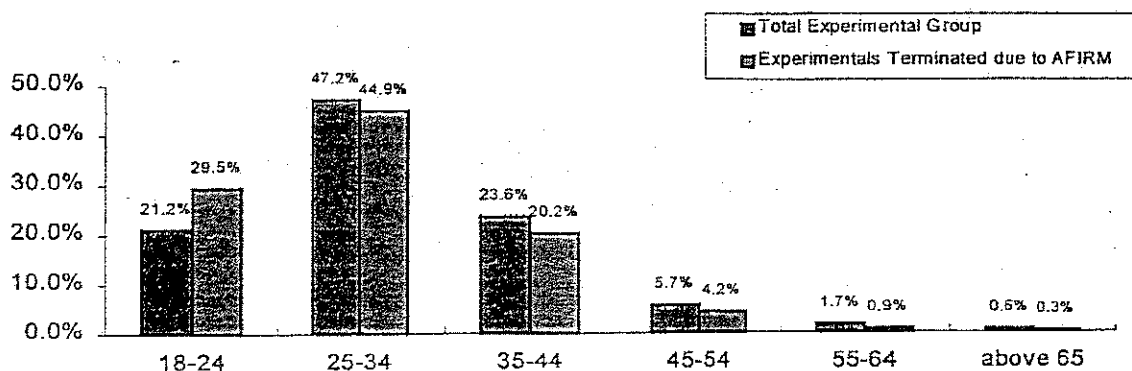
FIGURE 5
Comparison of Experimental Cases and Cases Terminated Due to AFIRM
PRIMARY LANGUAGE



Data Source: Experimental data are based on caseload population as of April 1994. Terminated experimental data are from June to September 1994 DPSS statistical tapes.

As displayed in **Figure 6**, those in the experimental group between the ages of 18 and 24 years were somewhat more likely to be terminated due to AFIRM, while those in other age groups, particularly 35 to 44 years, were somewhat less likely to be terminated due to AFIRM.

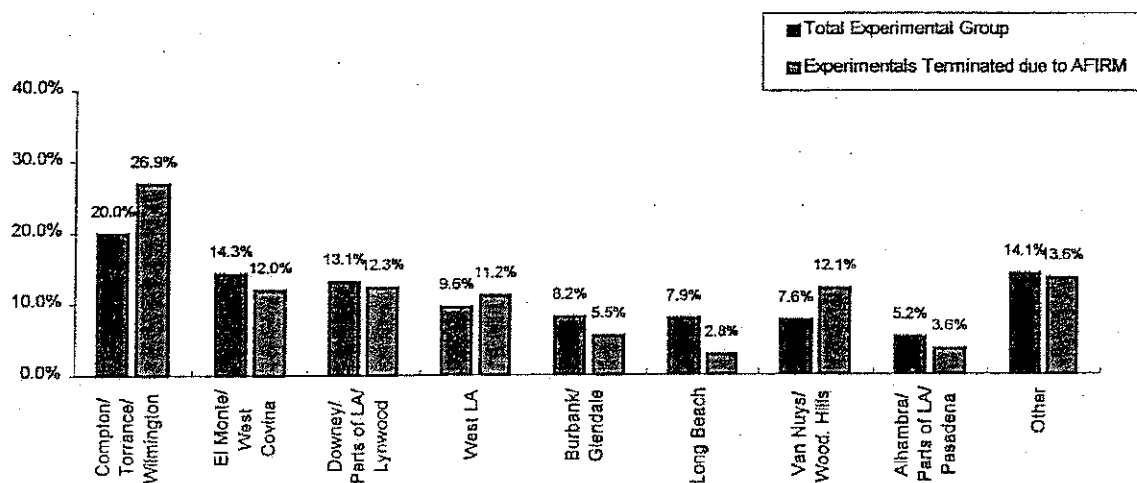
FIGURE 6
Comparison of Experimental Cases and Cases Terminated Due to AFIRM
AGE



Data Source: Experimental data are based on caseload population as of April 1994. Terminated experimental data are from June to September 1994 DPSS statistical tapes.

Statistically significant differences were found between geographic regions such as the Torrance area and the Long Beach area (refer to **Figure 7**). No meaningful explanation for these differences were found other than random variation.

FIGURE 7
Comparison of Experimental Cases and Cases Terminated Due to AFIRM
GEOGRAPHIC AREA



Data Source: Experimental data are based on caseload population as of April, 1994. Terminated experimental data are from June to September 1994 DPSS statistical tapes.

RECIDIVISM ANALYSIS

Assessing the long term effects of AFIRM also included an analysis of those experimental group members terminated due to AFIRM that later returned to aided status. This return to aided status, after a period of non-aid, is referred to as recidivism. Recidivism is one component of the cost/benefit analyses in the next chapter, since the savings attributed to AFIRM decrease as those initially terminated due to AFIRM return to aid.

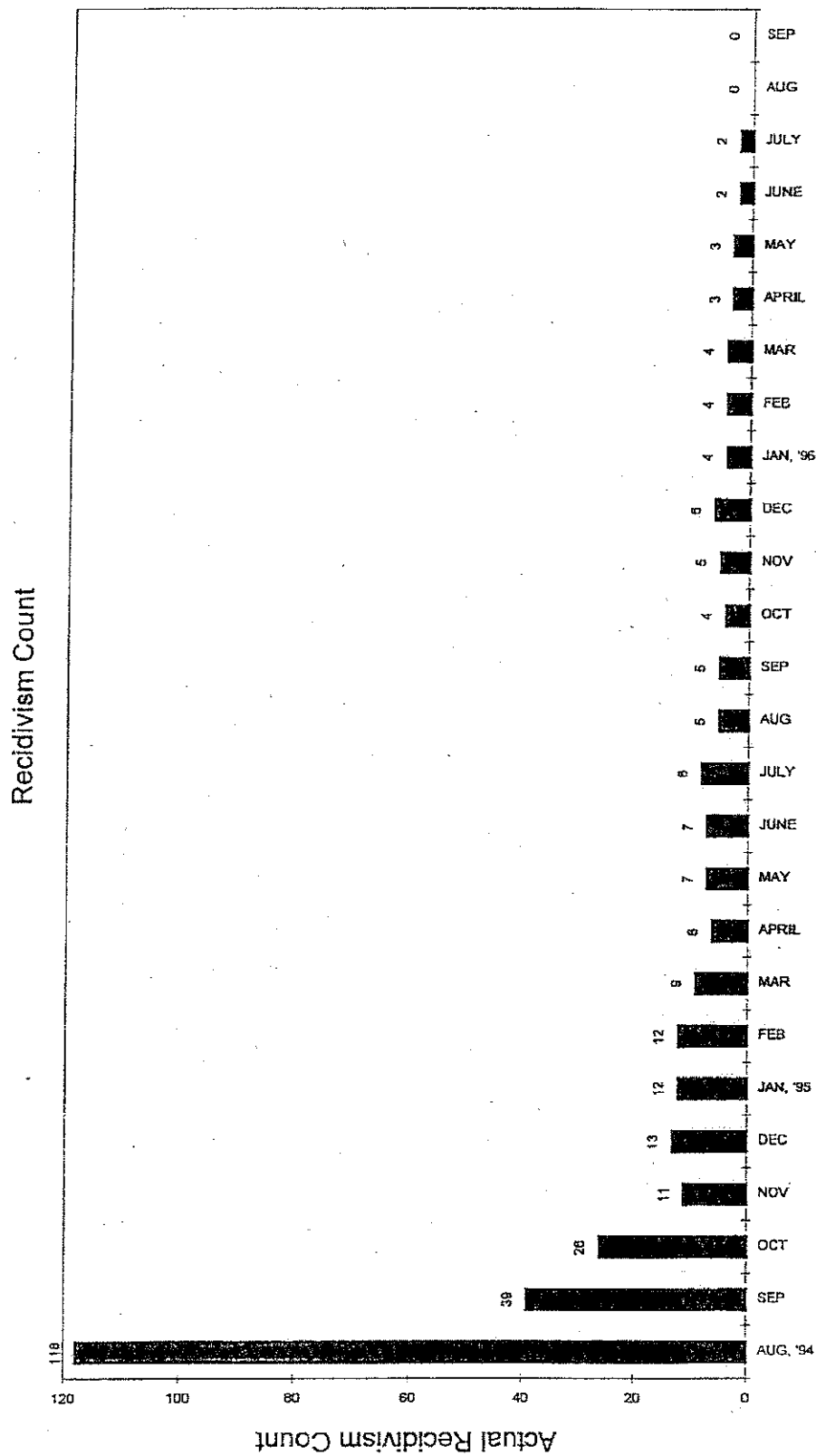
The recidivism analyses were focused on terminations during the pilot period (June and July, 1994) in the experimental group only, with separate analyses of recidivism among those terminated due to AFIRM and non-AFIRM terminations. The rate of recidivism among the non-AFIRM terminations was assumed to reflect the normal rate of return to aided status. The AFIRM terminations represented both the normal rate of return, and the effect of the initial AFIRM program.

The analyses were conducted in terms of the number of separate families receiving aid. The rationale for using separate families instead of cases for recidivism was that separate families were the unit that goes on and off aid.

There were 914 experimental separate families terminated due to non-cooperation with AFIRM, which contributed to the August, 1994 savings calculations, and an additional 1,264 experimental families terminated due to non-AFIRM reasons. As of September, 1996, a total of 34 percent of the AFIRM terminations had returned to aid, compared to 21 percent of the non-AFIRM terminations.

The longitudinal analysis of recidivism in the experimental group terminated due to AFIRM, shown in **Figure 8**, indicate that after the initial return to aid in August, 1994, recidivism rates declined steadily to none (zero) by September, 1996.

FIGURE 8
Recidivism Count of Experimental Group Terminations due to AFIRM
August 1994 - September 1996



Note that these counts are based on separate families.

COMPARISON OF TERMINATED CASES RETURNING TO AFDC AND THOSE REMAINING UNAIDED

There was initially concern that AFIRM might differentially impact subgroups with the general AFDC population. Analyses were conducted to determine the differences (if any) in the characteristics of the experimental group terminated due to noncompliance with AFIRM which returned to aided status (recidivists) and those which remain unaided. Comparisons were made between the ethnicity, age and primary language of recidivists and those who remain unaided due to AFIRM. None of these comparisons yielded a statistically significant difference. As may be seen in **Figure 9**, there were only slight (nonsignificant) differences in the ethnicity characteristics of the recidivists and those remaining off aid due to AFIRM.

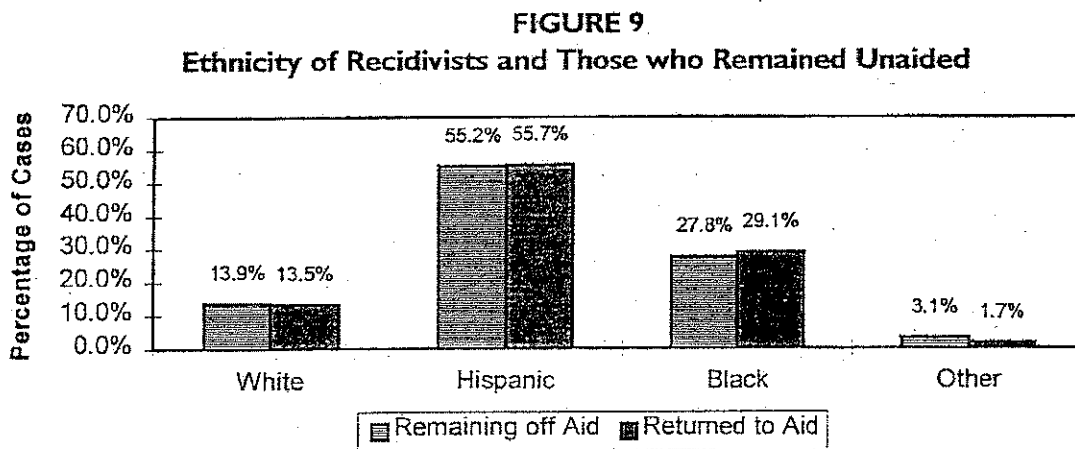


Figure 10 compares the age groupings of "recidivists" with those remaining unaided. While there was a slight trend for the recidivists to be younger than those remaining off aid, this trend was statistically nonsignificant.

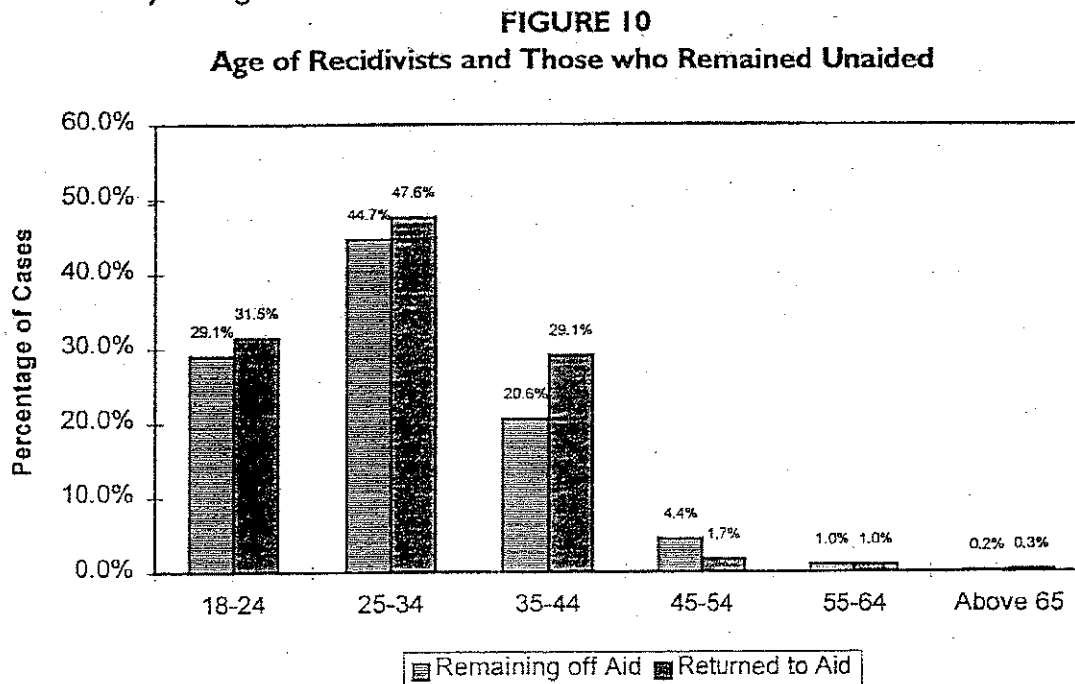
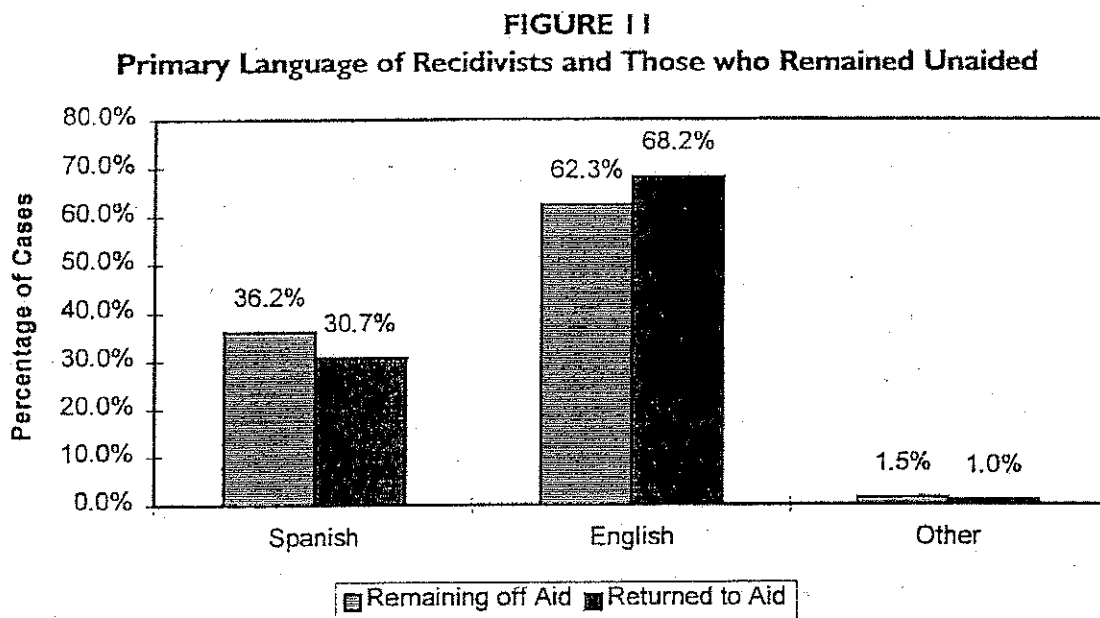


Figure II indicates a slight trend for the primary language of recidivists to be English, instead of Spanish or Other. However, as indicated earlier, this trend was not statistically significant.



From these analyses, the conclusion was that AFIRM did not differentially impact subgroups within the general AFDC population.

REDUCTION IN MEDI-CAL BENEFITS

All individuals receiving AFDC are automatically eligible to receive Medi-Cal health benefits; persons no longer receiving AFDC may still apply for Medi-Cal benefits (referred to as Medi-Cal Only). One further impact question was the extent to which persons terminated from AFDC continued to receive Medi-Cal Only benefits.

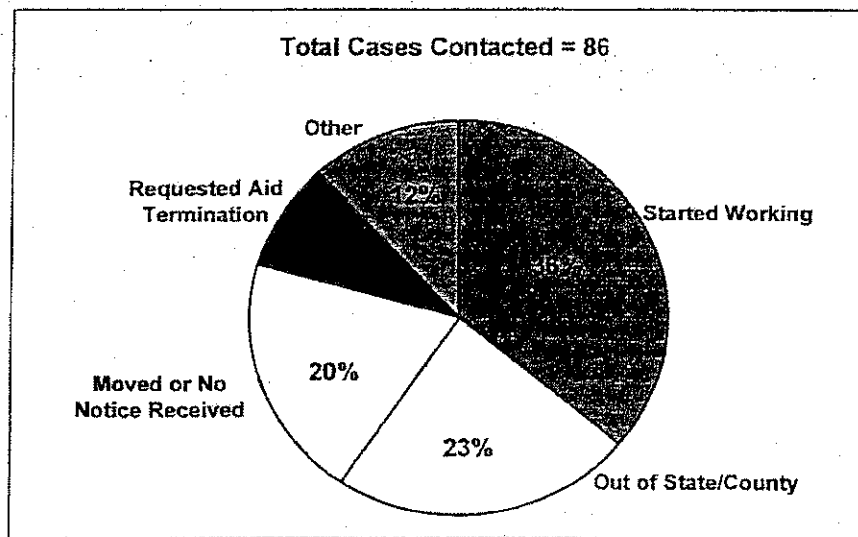
As of September, 1996, of the 914 separate families that had been terminated due to AFIRM, 599 remained unaided through AFDC. Of these, nine were receiving Medi-Cal Only benefits. Thus the terminations due to AFIRM which continued to receive Medi-Cal Only benefits was relatively small, less than one percent.

The impact of AFIRM on Medi-Cal could be calculated using an average monthly figure for the 599 separate families remaining unaided, less the nine that received Medi-Cal Only benefits. However, given the complexity of the Medi-Cal program, and the variability in medical costs for specific individuals, this analysis was not performed. The overall conclusion was that persons terminated from AFDC due to the implementation of AFIRM did not impact Medi-Cal payments.

REASONS FOR NON-PARTICIPATION IN AFIRM

Of the 137 cases investigated by the Welfare Fraud Prevention & Investigations (WFP&I) investigators, 86 cases were contacted either in person or by telephone. When asked why they did not comply with AFIRM, they gave the following reasons. Significantly, none indicated they were intimidated by the AFIRM program.

FIGURE 12
Reasons for Not Complying with AFIRM



COST/BENEFIT ANALYSIS

A key condition to the federal waivers granted California in order to implement AFIRM was that the program demonstrate it was cost neutral; that is, that the costs of implementing the program were not larger than the savings attributable to it. There were several methods identified to calculate the costs and benefits (savings) of the program. To avoid confusion with the term "benefits" as used elsewhere in this report, the term "savings" is used to refer to the calculated benefits of the program.

The evaluation questions answered in this chapter are:

- Does the AFIRM program reduce AFDC and related program benefit costs by preventing, deterring or detecting fraudulent beneficiaries?
- Do savings generated by AFIRM exceed program implementation and operational costs?
- What is the estimated cost of replicating and extending AFIRM to other locales?

The original cost neutrality calculations that led to continued federal support of the demonstration program are presented first, followed by a discussion of alternative methods for calculating the savings due to AFIRM, program cost estimates, and then the actual cost/benefit calculation. The final section estimates the cost of replicating AFIRM in other locales.

COST NEUTRALITY

The federal Waiver Terms and Conditions specified that the cost neutrality of the AFIRM program was to be calculated based on a comparison of AFDC and Food Stamp benefits paid to the experimental and control group cases in the third month after the last experimental case was notified of the fingerprinting requirement. The purpose of the cost neutrality calculation was to assist in the determination of continued federal support for the demonstration project beyond the initial period of implementation.

Since the first notices of the fingerprint requirement were mailed to the experimental group in April, 1994, the cost neutrality calculation was applied to the month of August, 1994. The actual benefits paid were multiplied by weighted numbers of control and experimental cases to yield a comparison representative of the entire caseload. The weights were calculated based on the size of the experimental and control in the month of implementation (April) relative to the entire caseload. At the time AFIRM was initiated, the entire AFDC caseload totaled 311,003 cases; the experimental group totaled 24,334; and the control group totaled 16,235. The weight for the experimental group thus equaled $311,003 / 24,334$, or 12.78060. A similar calculation yielded a control group weight of 19.15633. The weighted control group savings estimate was then subtracted from the weighted experimental group estimate to arrive at the estimate of those savings attributable to AFIRM.

The cost neutrality estimate of savings for the AFIRM demonstration program, based on the month of August, 1994, was \$4.5 million. This one-month estimate was multiplied by the number of months remaining in the demonstration project (26) to yield a rough, initial estimate of savings over the entire period of the demonstration program. This initial estimate of \$116.5 million in benefit savings, was presented in the 1994 *Preliminary Evaluation Report*, and is repeated below in Table 3.

TABLE 3
Cost Neutrality Benefit Savings Estimate as of August, 1994¹

	AFDC	Food Stamps	AFDC + Food Stamps Total	Net Benefit Savings (26 months)
Experimental Benefits Paid	\$12,441,170	\$3,620,162	\$16,061,332	
x Experimental Weight	12.78059507	12.78059507	12.78059507	
Total Caseload Experimental Benefits	\$159,005,556	\$46,267,825	\$205,273,380	
Control Benefits Paid	\$8,507,784	\$2,441,734	\$10,949,518	
x Control Weight	19.15632896	19.15632896	19.15632896	
Total Caseload Control Benefits	\$162,977,909	\$46,744,660	\$209,752,568	
NET BENEFIT SAVINGS (Control Benefits - Experimental Benefits)	(\$3,972,353)	(\$506,835)	(\$4,479,188)	(\$116,458,889)

The cost neutrality determination was based on a single point in time. Alternative methods, as discussed in the following section, were identified to calculate the savings in each subsequent month

BENEFITS (SAVINGS) ANALYSIS

There have been three methods identified for calculating the cost benefits (savings) due to AFIRM over the life of the demonstration program: the **Cost Neutrality Method**, the **Adjusted Cost Neutrality Method**, and the **Recidivism Method**. The first two of these methods used the difference in actual benefits paid to the experimental and control group members each month. Recall that the experimental and control groups had been randomly selected in April, 1994, to be representative of the entire caseload. The experimental group was fingerprinted between April and the end of July, 1994, and their behavior was presumed to be representative of the entire caseload upon fingerprinting. The control group has not yet been fingerprinted, so that their behavior was presumed to be representative of the entire AFDC caseload in the absence of AFIRM. The Fixed Weight and Adjusted Cost Neutrality Methods weight the observed difference in benefits paid to the experimental and control group each

¹ Los Angeles County DPSS AFDC AFIRM Program, *Preliminary Evaluation Report*, September 22, 1994.

month to project the results to the entire AFDC caseload. The difference between these two methods was in how these weights are determined.

The Cost Neutrality Method used weights derived from the original caseload and initial size of the experimental and control group as of April, 1994. Since these weights were fixed, they did not permit adjustment for natural attrition over time. As the experimental design did not call for replacement of cases that went off aid, over a very long time natural attrition would reduce any observed differences between the experimental and control groups. The Cost Neutrality Method yielded a final savings estimate of \$59 million.

The Adjusted Cost Neutrality Method was introduced to adjust the experimental and control weights to allow for natural attrition. Natural attrition was assumed to be measured by the attrition that occurred in the control group, whose behavior represented the entire caseload in the absence of fingerprinting. In the Adjusted Cost Neutrality Method, the weight for the experimental group was adjusted both for the natural attrition occurring in the control group, and for the initial ratio of the experimental to control group size, so that the proportion of the experimental to control group was constant. The Adjusted Cost Neutrality Method yielded a final savings estimate of \$73 million.

The weight for the control group was adjusted each month based on the number of separate families in the control group still receiving AFDC. Therefore, as the number of aided control group members decreased over time, the weight assigned to the control group increased correspondingly. The rate of natural attrition in the control group was then used to estimate the natural attrition that would have occurred in the experimental group in the absence of AFIRM. The resulting difference between the benefits issued to the experimental and control groups was attributed to AFIRM.

The third method, the Recidivism Method, was based on the experimental group only, and did not include actual benefits paid to either the experimental or control groups. The Recidivism Method was initially introduced as a means of factoring into the savings calculation an anticipated high rate of recidivism in the experimental group. The Recidivism Method uses August, 1994, as its starting point, after the experimental group had all been called in for fingerprinting. August was the first month in which the full impact of AFIRM occurred for the experimental group. The benefit savings estimate of \$4.5 million for that month was based on 914 separate families in the experimental group that had been terminated due to AFIRM. The Recidivism Method simply reduced down the \$4.5 million initial savings estimate each month by the proportion of those 914 families which came back onto aided status (recidivism). Using the Recidivism Method, benefit savings due to AFIRM were estimated to be \$85.2 million.

The formulas and monthly savings estimates using each of the three methods are presented in the following sections. In each of these calculations, the base was the number of separate families receiving aid. The rationale for using separate families instead of cases (as in the cost neutrality determination) was that separate families were the unit that went on and off aid. It should be noted that at the start of the demonstration project on April 1, 1994, the AFDC caseload of 311,003 cases consisted of 314,002 separate families.

Of the three methods, the first *Annual Progress Report* recommended the use of the benefit savings as calculated by the Recidivism Method. The estimate of benefit savings using this method was \$86.4 in the first *Annual Progress Report*, which was very close to the final estimate of \$85.2 presented here. The slight difference between the two estimates was due to the additional 18 months of actual tracking data in this report.

AMPG also recommends consideration of the benefit savings as determined by the Adjusted Cost Neutrality Method. The Adjusted Cost Neutrality Method was based on a larger sample than the Recidivism Method since the Adjusted Cost Neutrality Method used both the experimental and control groups, which have over 10,000 members each, while the Recidivism Method was based on a relatively small sample of 914 separate families from the experimental group only. The benefit savings attributed to the AFIRM program, using the Adjusted Cost Neutrality Method, was \$73 million.

By using the difference between the experimental and control group as the determinant of benefit savings, the Adjusted Cost Neutrality Method provides a more conservative estimate than the Recidivism Method. Over time the characteristics of the two groups would be expected to converge, since it is highly likely that many of the fraudulent cases in the control group would have heard about AFIRM and have dropped off aid to avoid detection. Although the Adjusted Cost Neutrality Method allowed for natural attrition, there was no means of adjusting for the indirect impact that the implementation of AFIRM might have on the control group. The result of this indirect impact was to diminish the differences between the experimental and control group, which was used to project savings, thereby understating the actual cost benefits of AFIRM.

The "true" benefit savings attributable to AFIRM is probably somewhere in between the \$85.2 million estimated by the Recidivism Method and the \$73 million of the Adjusted Cost Neutrality Method. In this *Final Evaluation Report*, the cost/benefit analyses are calculated using both, as high and low estimates. **Table 4** presents a direct comparison of the benefit savings calculations for the three methods.

TABLE 4
Comparative Benefit Savings Calculations for All Proposed Methods

Month	Cost Neutrality	Adjusted Cost Neutrality	Recidivism
August, 1994	\$4,498,782	\$4,498,782	\$4,498,782
September	\$3,010,097	\$3,341,790	\$3,917,976
October	\$4,054,457	\$4,523,584	\$3,726,015
November	\$3,473,169	\$3,968,714	\$3,598,041
December	\$3,297,727	\$3,809,644	\$3,543,898
January, 1995	\$3,467,177	\$4,057,988	\$3,479,911
February	\$3,008,559	\$3,576,862	\$3,420,846
March	\$2,924,776	\$3,506,512	\$3,361,781
April	\$2,841,240	\$3,462,003	\$3,317,483
May	\$2,732,006	\$3,381,148	\$3,287,950
June	\$2,435,335	\$3,055,953	\$3,253,496
July	\$2,394,962	\$3,062,698	\$3,219,041
August	\$2,374,868	\$3,067,615	\$3,179,664
September	\$2,013,976	\$2,628,570	\$3,155,054
October	\$1,713,448	\$2,262,800	\$3,130,443
November	\$1,802,975	\$2,437,754	\$3,110,755
December	\$1,540,361	\$2,105,242	\$3,086,145
January, 1996	\$1,570,211	\$2,173,567	\$3,056,612
February	\$1,527,312	\$2,138,459	\$3,036,924
March	\$1,484,414	\$2,102,535	\$3,017,236
April	\$1,661,574	\$2,375,829	\$2,997,547
May	\$328,336	\$475,152	\$2,982,781
June	\$153,253	\$224,093	\$2,968,015
July	\$278,448	\$413,687	\$2,958,171
August	\$2,052,681	\$3,085,417	\$2,948,326
September, 1996	\$2,261,450	\$3,433,519	\$2,948,326
TOTAL:	\$58,901,594	\$73,169,917	\$85,201,219

Note: The data tape for February, 1996, was damaged, and the data were unretrievable by the time the damage was noted. The February benefit savings were the average of January, 1996 and March, 1996 since an overall declining line was observed.

COST NEUTRALITY METHOD CALCULATIONS

The Cost Neutrality Method used the actual monthly benefits paid to the experimental and control groups, multiplied by weights determined by the initial relative size of the two groups in April, 1994. The fixed weights, using separate families as the base, were calculated as follows.

At the time AFIRM was initiated, the number of separate families receiving AFDC was 314,002; the number of separate families in the experimental group was 24,587; and the number in the control group was 16,402. The fixed weight for the experimental group thus equaled $314,002 / 24,587$, or 12.777105788. A similar calculation yielded a control group weight of 19.14412876.

These weights were applied to the monthly benefits paid as described in this example for the month of April, 1995. In April, 1995, the actual cost of AFDC benefits for all control group members was \$7,613,770 (AFDC_c) and \$11,244,711 (AFDC_e) for the experimental group. The actual cost of Food Stamp benefits in April, 1995, was \$2,407,445 (FS_c) for the control group and \$3,554,861 (FS_e) for the experimental group. The total benefits paid to the experimental group were calculated by using the following formula:

$$\begin{aligned}\text{Experimental Group Benefits Paid} &= (\text{AFDC}_e + \text{FS}_e) * 12.77105788 \\ &= (\$11,244,711 + \$3,554,861) * 12.77105788 \\ &= \$189,006,191\end{aligned}$$

The total benefits paid to the control group were calculated by using the following formula:

$$\begin{aligned}\text{Control Group Benefits Paid} &= (\text{AFDC}_c + \text{FS}_c) * 19.14412876 \\ &= (\$7,613,770 + \$2,407,445) * 19.14412876 \\ &= \$191,847,430\end{aligned}$$

The total April, 1995, benefit savings was the difference between the benefits paid to the experimental and control groups: \$189,006,191 - \$191,847,430, or (\$2,841,240).

Table 5 presents the monthly benefit savings calculations using the Cost Neutrality Method. As may be seen, the estimated total savings over the life of the demonstration program, using the Cost Neutrality Method, was \$59 million.

Although this estimation method was reasonable for the initial period around August, 1994, it rapidly became inaccurate when extended to the entire period due to natural attrition in both the experimental and control groups. The impact of natural attrition on the savings calculations was to understate the benefit savings attributable to AFIRM. Over time, as the actual number of cases in the experimental and control groups declined due to attrition, the fixed weights were too small to project the full savings to the entire caseload. The Adjusted Cost Neutrality Method, presented in the following section, attempted to account for natural attrition by recalculating the estimation weights each month.

TABLE 5
Cost Neutrality Method Savings Calculation

Month	Experimental Group			Control Group			Net Benefit Savings (C-F)
	AFDC Benefits Paid (A)	Food Stamps Benefits (B)	Total Benefits (C) (C)=(A+B)* 12.77105788	AFDC Benefits Paid (D)	Food Stamps Benefits (E)	Total Benefits (F) (F)=(D+E)* 19.14412876	
August, 1994	\$12,441,170	\$3,620,162	\$205,120,201	\$8,507,784	\$2,441,734	\$209,618,982	(\$4,498,782)
September	\$12,306,962	\$3,668,224	\$204,020,025	\$8,347,533	\$2,466,755	\$207,030,122	(\$3,010,097)
October	\$12,326,928	\$3,735,418	\$205,133,150	\$8,406,816	\$2,520,169	\$209,187,608	(\$4,054,457)
November	\$11,967,405	\$3,691,805	\$199,984,677	\$8,132,137	\$2,495,552	\$203,457,847	(\$3,473,169)
December	\$11,852,529	\$3,655,950	\$198,059,683	\$8,049,787	\$2,468,185	\$201,357,410	(\$3,297,727)
January, 1995	\$11,635,911	\$3,611,448	\$194,724,904	\$7,907,001	\$2,445,629	\$198,192,082	(\$3,467,177)
February	\$11,518,640	\$3,568,373	\$192,677,116	\$7,801,749	\$2,419,958	\$195,685,675	(\$3,008,559)
March	\$11,497,050	\$3,554,861	\$192,228,827	\$7,786,469	\$2,407,445	\$195,153,602	(\$2,924,776)
April	\$11,244,711	\$3,554,861	\$189,006,191	\$7,613,770	\$2,407,445	\$191,847,430	(\$2,841,240)
May	\$11,087,283	\$3,480,736	\$186,049,014	\$7,508,472	\$2,352,568	\$188,781,019	(\$2,732,006)
June	\$10,933,502	\$3,471,709	\$183,969,783	\$7,392,544	\$2,344,390	\$186,405,118	(\$2,435,335)
July	\$10,722,526	\$3,398,936	\$180,346,009	\$7,251,240	\$2,294,296	\$182,740,970	(\$2,394,962)
August	\$10,713,390	\$3,415,655	\$180,442,851	\$7,254,749	\$2,294,796	\$182,817,719	(\$2,374,868)
September	\$10,613,315	\$3,368,123	\$178,557,754	\$7,158,235	\$2,273,990	\$180,571,730	(\$2,013,976)
October	\$10,488,158	\$3,534,400	\$179,082,900	\$7,058,844	\$2,385,114	\$180,796,348	(\$1,713,448)
November	\$10,279,280	\$3,474,078	\$175,644,931	\$6,929,490	\$2,339,561	\$177,447,906	(\$1,802,975)
December	\$10,182,364	\$3,452,001	\$174,125,265	\$6,856,728	\$2,319,225	\$175,665,626	(\$1,540,361)
January, 1996	\$10,092,910	\$3,443,426	\$172,873,331	\$6,803,066	\$2,309,051	\$174,443,541	(\$1,570,211)
February	\$9,998,744	\$3,423,443	\$171,415,521	\$6,741,674	\$2,292,054	\$172,942,833	(\$1,527,312)
March	\$9,904,578	\$3,403,459	\$169,957,711	\$6,680,281	\$2,275,056	\$171,442,125	(\$1,484,414)
April	\$9,848,274	\$3,383,695	\$168,986,242	\$6,640,544	\$2,273,302	\$170,647,816	(\$1,661,574)
May	\$9,766,102	\$3,353,953	\$167,556,982	\$6,528,691	\$2,240,855	\$167,885,318	(\$328,336)
June	\$9,538,493	\$3,363,071	\$164,766,621	\$6,370,745	\$2,243,900	\$164,919,873	(\$153,253)
July	\$9,395,440	\$3,346,429	\$162,727,146	\$6,284,395	\$2,230,257	\$163,005,594	(\$278,448)
August	\$9,204,260	\$3,277,142	\$159,400,707	\$6,221,280	\$2,212,292	\$161,453,388	(\$2,052,681)
September, 1996	\$9,114,158	\$3,264,781	\$158,092,146	\$6,163,832	\$2,212,292	\$160,353,596	(\$2,261,450)
TOTAL:	\$278,674,083	\$90,516,139	\$4,714,949,688	\$188,397,856	\$60,965,871	\$4,773,851,279	(\$58,901,594)

ADJUSTED COST NEUTRALITY METHOD

The Adjusted Cost Neutrality Method, adjusted the weights applied to the actual benefit payments by the natural attrition in the control group. The weight for the experimental group was adjusted proportionately each month to correspond to the natural attrition occurring in the control group.

For example, by April, 1995, the number of separate families receiving aid in the control group had dropped from 16,402 to 13,461. The weight for the control group was adjusted by dividing that month's actual control group size into the original number of separate families receiving AFDC (314,002). Thus for April, 1995, the adjusted weight for the control group (AW_c) equaled $314,002 / 13,461$, or 23.32679593.

The weight for the experimental group was adjusted both for the natural attrition occurring in the control group, and for the initial ratio of the experimental to the control group, so that the proportion of experimental to control group families was constant. For example, in April, 1995, the adjusted weight for the experimental group (AW_e) was calculated as follows:

$$\begin{aligned}\text{Adjusted Weight}_e &= AW_c * (16,402 / 24,587) \\ &= 23.32679593 * (0.6671005) \\ &= 15.56131723\end{aligned}$$

The total savings for April, 1995, using the Adjusted Cost Neutrality Method was calculated as follows:

$$\begin{aligned}\text{Total Savings} &= \text{Control Group Benefits} - \text{Experimental Group Benefits} \\ &= (AFDC_c + FW_c) * AW_c - (AFDC_e + FW_e) * AW_e \\ &= \$10,021,215 * 23.32679593 - \$14,799,572 * 15.56131723 \\ &= \$233,762,837 - \$230,300,835 \\ &= \$3,462,003\end{aligned}$$

Thus if the number of separate families receiving AFDC in the control group decreases by 2% in a given month, the control and experimental group weights increase by roughly 2%. [The actual formula is $1 / (1 - \% \text{ decrease})$].

The monthly, and total, benefit savings as determined by the Adjusted Cost Neutrality Method are shown in **Table 6**. The estimated AFIRM benefit savings using the Adjusted Cost Neutrality Method was \$73 million.

Note that the total AFDC + Food Stamp benefits paid are the same as those in Table 5.

TABLE 6
Adjusted Cost Neutrality Method Savings Calculation

Month	Experimental Group			Control Group			Net Benefit Savings (C-F)
	AFDC + Food Stamp Benefits Paid (A)	Adjusted Weights (B)	Total Benefit Costs (C) (C)=(A*B)	AFDC + Food Stamp Benefits Paid (D)	Adjusted Weights (E)	Total Benefit Costs (F) (F)=(D*E)	
August, 1994	\$16,061,332	12.77105788	\$205,120,201	\$10,949,518	19.14412876	\$209,618,982	(\$4,498,782)
September	\$15,975,186	14.17834650	\$226,501,723	\$10,814,288	21.25368891	\$229,843,513	(\$3,341,790)
October	\$16,062,346	14.24875119	\$228,868,372	\$10,926,985	21.35922726	\$233,391,956	(\$4,523,584)
November	\$15,659,210	14.59320686	\$228,518,091	\$10,627,689	21.87557475	\$232,486,805	(\$3,968,714)
December	\$15,508,479	14.75354918	\$228,805,108	\$10,517,972	22.11593182	\$232,614,752	(\$3,809,644)
January, 1995	\$15,247,359	14.94725926	\$227,906,228	\$10,352,630	22.40630798	\$231,964,216	(\$4,057,988)
February	\$15,087,013	15.18345109	\$229,072,924	\$10,221,707	22.76036532	\$232,649,786	(\$3,576,862)
March	\$15,051,909	15.31108042	\$230,460,989	\$10,193,914	22.95168482	\$233,967,501	(\$3,506,512)
April	\$14,799,572	15.56131723	\$230,300,835	\$10,021,215	23.32679593	\$233,762,837	(\$3,462,003)
May	\$14,568,019	15.80534525	\$230,255,484	\$9,861,040	23.69289972	\$233,636,632	(\$3,381,148)
June	\$14,405,211	16.02562093	\$230,852,451	\$9,736,934	24.02279856	\$233,908,404	(\$3,055,953)
July	\$14,121,462	16.33173953	\$230,628,039	\$9,545,536	24.48167784	\$233,690,737	(\$3,062,698)
August	\$14,129,045	16.49636881	\$233,077,937	\$9,549,545	24.72846117	\$236,145,553	(\$3,067,615)
September	\$13,981,438	16.66832905	\$233,047,209	\$9,432,225	24.98623379	\$235,675,779	(\$2,628,570)
October	\$14,022,558	16.86561121	\$236,499,011	\$9,443,958	25.28196457	\$238,761,812	(\$2,262,800)
November	\$13,753,358	17.26740509	\$237,484,804	\$9,269,051	25.88426346	\$239,922,558	(\$2,437,754)
December	\$13,634,365	17.45445306	\$237,980,384	\$9,175,953	26.16465295	\$240,085,626	(\$2,105,242)
January, 1996	\$13,536,336	17.67836030	\$239,300,225	\$9,112,117	26.50029538	\$241,473,792	(\$2,173,567)
February	\$13,422,187	17.88133435	\$240,006,604	\$9,033,727	26.80455845	\$242,145,063	(\$2,138,459)
March	\$13,308,037	18.08902342	\$240,729,393	\$8,955,337	27.11588946	\$242,831,928	(\$2,102,535)
April	\$13,231,969	18.26090935	\$241,627,786	\$8,913,846	27.37355069	\$244,003,615	(\$2,375,829)
May	\$13,120,055	18.48163854	\$242,480,114	\$8,769,546	27.70442915	\$242,955,266	(\$475,152)
June	\$12,901,564	18.67441305	\$240,929,135	\$8,614,645	27.99340287	\$241,153,228	(\$224,093)
July	\$12,741,869	18.97381261	\$241,761,835	\$8,514,652	28.44221014	\$242,175,521	(\$413,687)
August	\$12,481,402	19.19637933	\$239,597,727	\$8,433,572	28.77584311	\$242,683,145	(\$3,085,417)
September, 1996	\$12,378,939	19.39006676	\$240,028,454	\$8,376,124	29.06618532	\$243,461,972	(\$3,433,519)
TOTAL:	\$369,190,220		\$6,071,841,062	\$251,473,363		\$6,145,010,980	(\$73,169,917)

RECIDIVISM METHOD

The Recidivism Method was originally proposed in the first *Annual Progress Report* as a method to account for an anticipated high rate of recidivism in the experimental group. The method used August, 1994, as its starting point, after the experimental group had all been called in for fingerprinting. The cost neutrality result of \$4.5 million for that month was based on an experimental group that included 914 single families that had been terminated due to AFIRM. The Recidivism Method simply reduced down the savings for each month by the proportion of those 914 experimental separate families terminated due to AFIRM which came back onto aided status (recidivism).

For example, by September, 1994, 118 of the 914 families terminated due to AFIRM had reapplied and returned to aided status, leaving only 796 (87 percent) of those responsible for benefit savings still off aid. Thus the savings estimate in September was 87 percent of that saved in August. By November, 1994, another 39 families had returned to aided status, so that only 757 (83 percent) of the original 914 remained off aid. Applying November's percentage of recidivism to the original cost neutrality savings estimate (\$4.5 million) resulted in an estimated AFIRM savings of \$3.7 million that month.

The calculation for the Recidivism Method is shown in **Table 7** for each month through September, 1996. The final estimated benefit savings using the Recidivism Method was \$85.2 million. As expected, this method yields a high estimate of benefit savings, due to the relatively low rate of recidivism in the experimental group. It is also, in comparison to the Cost Neutrality and Adjusted Cost Neutrality Methods, relatively less robust in that it relies on the experience of 914 separate families, which is a subset of the sample. The Cost Neutrality and Adjusted Cost Neutrality Methods both use the power of the full caseload.

TABLE 7
Benefit Savings Estimate Using Recidivism Method

Month	Recidivism	Remaining off Aid	Percent of Original Terminations Remaining Off Aid	Net Benefit Savings
August, 1994	118	914	100.0%	(\$4,498,782)
September	39	796	87.1%	(\$3,917,976)
October	26	757	82.8%	(\$3,726,015)
November	11	731	80.0%	(\$3,598,041)
December	13	720	78.8%	(\$3,543,898)
January, 1995	12	707	77.4%	(\$3,479,911)
February	12	695	76.0%	(\$3,420,846)
March	9	683	74.7%	(\$3,361,781)
April	6	674	73.7%	(\$3,317,483)
May	7	668	73.1%	(\$3,287,950)
June	7	661	72.3%	(\$3,253,496)
July	8	654	71.6%	(\$3,219,041)
August	5	646	70.7%	(\$3,179,664)
September	5	641	70.1%	(\$3,155,054)
October	4	636	69.6%	(\$3,130,443)
November	5	632	69.1%	(\$3,110,755)
December	6	627	68.6%	(\$3,086,145)
January, 1996	4	621	67.9%	(\$3,056,612)
February	4	617	67.5%	(\$3,036,924)
March	4	613	67.1%	(\$3,017,236)
April	3	609	66.6%	(\$2,997,547)
May	3	606	66.3%	(\$2,982,781)
June	2	603	66.0%	(\$2,968,015)
July	2	601	65.8%	(\$2,958,171)
August	0	599	65.5%	(\$2,948,326)
September, 1996	0	599	65.5%	(\$2,948,326)
Total:				(\$85,201,219)

PROGRAM COSTS

The second factor in the cost/benefit equation is the program cost. Previous cost/benefit analyses presented in the *Annual Reports* relied on the AFIRM program's budgeted costs. In this *Final Evaluation Report*, the actual costs were reviewed through September, 1996. The actual costs of AFIRM were \$ 1.5 million lower than the initial budget. The major cost categories and the budget to actual variance is reviewed below.

- The technology vendor cost, based on actual payments, was almost \$1.3 lower than that budgeted at project initiation.
- The intake clerks performing the fingerprinting were hired through a temporary employment agency, or human resources vendor. DPSS changed contract vendors in January, 1996, in part to reduce the hourly rates. While the initial budget allocated \$1.75 million for the human resources vendor, the actual costs were \$1.95 million. This reflects, in part, an increase in workload as the AFIRM program was expanded to include those clients receiving Food Stamps only in late 1996.
- The costs of security guards at the fingerprint sites during the initial stages of the program were much lower than anticipated, primarily because fewer staff hours were needed. The budgeted costs were \$282,000; actual expenditures were only \$37,000.
- The original cost estimates for the IBPS Interface and the initial site preparation were exact.
- The initial budget had been based on the expectation that the DPSS eligibility staff would be conducting some portion of the follow up-on suspected AFIRM fingerprint matches, before the case was referred to the Welfare Fraud Prevention & Investigations (WFP&I) Section. In actuality, WFP&I investigators early on were conducting much of the follow-up work. The actual program expenditures reflect this shift in responsibilities: the actual amount spent for eligibility staff was less than was budgeted, while the amount spent on fraud investigators was more than initially budgeted. Note, however, that when both DPSS staffing cost categories are combined, that total actually expended was still \$14,000 less than the amount initially budgeted for both.

Table 8 presents a comparison of the initially budgeted costs with the actual costs for all cost categories through September, 1996. The actual total cost of the AFIRM program was \$20.6 million instead of the \$22.2 million budgeted.

TABLE 8
AFIRM Actual Costs Compared to the Initial Budget

Expenditure Category	Initial Budget (36 months)	Actual (through Sept., 1996)	Variance (Budget- Actual)
Technology Vendor	\$17,495,000	\$16,199,436	\$1,295,564
Human Resources	1,742,948	1,954,924	(\$211,976)
Vendor			
IBPS Interface	115,005	115,005	
Site Preparation	60,520	60,520	
Security Guards	282,668	37,073	\$245,595
Eligibility Staff	2,255,602	779,193	1,476,409
Project Staff (2)	229,284	1,490,564	(\$1,261,280)
Total Cost:	<u>\$22,181,027</u>	<u>\$20,636,715</u>	<u>\$1,544,312</u>

Note that the costs associated with the third-party evaluator were not included in the final cost calculation, as these are assumed to be unique to this demonstration project and therefore not part of the actual program costs.

COST/BENEFIT ANALYSIS

Table 9 presents the cost/benefit analysis from the program savings associated with AFIRM using the calculations for all three methods presented above, and the revised costs summarized in the prior section. The final net benefit of the AFIRM program was **between \$52.5 million and \$64.6 million**, depending on the benefit savings method used. With the \$20.6 million in actual program costs, the net benefit of the AFIRM program was calculated as \$64.6 million under the Recidivism Method. Using the Adjusted Cost Neutrality Method yielded a net benefit of \$52.5 million through the end of the evaluation period in September, 1996.

The difference in net benefits between the two methods of calculating savings was less than 20 percent. Under either method AFIRM provides a highly rewarding rate of return, producing a projected net savings of \$3.13 for each dollar expended (Recidivism Method), or \$2.55 (Adjusted Cost Neutrality Method).

TABLE 9
Cost/Benefit Analysis

	Cost Neutrality	Adjusted Cost Neutrality	Recidivism
Gross Savings	(\$58,901,594)	(\$73,169,917)	(\$85,201,219)
Total Costs	\$20,636,715	\$20,636,715	\$20,636,715
NET BENEFIT:	(\$38,264,879)	(\$52,533,202)	(\$64,564,504)

COST OF REPLICATING AFIRM

In the 1995 and 1996 *Annual Progress Reports*, a model for estimating the cost of replicating the AFIRM program was presented and example calculations presented for the adjacent county of Riverside, California. This county, with an average AFDC caseload of 40,000, was selected as being more representative of caseloads in other areas of the United States. The model underwent some refinements over the course of the demonstration project. In this section, the final model for estimating the costs of replicating the AFIRM program is defined, along with the calculations for replicating AFIRM in Riverside County, California. The specific assumptions in the model were:

- The actual costs of implementing and operating AFIRM in Los Angeles County were assumed to the \$20,636,715 shown in Table 8.
- The costs of IBPS interface preparation were assumed to have to take place in each locale that chose to implement AFIRM, and these costs were assumed to be comparable to the costs incurred by Los Angeles County.
- The costs of the technology vendor and project staff (fraud investigators) were assumed to be directly related to the size of the caseload (311,003 for Los Angeles County, and an estimated 40,000 for Riverside).
- The costs of site preparation were assumed to be equivalent across sites (25 district offices in Los Angeles County, 13 in Riverside).
- The costs of the human resources vendor were based on an average of 29 temporary staff in the 25 district offices in Los Angeles County, and one per site in Riverside.
- The costs of the AFIRM eligibility workers were allocated based on the overall caseload size.
- The costs of the security guards were pro-rated based on caseload size.

As shown in **Table 10**, the final estimate of replicating the AFIRM program in Riverside County, from 6 months of start-up through 30 months of operation, was \$3.4 million.

TABLE 10
Estimation of Cost to Replicate AFIRM

Expenditure Category	Dependent Upon:	Los Angeles County			Riverside County	
		Actual Cost of AFIRM Implementation	Units	Cost/Unit	Units	Total Cost (LA Cost/Unit * Riverside Units)
Technology Vendor	Caseload	\$16,199,436	311,003	\$52	40,000	\$2,080,000
Human Resources Vendor	# Temporary Staff	1,954,924	29	67,411	13	876,343
IBPS Interface	Fixed - One-time	115,005	1	115,005	1	115,005
Site Preparation	# of District Offices	60,520	25	2,421	13	31,473
Security Guards	Caseload	37,073	311,003	0.12	40,000	4,800
Eligibility Staff	Caseload	779,193	311,003	2.51	40,000	100,400
Project Staff (2)	Caseload	1,490,564	311,003	4.79	40,000	191,600
Total Cost:		\$20,636,715				\$3,399,621

PROCESS EVALUATION

The focus of the Process Study was to answer the following evaluative questions:

- Was the AFIRM system planned and implemented effectively?
- Did AFIRM operate at a satisfactory service level?
- What effect did AFIRM have on the appeals process?
- Can AFIRM be replicated and extended to other locales?

Most of the Process Study issues were discussed extensively in the first *Annual Progress Report*, as that report covered the period of AFIRM initial implementation. Subsequent reports dealt with the ongoing maintenance and operations of the program, so that the focus was on assessing whether there had been any significant changes in operation of AFIRM that might impact (positively or negatively) the initial conclusions. In this report, all process aspects were re-examined.

AFIRM PLANNING AND IMPLEMENTATION

The first *Annual Progress Report* included an in-depth review of DPSS implementation activities for the AFIRM program. The evaluative findings were:

- Both Intake and Approved fingerprinting processes were well planned and effectively implemented. Efficiency was observed to be high, and there was little or no non-value-added activity discovered. Further, DPSS developed and implemented a highly effective conflict resolution procedure, carried out by a team of DPSS representatives which met regularly and responded immediately to issues raised and problems faced by users of the AFIRM system. The procedure was characterized by its ability to quickly recognize and rectify system problems, as well as collect, evaluate, and implement suggestions to improve process efficiency.

This efficiency continued throughout the demonstration program. As reported in the second *Annual Progress Report*, one administrator commented, "AFIRM is an invisible, automatic part of our process."

- Policies and Procedures were well thought out during the planning phase and effectively disseminated and implemented. Further, flexibility was provided in the form of the opportunity to revise the initial policy directives as needed.
- The inclusion and role assignments of the various departments and operating units of DPSS for the AFIRM project were well-conceived and effectively implemented. There was no

evidence of duplication of effort, political infighting, or other destructive organizational practices. The interdivisional relationships were excellent, leading to a collegial and productive work environment. The DPSS staff were highly focused on the task at hand, and this was clearly reflected in the smooth implementation of AFIRM.

- A review of the hardware specifications and operations confirmed that the hardware used by DPSS was adequate to perform the tasks required. A brief survey of DPSS staff with hands-on experience with the AFIRM software found all respondents were, in general, pleased with the system software design, its performance and the level of technical support available.

AFIRM SERVICE LEVELS

To assess the extent to which AFIRM was operating at a satisfactory service level, the evaluation team interviewed DPSS staff and AFDC clients. Service was then examined from the client's perspective as well as from an internal DPSS perspective.

SERVICE FROM THE CLIENT'S PERSPECTIVE

In examining service from the client's perspective, interviews were conducted with a sample of AFDC recipients, and the evaluation team met with community advisory groups. Each of these activities is discussed below.

CLIENT INTERVIEWS

To assess the perceptions of AFDC recipients regarding the AFIRM program, in-person interviews were conducted between August and December, 1994. The 240 interviews completed in waiting rooms of DPSS District Offices, in both English and Spanish.

The overall finding was that the AFDC population was very receptive to the AFIRM program. Specifically:

1. The AFIRM program did not increase the number of times a client had to visit a DPSS District Office (46% said they had come to the District Office less often since mid-April when AFIRM began. Of the remainder 41% said they came about the same number of times.)
2. The AFIRM program did not increase the perceived amount of time clients waited in line at a DPSS District Office. (44% said the length of their wait time had decreased since mid-April; another 36% said their wait time was about the same.)
3. Almost all (94%) of the clients interviewed felt they had not been inconvenienced by the AFIRM program.

4. Very few clients (10%) reported having to ask any questions about the fingerprinting program. Of those, 88% were satisfied with the answers they received.
5. Of all the clients interviewed, only 5% felt negatively about having to be fingerprinted in order to receive AFDC benefits. The remainder were either neutral (70%) or positive (25%).
6. Clients were asked for suggestions how the AFIRM program could provide better service. Nearly all interviewees (93%) had either no response or said the system was fine as it is.
7. Nearly all the AFDC clients interviewed (92%) felt that AFIRM would "help prevent people from cheating in order to receive AFDC."

ADVOCACY GROUP MEETINGS

Each of the 25 District Offices of DPSS holds a community meeting once a month. The purpose of these meetings is to explain changes in program rules, regulations and procedures to members of the community, and to solicit community response. Shortly after full implementation of the AFIRM program in the approved caseload, members of the evaluation team attended community meetings at three District Offices to assess community reaction to the program.

At all three meetings, there were expressions of support for the program, especially as it was perceived to help control multiple-case fraud. At one District Office, concerns were raised regarding the potential access and use of the resulting fingerprint files by the police or immigration. However, the persons voicing this concern felt that the issue could be addressed if DPSS made extra efforts to communicate clearly the purpose and process of the fingerprinting program, emphasizing its secure and confidential nature.

Overall, the AFIRM program was well planned and implemented in Los Angeles County. The program had the support of DPSS staff at all levels and, as discussed later, had the support of most of the client population as well.

DPSS SERVICE LEVELS

As part of the first *Annual Progress Report*, Ernst & Young conducted a detailed staffing analysis at four sample sites. They concluded that the staffing levels were appropriate with reasonably distributed workloads, resulting in high quality service to clients. They presented five recommendations for incremental improvement, which primarily dealt with "smoothing" the initial workload.

As part of the staffing review, Ernst & Young asked staff in the four sampled District Offices if they felt they had received adequate training regarding AFIRM. Ninety-one percent felt that they had received an adequate amount of training. This positive feedback, in conjunction with

their review of training materials, including the EDS AFIRM District Manual and the Policies manual, led Ernst & Young to conclude that training was adequate. The training materials were clear and comprehensive; appropriate individuals received training; and training was timely and relevant.

Two recommendations were offered for future implementation of AFIRM-type programs:

1. Develop and provide a list of frequently asked questions (and the appropriate answer) to personnel with direct client contact as early as possible in the implementation.
2. Provide structured and comprehensive training. The training provided by DPSS tended to be informal. This may not have been as critical for Los Angeles County DPSS staff because they had previous experience with fingerprinting in the General Relief program. However, when replicating AFIRM in other locales, this could be more important.

Throughout the demonstration, AFIRM continued to be well-planned and well-implemented by DPSS staff.

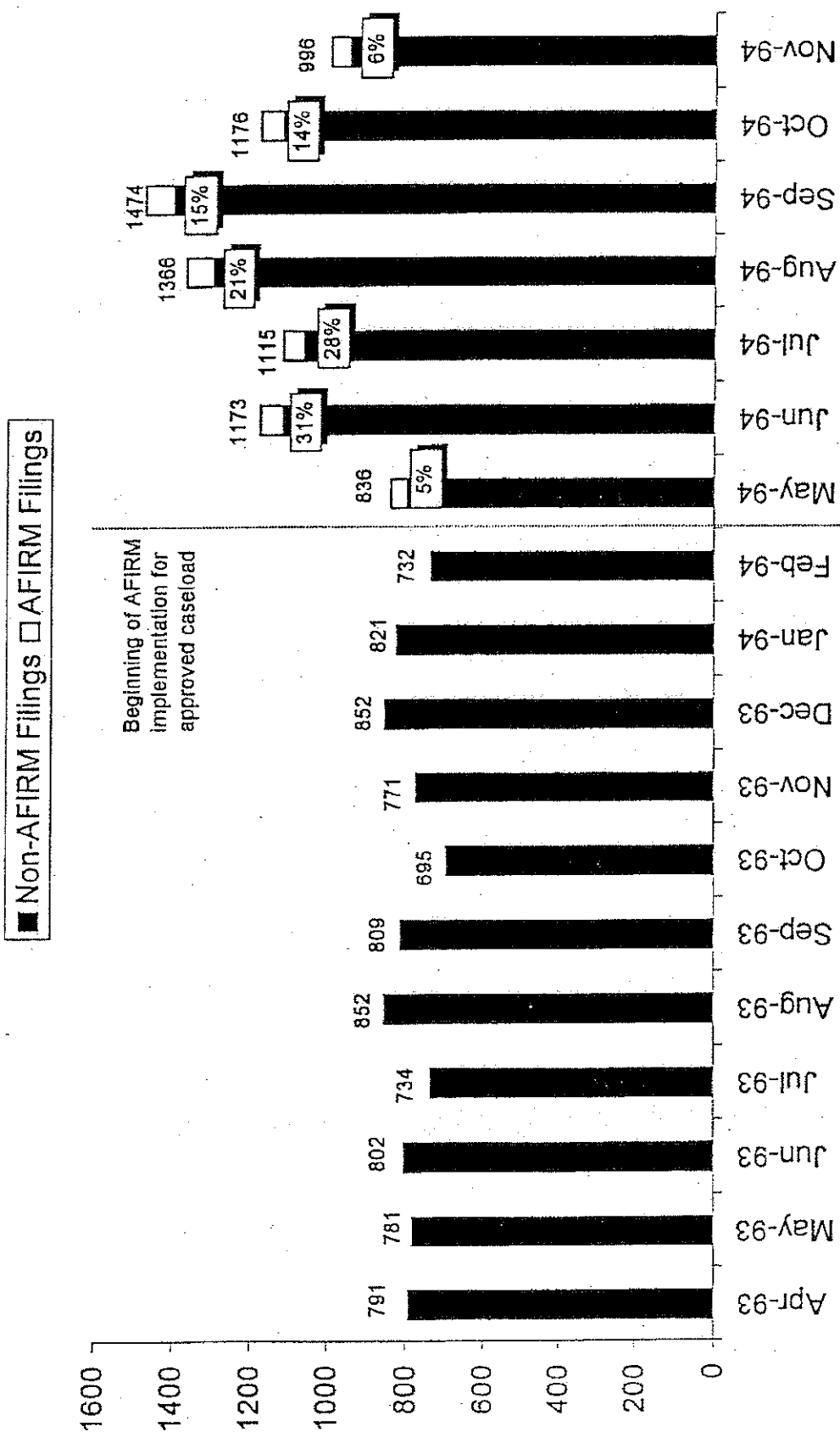
- In interviews, DPSS staff reported that the implementation of AFIRM continued to be efficient and effective. As one District Office administrator put it, *"AFIRM is an invisible, automatic part of our process."*
- According to the district office administrators, and DPSS staff interviewed, there were no public comments or concerns raised about the fingerprinting requirement or the AFIRM process after the initial stages. One district office administrator indicated she thought the major concern had been fears that prints would be shared with law enforcement or immigration, and that these fears appear to have alleviated.

APPEALS PROCESS

The appeals process was strained temporarily as AFIRM-related appeals caused a 21 percent increase in total appeals volume between April and June, 1994. However, as summarized in **Figure 13** on the following page, the impact of AFIRM virtually disappeared once all approved clients were fingerprinted at the end of October, 1994. Nearly all recipients who filed an AFIRM-related appeal subsequently cooperated with AFIRM; only a handful actually went to hearing.

Among the "lessons" learned in the organizational review was the importance of involving the unit responsible for the appeals process (in DPSS, the Appeals and State Hearings section) in the project planning stages. This early involvement would have better prepared them to handle the higher than anticipated volume of AFIRM-related appeals.

Figure 13
AFDC Appeals Activity April 1993 to November 1994



REPLICABILITY OF AFIRM

The experience of the Los Angeles County AFIRM program demonstrates that an automated system of fingerprinting welfare clients is effective in both reducing multiple-case fraud and in reducing welfare costs. The successful implementation of AFIRM in one of the nation's largest and most diverse counties is concrete evidence that such a program can succeed anywhere.

The replication of AFIRM in other locales is examined in terms of:

- Critical success factors for AFIRM;
- Cost of replicating AFIRM;
- Contextual factors; and,
- Enhancement issues.

CRITICAL SUCCESS FACTORS

There were several factors identified as contributing to the success of the AFIRM demonstration program in Los Angeles County, including:

- Political support and funding;
- Cost effectiveness;
- Effective implementation planning;
- Mandatory client participation;
- Effective automated systems;
- Internal organizational support;
- Effective public relations; and,
- Ongoing monitoring and evaluation.

Each of these is discussed below.

POLITICAL SUPPORT

The key factor in political support is that the support come from all levels of government: federal, state and county (or other local levels). AFIRM has and continues to enjoy strong political support at the State and county levels. At the state level, Governor Wilson included \$11.6 million for the development and implementation of a Statewide Fingerprint Imaging System (SFIS) in his proposed 1997 budget (the proposed budget also included a projected \$11.7 million in AFDC savings). Part of the County's ability to generate such support was that it clearly defined and communicated the objectives of the program in seeking approval.

COST EFFECTIVENESS

The program has demonstrated itself to be cost effective, with benefit savings outweighing program costs for between \$52.5 and \$64.6 million estimated net savings. In addition, the costs of implementation were smaller than originally budgeted.

EFFECTIVE IMPLEMENTATION PLANNING

There were several factors involved in the implementation planning that helped make it more effective, including:

- Adequate lead time;
- Adequate training;
- Staggered (phased-in) timing of implementation;
- Advance preparation of standardized reporting procedures and comprehensive instructions;
- Advance site preparation; and,
- Coordination of procedural changes across DPSS units and within district offices.

The use of a centralized "helpline" could enhance AFIRM implementation in other sites, as would greater involvement of the appeals processing unit in the implementation planning.

MANDATORY CLIENT PARTICIPATION

The strict sanction (deletion from the case) for non-compliance with the fingerprinting requirement assisted in making AFIRM effective in reducing multiple case fraud. This was assisted by the wide distribution of clearly stated consequences for the client, a due process for appeals and non-compliance, and a strict system of proper client identification.

EFFECTIVE AUTOMATED SYSTEMS

The heart of the program was a reliable, accurate and relatively easy-to-use automated system. This required effective equipment, ongoing multiple system integration, maintenance of a database of impacted clients, and automated case control processes. Achieving a working system also required high vendor responsiveness.

ORGANIZATIONAL SUPPORT

The Los Angeles County Department of Public Social Services fully supported AFIRM at all levels, from the Department Director, through all departmental units, out to the district office staff. The organization was characterized by a collegial, can-do attitude that helped carry the program past the temporary increase in workload in the first few months of implementation.

EFFECTIVE PUBLIC RELATIONS

DPSS public and community relations personnel were involved in AFIRM planning and implementation from the beginning. Success in public relations depends on the degree of community acceptance or consensus regarding finger imaging, effective client support, and effective media relations/management.

ONGOING MONITORING AND EVALUATION

While much of AFIRM's reporting systems were intended to support the federal Waiver Terms and Conditions requirements for a demonstration project, there are many aspects that should be continued in other locales. These include:

- An ongoing evaluation of the program's implementation and outcomes;
- Review of the effectiveness of the process flows;
- Goal setting, measurement and reporting; and,
- Accurate statistical tracking.

OTHER LOCAL EXPERIENCE WITH FINGER IMAGING

One additional factor that should be considered as contributing to the success of the AFIRM program in Los Angeles County is DPSS' previous experience with finger imaging in its General Relief program. As discussed in the Introduction, AFIRM was first implemented in General Relief in 1991.

Many of the concerns of public advocacy and community organizations regarding finger imaging could have been addressed at that time, two to three years prior to the implementation of AFIRM in AFDC. While General Relief clients tend to most frequently be indigent men, and AFDC clients are usually mothers with children, the concerns of the advocacy groups regarding fingerprinting as a societal issue were similar. Thus the relative lack of negative public response to the implementation of AFIRM in AFDC could have been due, in part, to the prior use of finger imaging in General Relief.

It must be noted, however, according to DPSS' notes, that there was minimal public debate or concern about finger imaging when AFIRM was implemented in General Relief. Nevertheless, the fact that there had been previous exposure to the concept and process should be considered in assessing the likely success of AFIRM in other locales.

EXPANSION OF AFIRM

A continual comment heard in interviews with DPSS staff and district office administrators was the importance of expanding the AFIRM program beyond one county. As was found in the 120-case fraud investigation, the majority of identifiable multiple-case fraud was across counties or

across states. Thus the savings attributable to AFIRM would be considerably enhanced by the ability to match cases from state to state.

Within California, Los Angeles and Orange County have been sharing finger images of their general relief clients for some time, and two to three multiple-claim matches per month continue to be discovered. Thus the need for finger imaging is continual, as clients move on and off aided status.

IMPROVING AFIRM EFFECTIVENESS

There are three recommendations for enhancing the effectiveness of AFIRM if it is replicated in other locales; each is discussed below.

CASE TERMINATION FOR NON-COMPLIANCE

At the time of AFIRM implementation, non-compliance with the finger imaging requirement led to the deletion of the non-printed payee from the case. A stricter sanction, such as deletion of the entire case when a payee refuses to be printed, would likely yield greater compliance.

MANDATED FINGERPRINTING OF ALL HOUSEHOLD ADULTS

Non-aided, non-payee adults who were part of the household were not required to be fingerprinted. It is possible that there are instances when adults may be non-payees on one case, and file for aid under another case number, even though they are in the same household.

USE OF LA COUNTY PROCEDURES TO PREVENT SUBSTITUTES

Los Angeles County DPSS developed a strong procedure to ensure that the individual being printed was the same as the client on the case sheet. To prevent print substitutes, it is recommended that this process be followed by other locales seeking to implement AFIRM.