



EMPLOYMENT &
HUMAN SERVICES

M E M O R A N D U M

Kathy Gallagher, Director

40 Douglas Drive, Martinez, CA 94553 • (925) 313-1500 • Fax (925) 313-1575 • www.ehds.org

To: Public Protection Committee of the Board of Supervisors Date: May 11, 2015

From: Kathy Gallagher, Director, Employment and Human Services Department

Subject: EHSD Report on Welfare Fraud Prevention, Detection and Investigation

This annual report requested by the Public Protection Committee (PPC) of the Board of Supervisors documents the continuing efforts of the Employment and Human Services Department (EHSD) with support from the District Attorney (DA) in preventing, detecting, and investigating suspected fraud in public benefits programs. The results shown in this report reflect the strong commitment that staff at all levels in EHSD have toward our mission of assisting individuals and families to achieve self-sufficiency while ensuring that only those eligible for benefits receive them. This commitment starts with our Eligibility Workers and in appropriate cases, with referrals to our EHSD Social Services Welfare Fraud Investigators. We also refer cases to the DA for investigation and prosecution. This report provides summaries on fraud detection, prevention, fraud referral, investigative processes, prosecutions, EHSD collection and recovery activities, and statistical data for fiscal year 2013/2014.

The California Department of Social Services (CDSS) mandates that County Welfare Departments establish and maintain written agreements with the local District Attorney for investigation and prosecution of fraud that may be detected in the CalWORKs Program (including Childcare and Welfare to Work) and the CalFresh (Food Stamps) Program. Historically, in Contra Costa County, the DA's Office of Public Assistance Fraud Unit has this responsibility. For fiscal year 2013/2014, the agreement provided funding of over \$400,000 for all costs for one full-time Deputy District Attorney, one half-time Senior Investigator, one half-time clerk and a vehicle. The agreement also provides for training for the DA staff. While not part of the CDSS mandate, EHSD and the DA also investigate and the DA prosecutes fraud in the General Assistance (GA) Program.

It is worthy of note that the passage of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 popularly called Welfare Reform and the availability of more electronic verification systems increased the disincentives to successfully attempt to commit welfare fraud. The EHSD receives information from a number of Federal and State agencies that provide data matches of CalWORKs and CalFresh recipients with other data bases to show if the recipients are receiving income, have jobs or have experienced other changes that could impact their eligibility for benefits. These reports also allow EHSD to determine if statements customers have made about income or family composition are accurate. These reports, coupled with a well trained staff at EHSD, timely follow up by EHSD staff and EHSD Social Services Welfare Fraud Investigators, and an excellent working relationship with the DA investigator and prosecutor combine to prevent fraud, shorten the duration of any fraud that

might take place and can result in the prosecution of those that commit fraud. This quick action, while shortening the length of any fraudulent payments also results in the recoupment of overpayments, either through repayment from benefits the individual or family is eligible to receive or through EHSD's collection actions.

WELFARE FRAUD PREVENTION, DETECTION, INVESTIGATION AND REFERRAL PROCEDURES

Under the California Welfare and Institutions Code, Division 20, each county with more than 1,000 CalWORKs cases is required to maintain a Special Investigations Unit (SIU) with staff that are trained and qualified to prevent, detect and investigate welfare fraud. Of the counties that are required to have a SIU, the prevailing model is to maintain their SIUs as part of the welfare department. This model is used in nearly 60% of counties. As outlined below, EHSD has an effective process in place to quickly respond to concerns raised by eligibility staff, or the public, that welfare fraud might be contemplated or taking place. Our Social Services Senior Welfare Fraud Field Investigators are stationed in our District Offices and are immediately available to eligibility staff. The goal is a rapid response to concerns to identify and stop any potential fraud quickly to minimize any overpayment of benefits. Our Field Investigators are considered an extension of the eligibility process. Any process, e.g., a referral to a DA criminal investigator, that extends the period to determine whether or not benefits should be issued, or to stop the issuance benefits that have been authorized based on inaccurate or fraudulent information, increases the amount of money that could be paid out pending the resolution of the issue.

Fraud Prevention: EHSD uses a variety of methods to prevent fraud. EHSD eligibility staff is trained to ask questions and obtain verifications of information submitted by customers when they apply for benefits and during the renewal process. Cases are reviewed by supervisors and EHSD also has a Quality Assurance unit that reviews a number of CalFresh cases each month. When there is a concern that information provided in connection with a CalWORKs, CalFresh or General Assistance application may not be accurate or they suspect fraud, the Eligibility Worker initiates an electronic referral through the Early Fraud Investigation (EFI) referral system.

Fraud Detection and Investigation: The EFI referral system is automated and greatly speeds up reporting of suspected fraud. It allows the EW to provide all the needed information to open a fraud investigation case. Once a referral is made by the EW, the EHSD Social Services Fraud Prevention Supervisor reviews and assigns them to an EHSD Social Services Senior Welfare Fraud Field Investigators for investigation. EHSD Social Services Senior Welfare Fraud Field Investigators are professionals and are required by California law to have and maintain Peace Officer Standards and Training (POST) certification. When the field investigation is complete, the information is returned to the EW for necessary action. When potential long term fraud has been identified, the EW is required to refer the case to the District Attorney's Office for further investigation. When fraud is found, depending on the status of the case, the EW of record takes quick and appropriate case action, including:

- Denying the case, or
- Discontinuing the case, or
- Reducing benefits, and
- Referring the case for overpayment computation and collection

The above actions by EHSD Eligibility Workers result in substantial savings and cost avoidance as applicants determined ineligible are prevented from collecting benefits and future aid benefits are quickly terminated for recipients determined to be engaging in potentially fraudulent activities. While there are several means used to fight fraud at all levels, there is a strong focus

on prevention and early detection. The Early Fraud program is a continuum of efforts that start with the Eligibility Workers and continues through the field work of the Social Services Welfare Fraud Field Investigators. These combined efforts are highly beneficial and focus on prevention and early detection of fraud. It enables the department to concentrate on ensuring that only those that are eligible to receive public assistance benefits are receiving them.

In addition to the early fraud investigations cited above, citizens can report suspected public assistance fraud by calling any one of the following numbers or by emailing the California Department of Social Services, EHSD or the Deputy District Attorney. EHSD recently updated its public website to include a button that provides the public with information on the most common types of fraud and information on how to report possible fraud. There are multiple ways to report possible welfare fraud and it can be done at any of the phone numbers or sites below:

California Department of Social Services Fraud Hotline: 1-800-344-8477
California Department of Social Services: <mailto:FraudHotline@dss.ca.gov>
Contra Costa County Deputy District Attorney: <mailto:SNop@contracostada.org>
EHSD website for fraud information and reporting: ehsd.org
EHSD and DA fraud reporting line: (925) 521-5080

The avenues for reporting fraud are widely published on the CDSS, DA, and EHSD websites. These numbers are also posted in EHSD offices and listed in various publications. During the period covered by this report, EHSD received 414 phone calls to its Fraud Reporting line and during this same period received 14 complaints of potential fraud from the email on its website.

When information comes in through one of the sources above, the EHSD Social Services Fraud Prevention Supervisor reviews the information. When this review indicates that further action is needed, the Eligibility Worker (EW) and the Eligibility Work Supervisor (EW Supervisor) of record are notified about the information received. The EW follows up on the reported information to assist in determining the appropriate action, which may include an Early Fraud Investigation referral or, in some cases a direct referral to the DA. The EW then advises the EHSD Social Services Fraud Prevention Supervisor on the disposition of the complaint. All actions are taken very quickly to prevent unwarranted issuance of benefits or to quickly stop benefits if the case has been granted. When called for, an EHSD Social Services Senior Welfare Fraud Field Investigator will visit the household and take other actions to determine if the information provided by the person making the tip can be verified.

Below are the Early Fraud Investigation referral statistics for FY 2013/2014.

EARLY FRAUD INVESTIGATIONS (EFI)

REFERRALS	CASH	CalFresh
Investigation Referrals Received	249	362
Investigations Completed	143	194
Fraud Found	89	114
Fraud Not Found	54	80
INVESTIGATION RESULTS		
Denials	22	39
Discontinuances	33	41
Benefits Reduced	17	16
Fraud Found no financial impact	17	18

Each year CDSS provides information on Fraud Cost Savings (cost avoidance) that result from early prevention and detection of fraud activities. While the official report for fiscal year 2013/2014 has not been issued, CDSS is projecting the savings for Contra Costa County as follows:

CalWORKs Fraud Cost Savings:	<u>\$222,607</u>
CalFresh Fraud Cost Savings:	<u>\$132,420</u>
Total:	<u>\$355,027</u>

These avoided costs document the effectiveness of the continued and combined efforts of EHSD's Eligibility Workers and Social Services fraud prevention and investigation processes in preventing benefits from going to ineligible individuals and families.

Referral to the DA: When long term or intentional fraud is suspected, EHSD refers cases over \$3,000 or other cases on mutual agreement to the DA for investigation and prosecution in accordance with the written agreement between the Departments. A summary of the number of cases referred to the DA and the results is reported later in this report. Referral of cases to the DA is continuous as cases are identified. In addition to the number of cases referred during the period covered by this report, EHSD has referred ten (10) cases so far in the current year.

Administrative Disqualifications Hearings: State regulations afford additional ways to address potential fraud. These regulations, issued by the California Department of Social Services and the California Department of Health Care Services, state that when an intentional program violation is suspected in the CalWORKs or CalFresh programs and the amount of the potential fraud is below the threshold for referral to the DA, the County Welfare Department, i.e., EHSD may elect to ask the customer to sign an Administrative Disqualification Hearing (ADH) Waiver. An Intentional Program Violation (IPV) is defined as the customer intentionally giving the County wrong information or intentionally not telling the truth. If the customer agrees to sign the ADH waiver, they are giving up their right to pursue an appeal and they will be disqualified from receiving benefits for a significant period of time, from six (6) months to a number of years to permanent disqualification. In addition, signing the waiver still allows the County to collect any overpayments and pursue the case in court if needed. If the person does not sign an ADH Waiver, the County may still go ahead with appropriate action and the customer may request a fair hearing before a state Administrative Law Judge (ALJ) where the County and the customer can present evidence to the ALJ about the issues raised in the case. Whether the customer signs the waiver or asks for a hearing the Administrative Disqualification process is a very cost effective method of closing cases where an IPV is believed to have occurred. It sets up the process for collecting any overpayments or over issuances from the customer. EHSD staff has been trained in the ADH process. We are currently working with County Human Resources to recruit for an Appeals Officer and other staff that will be dedicated to the ADH process.

IN-HOME SUPPORTIVE SERVICES FRAUD AND QUALITY ASSURANCE PLAN

The California Department of Health Care Services (DHCS) is the State agency responsible for providing oversight to the In-Home Supportive Services (IHSS) program. California law, specifically the Welfare and Institutions (W&I) Code, Section 12305.82 gives DHCS the authority to investigate IHSS fraud. This section also cites the In-Home Supportive Services Uniform Statewide Protocols issued by CDSS in September 2013. These protocols were established to provide a framework to enable collaborative and coordinated efforts by all agencies involved in fraud detection and prevention activities. Fraud in the IHSS program most often involves an intentional attempt by providers or beneficiaries to receive unauthorized benefits or payments they are not eligible to receive. The most common forms of fraud are

knowingly billing for services not performed or providers billing for care of more beneficiaries than they can actually serve. DHCS maintains a website and an IHSS Fraud Hotline with information to report suspected IHSS fraud.

Since the implementation of the protocols in 2013, all IHSS fraud referrals over \$500 are required by state law and regulation to be submitted to DHCS for investigation. This has not changed. The DHCS has IHSS Fraud Investigators on its staff responsible for investigating any fraud referred to them by counties or other means. The State maintains jurisdiction over these IHSS fraud investigations.

EHSD is in the process of querying the State and other counties regarding the ability to work around this limitation. We are equally interested in being able to send additional referrals to the DA, but only if there is revenue to support the work of the DA. EHSD is not requesting nor recommending that county general funds backfill the State's responsibility to conduct these investigations.

There are ample ways for citizens that suspect IHSS fraud can report it to DHCS or EHSD as follows:

State Hotline Number: 1-800-822-6222

State Fraud by e-mail: IBREF@dhcs.ca.gov

EHSD Quality Assurance and Fraud: (925) 363-3688, (925) 522-7682, (510) 231-8305

D.A.'S PUBLIC ASSISTANCE FRAUD INVESTIGATION/PROSECUTION UNIT

As in the past, the majority of referrals to the DA Public Assistance Fraud Unit are made directly by EHSD. The EHSD staff and members of the DA's Public Assistance Fraud Unit have had an excellent working relationship. EHSD staff has worked closely with Deputy District Attorney Sophia Nop and Todd Almason, Senior Investigator. They are both very knowledgeable and experienced, and are committed to maintaining the integrity of public assistance programs. We appreciate the help and support they provide to our efforts to deal with public assistance fraud. However, we were recently informed that the DA's Office has moved staff out of the Public Assistance Fraud Unit. This was done without discussion with EHSD even though the two Departments have a written agreement that covers investigations and prosecutions and provides funding. We remain hopeful that the DA will dedicate the resources needed to combatting public assistance fraud with trained and experienced staff.

EHSD STAFFING ISSUES

There are a number of key components to EHSD's fraud prevention and investigation processes. As with other Divisions in EHSD, the Social Services Fraud Division has to rebuild its resources after experiencing a significant number of retirements and other losses. We recently filled our Fraud Prevention Supervisor position but we are currently recruiting for three (3) Social Services Fraud Investigators. We have vacancies and new staff in the unit that processes and calculates overpayments. This unit is essential to both EHSD's and the DA's efforts since the accurate calculation of overpayments are an integral part of investigations, prosecutions and collection activities. The Department is also recruiting for additional staff in the Appeals unit. Concurrent with the loss of trained staff, the Department has experienced caseload growth in the CalFresh and General Assistance programs with a continuing high caseload for CalWORKs, resulting for a higher demand for services. The Department relies on the County's Human Resources Department to assist it in filling its vacant positions. All these positions are nearly totally funded with State allocations.

COLLECTION EFFORTS

Federal and State regulations mandate that counties collect and recover welfare benefits overpayments due to fraud, inadvertent client errors, and administrative errors. Since October 2010 when the Office of Revenue Collection was disbanded and collection activities were transferred to EHSD, the Public Protection Committee has requested information regarding the department's collection activities. The EHSD collection efforts continue to be handled by the Collections Unit and the Fiscal Division and they are highly successful. Customers currently receiving aid are subject to grant reduction to repay debts. CalWORKs and CalFresh debts are computed by the Eligibility Worker via the CalWIN system or by the Fraud Overpayment Unit. Former customers are subject to collection action. When collection action is necessary, EHSD uses the activities listed below:

Voluntary payment – Customers are sent a series of letters for demand of payment. Payment plans can be established. Customers make payments by check, money order, or credit card.

Welfare Intercept System (WIS) – This program is administered by the California Department of Social Services Fraud Bureau for CalWORKs and CalFresh debts. CalWORKs debts are eligible for Franchise Tax Board (FTB) intercepts. CalFresh debts are eligible for both FTB and U.S. Treasury/IRS offset. Repayments are collected by the state or federal IRS from tax refunds or other payments and used to offset the debts.

Court-ordered Debt (COD) Program – Court-ordered debts are fines, fees, and restitution orders imposed by a court. EHSD has a small number of COD accounts that the Probation Department continues to administer.

The Collections and Recovery Summary Report for fiscal year 2013/2014 is also attached and provides the impact to County revenue.

STATISTICAL REPORTS

The information for the statistical reports is extracted from the California Department of Public Assistance (DPA) Form 266, Fraud Investigation Activity Reports. These monthly reports are completed by EHSD and submitted to the State Fraud Bureau. The attached report for fiscal year 2013/2014 covers the following:

- Fraud Overpayment Unit
- District Attorney Public Assistance Fraud Investigations and Prosecutions

CONCLUSION

EHSD and the DA's office continue to work together to prevent, investigate and prosecute public assistance fraud.

Contributors to this report include:

Laura Cox, Fraud Prevention Division Manager, EHSD
Jackie Foust, Fraud Overpayment Supervisor, EHSD
Jennifer Posedel, Administrative Services Assistant III, EHSD
Catherine Osterlund, Senior Level Clerk, DA

STATISTICAL OUTCOMES FY JULY 1, 2013 – JUNE 30, 2014

FRAUD OVERPAYMENT UNIT

	CASH	CalFresh
Overpayment Computation Referrals Received	192	827
Number of Overpayments Established	69	368
Dollar Amount of Overpayments	\$283,297	\$677,942
CalWORKs/CalFresh Combo Cases Referred for Prosecution	12/12	
Public Assistance CalFresh Cases Referred for Prosecution	1	
Non Assistance CalFresh Cases Referred for Prosecution	2	

DISTRICT ATTORNEY WELFARE FRAUD INVESTIGATIONS

INVESTIGATIONS	CASH	CalFresh	TOTAL
Referrals Received	18	22	40
Investigations Completed*	21	23	44
PROSECUTIONS			
Cases Filed for Prosecution	16	19	35
Convictions	8	10	18
	Public Assistance		
Court Ordered Restitution	\$93,862		

* An investigation completed can include referrals from prior fiscal years.

EHSD COLLECTION & RECOVERY SUMMARY FY July 1, 2013 – June 30, 2014

Program Type	Cash Collection (includes tax intercepts)	Grant Reduction & EBT Repayments	Annual Totals
CalWORKs	\$317,099	\$584,598	\$901,697
CalFresh	\$1,135,966	\$1,441,387	\$2,577,353
IHSS	\$21,358	-	\$21,358
General Assistance	\$12,032	\$15,143	\$27,175
Totals	\$1,486,455	\$2,041,128	\$3,527,583

IMPACT TO COUNTY REVENUE

Most of the cost of aid issued by Contra Costa for CalWORKs, CalFresh, and IHSS is funded with Federal and/or State revenue. All collection recoveries, with the exception of General Assistance are returned to the funding source, with the County retaining a small percentage.

For CalWORKs, 2.5% of all collection recoveries reduce the county benefit costs. An annual incentive is also paid to the county based on recoveries. For CalFresh, a local retention amount that is shared equally with the State is calculated based on the recoveries (cash and non-cash) by error type. The local retention rates are 0% for Administrative Error, 10% for Inadvertent Household Error and 17.5% for Intentional Program Violation. Because General Assistance is all county funds, 100% of collection recoveries are returned to the county.

CalWORKs – Collections and reductions/repayments totaling \$901,697 which reduced benefit costs by \$22,542. Contra Costa also earned a Fraud Recovery Incentive of \$45,569.

CalFresh -- Collections and reductions/repayments totaling \$2,557,353 resulted in a \$158,574 county retention amount for FY13/14.

IHSS – Collections totaled \$21,358. In this program, Contra Costa is responsible for a Maintenance of Effort. In order to return the collected funds to the State, the State invoices Contra Costa for the amount of collections reported in the CMIPS II payroll system each year.

General Assistance -- Collections and recoupments totaling \$27,175 resulted in a \$27,175 reduction in county benefit costs for FY13/14.