[MS-0398.044.002.004]

Grand Jury

COUNTY OF SAN DIEGO
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SAN DIEGO, CALIFORNIA 92101-2432
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April 1, 1992

Honorable Arthur W. Jones
Presiding Judge of the Superior Court
County of San Diego
220 West Broadway
San Diego, CA 92101-3875

RE: **Grand Jury Report No. 3, "Department of Social Service, Income Maintenance Bureau - A Study of Welfare Fraud"**

Dear Judge Jones:

Forwarded herewith is Grand Jury Report No. 3 as referenced above.

This investigation was conducted by the Administration-Audit Committee of the Grand Jury within the authority granted under California Penal Code Section 925.

Sincerely,

1991-92 SAN DIEGO COUNTY GRAND JURY

RICHARD B. MACFIE, Foreman

RBM/jml

enc. (1)

SI-AA2

A STUDY OF WELFARE FRAUD

Report No. 3

SAN DIEGO STATE UNIVERSITY 1897

A Report by the
1991-92 San Diego County Grand Jury
April 1, 1992

Department of Social Services
Income Maintenance Bureau

A Study of Welfare Fraud

BACKGROUND

When convened in July 1991, the 1991-92 San Diego County Grand Jury was notified by the District Attorney of major welfare fraud cases then in progress. Over the following two months, information regarding these cases was conveyed to the Jury. A study issue was established in early September to determine the extent of such fraud and the procedures in place within the Department of Social Services (DSS) and/or its Income Maintenance Bureau (IMB) to prevent misappropriation of public funds.

Since that time, the Jury, through its Administration-Audit Committee, has visited district offices, interviewed many senior and middle managers, intake workers, supervisors, approximately half of the Special Investigations Unit (SIU) investigators, and all Senior Investigators. Also contacted were former investigators, and other employees of IMB who have pleaded guilty or have been convicted of fraud or have been allowed to resign without prosecution. Additionally, experts and consultants in the field from outside the county contributed their knowledge.

Early in interviews of IMB personnel, it became obvious that management either had no idea of the extent of fraud within its system or was concealing such information from the public, the Grand Jury, the Chief Administrative Officer (CAO), and the Board of Supervisors. Subsequent study by the Jury indicates predominantly the former with some of the latter.

The Jury found a significant majority of the workers and managers to be intelligent and well educated individuals dedicated to helping the less fortunate among us. Unfortunately their collective dedication is not enough. The Department needs fiduciary skills and management leadership to accomplish the two goals of help for the disadvantaged and protection of taxpayer funds from exploitation by the unscrupulous. While there are no available data to determine accurately the taxpayer money lost to error and fraud at the current time, it is highly probable that 20-30% of all cases open at any given time involve overpayments occurring on an ongoing basis. The dollar rate of error and fraud are considered conservatively to exceed 10%, therefore resulting in a real loss of San Diego taxpayer funds of approximately $70 million per year.

SUMMARY OF FINDINGS

The Management of the Department of Social Services has:

1. Failed to determine accurately the level of welfare fraud and error and consistently reported rates of fraud proven to be erroneously low;

2. Institutionalized a bias against fraud prevention to the detriment of taxpayers and fostered exploitation of the welfare system by "clients" and some employees;

3. Failed to implement safeguards against fraud recommended by the County Auditor and by DSS staff;

4. Failed to recognize the IMB as a funds dispensing institution rather than a social service provider and ignored its fiscal obligation;

5. Fostered the concept that the Bureau's mission is the dispensing of the maximum amount of funds to the greatest number of "clients" with minimum clerical cost, without taking the time allowed by law to ensure that unqualified welfare payments cases are not granted;

6. Failed to establish a firm policy for coordination with the District Attorney, allowing potentially prosecutable welfare fraud cases to remain unaddressed;

7. Failed to establish a policy, and to encourage employees at all levels, to cooperate with law enforcement agencies as allowed by law;

8. Invoked the code of confidentiality, when unwarranted, for the purpose of minimizing exposure of faults;

9. Created a climate of suppression in which staff members cover up mistakes and problems to improve their own image and that of the Department.

The Income Maintenance Bureau administration has:

1. Failed to foster a vital, well-managed Special Investigations Unit;

2. Failed to employ even the minimum number of State-supported welfare fraud investigators;

3. Failed to direct and/or encourage intake/granted workers to deny or to refer to the Welfare Fraud Investigators and State MediCal Investigators

questionable welfare applications;

4. Failed to provide adequate training in fraud recognition to intake/granted workers and investigators;

5. Staffed the IMB, including the Fraud Prevention and Appeals sections, primarily with social workers promoted from within DSS, creating a closed, in-grown, organization having the ingenuous inclination to believe the "clients" and little tendency to question validity of welfare claims;

6. Failed to operate the Overpayment Specialist Unit, Appeals Section and Special Investigations Unit as an interdependent team with the common goal of stopping overpayments and recipient fraud;

7. Failed to discourage, and appeared to reward, moral turpitude of some IMB staff;

8. Failed to establish and implement pre-employment background investigations of candidates for positions with responsibility for monitoring and approving the payout of millions of tax dollars;

9. Sent a letter to all workers at New Beginnings forbidding referral of suspicious MediCal costs to the State MediCal Investigators.

DISCUSSION OF FINDINGS

Management Attitudes and Practices

The DSS is a system grown, organized and perpetuated by intelligent, educated social workers focused on and dedicated to the concern for and caring for less fortunate individuals. They are skilled service providers. The Income Maintenance Bureau is now the second largest welfare money distributor in the State. In this transition from service to money provider, it has not adjusted its focus to recognize the accountability demanded for the tax dollars it controls. The administration controls $710,969,533 in FY 91-92 without recognizing the probationary and fiscal responsibilities required in managing funding. Management concern that negative public backlash will result in decreased funding has resulted in problems being buried at all levels of the organization.

The IMB has established no accurate methodology to determine the fraud rate within its system. No random case sample of statistically acceptable size has ever been

compiled and reviewed to discover a fraud rate. Management reports and statements discussing fraud are not based on logical statistical data. A Jury survey of several analogous California counties placed fraud rates between 10-40% of open cases. DSS recently claimed a case fraud rate of, a highly unlikely, less than 1%. Careful and conservative analysis of the limited information available from IMB indicates total overpayments from errors and fraud of approximately $70 million per year.

The IMB has appeared to institutionalize systematically a bias against fraud prevention. Study reports, and task forces formed by top IMB officials over the past ten years, have offered clear and thoughtful recommendations but few have been implemented by those same managers.

An internal report to the director several years ago perceptively identified that..."A serious problem exists between the Districts and Special Investigations Unit .... (Regarding the criteria for accepting/rejecting referrals)." This problem of communication continues unabated. Many eligibility workers are unsure of how to identify possible false information on applications and of how to present the information for investigation.

The County Auditor recently has made an extensive study of IMB internal procedures. Most of the recommendations were minimized by IMB as being cost-prohibitive, without identifiable attempts to discover viable alternatives or seek compromises. Other criticisms were accepted, yet, more than one year later, actions to correct the problems have not occurred. Fraud prevention is not viewed as a practice of necessity, as in a retail business or banking concern. Fraud prevention programs and practices are given the lowest priority.

Special Investigations Unit

In the absence of vital leadership, senior investigators have become the defacto policy makers for the SIU. Each senior has evolved a separate operating procedure and philosophy of fraud prevention and investigation. Without disciplined, uniting supervision, the unit has become acutely divided, low in morale, and high in dissention.

- Some cases from district offices have been handled unilaterally by senior investigators. Tracking procedures have been bypassed, and the checks and balances designed to avoid or mitigate conflicts of interest are ignored.

- Prosecutable cases have been held beyond the statute of limitations.

- Sloppy practices by some senior investigators have allowed inferences of corruption and cronyism to flourish.

- An individual with fresh approaches and solutions to the business of crime prevention and realities is mistrusted as a threat.

- Severe differences in philosophy have taken hold, dividing the unit and jeopardizing its credibility.

- Unproductive bureaucratic turf wars have created personality battles which stifle effectiveness and undermine morale.

Staffing of the SIU is about 40% below the State standard of one investigator per 1,000 cases. DSS has ignored several past opportunities for increased staffing both from the State and the Board of Supervisors, requesting additional help only under pressure within the past month.

Prior to the past few months, there had been no statistical records kept of employee fraud other than case folders which are incomplete at best. When specific information was requested regarding these cases, it required three months to compile a partial list still with much inaccurate information.

It should be noted that some progress has been made since the position of Assistant Deputy Director, Investigations, Audits and Information Division, was filled approximately one year ago. However, more structural and personnel changes must be made to achieve the rate of progress required. There are preliminary staffing and training plans in existence, but the last ten years of experience indicates little probability of successful implementation within DSS as presently constituted and with current management attitudes.

Training & Staffing

Opportunities to prevent fraud begin with every front-line staff person, each of whom screens applicants and administers approximately $300,000 annually. Currently, only 10% of the intake workers regularly refer new cases to review by fraud prevention specialists. Supervisors don't encourage referral activity, because the time it takes interferes with achievement of their "performance" goals.

Although the state requires eight hours of initial fraud prevention training and four hours of renewal training annually, San Diego IMB does not comply. Field Investigators have offered to design and teach classes but receive little support from administration.

Departmental standards for screening prospective employees and dealing with workers demonstrating borderline ethical behavior do not reflect that these people control and disperse large amounts of funds. Background checks are not part of the hiring practice. Individuals with apparent patterns of involvement in drug activity and internal fraud have not been removed immediately from their positions of access to funds. Some even have been promoted.

Rules & Regulations

In many welfare progams, the law provides a forty-five day waiting period before granting benefits in order to verify facts required to establish eligibility. The district offices have established a three-to-five-day standard, as if all cases are "immediate need". There are cases of immediate need, and they should be granted quickly. The pressure to grant a case, even if facts are in doubt, far exceeds the desire to prevent establishing a fraudulent case. Supervisors have verbally directed workers to accept knowingly false alien registration cards as identification.

If a questionable application is investigated and discovered to be fraudulent or erroneous, the burden of proof lies with the prospective recipient. Meanwhile, no money has left the system. When a questionable case is granted and then many months later discovered to be fraudulent, the burden of proof to support termination of benefits is on the County. Meanwhile, thousands of tax dollars have flowed out of the system and recovery is expensive and difficult.

Appeals and Overpayments Specialists Unit

The Appeals Section is charged with defending the Bureau in hearings in which recipients challenge adjustments in, or termination of, benefits. Personnel assigned are substantially biased in favor of the claimants. Approximately 40% of the appeals are handled in "Out of Hearing Resolutions". These cases remain open without standing the test of an Administrative Law Judge hearing the case. "Savvy" clients understand that the appeals process usually works in their favor and are not threatened by the process.

While the Appeals Section reviews the work of the Overpayment Specialist Unit (OSU), which interprets rules and computes overpayments, no analysis of the compiled data is performed to discover better approaches to win appeals when facts warrant.

Constant conflict exists between the OSU, Appeals Section and SIU. These sections should work cooperatively instead of bureaucratically roadblocking one another. Their common goal should be to stop overpayments. Currently, the appeals representatives behave more like judges than advocates for the county position.

District Attorney Relationship

A cooperative relationship between the District Attorney's office and IMB is critical to the successful prosecution of welfare fraud. Over the past decade the interaction between the two has often been antagonistic. Currently, the Deputy DAs responsible for prosecuting welfare fraud have established good communication within the IMB through responsive individuals. However, no clear protocol has been implemented for effective cooperation with the District Attorney.

RECOMMENDATIONS

Introduction

The problems within the Department of Social Services and its Income Maintenance Bureau have developed over the past 25 years. They involve the structure, philosophy, and personnel of those components of San Diego County government. It is the conviction of the Grand Jury that major changes in both organizational structure and top management personnel must occur to effect policy changes and introduce money management and control skills at each level of the organization. It should be emphasized that personnel changes are not required because the incumbents are incompetent in the field of Social Services, but rather because they do not have money management skills. The majority of middle and lower management and front-line workers are capable of quickly learning such additional skills as may be required, given appropriate instruction and effective management direction.

Many of the current problems have their roots in the legislation and litigation that have shaped the present welfare system. While these are beyond the watchdog mission of the San Diego County Grand Jury, problem areas will be noted for consideration by our legislators at all levels of government--county, state and federal.

SUMMARY OF RECOMMENDATIONS TO THE COUNTY BOARD OF SUPERVISORS AND THE CHIEF ADMINISTRATIVE OFFICER:

#92/93: Establish a separate Department of Welfare. This will desirably separate money-disbursing activities from the social-service activities of the Department of Social Services.

#92/94: Establish a mission statement for the Welfare Department calling for adherence to county/state/federal regulations and for diligence on the part of the entire staff in the prevention of welfare fraud.

#92/95: Place as Director of the Welfare Department, a skilled manager, educated and experienced in the management and control of financial activities--together with a small staff competent in the areas of investigation, comptroller functions, personnel management and training.

#92/96: Direct that the Comptroller have responsibility for all budgets, fraud-rate determinations, quality control, and statistics. The Comptroller should maintain close liaison with the County Auditor and Controller.

#92/97: Direct that SIU be headed by a Chief Investigator who is a skilled manager and experienced investigator.

#92/98: Establish clear, consistent, and effective protocol for interface and cooperation with the District Attorney.

#92/99: Direct that effective training programs (and regular administrative checks on their effectiveness) be put into place to upgrade staff skills for adherence to regulations and the recognition and investigation of welfare fraud.

#92/100: Mandate that District Chiefs and Supervisors adhere to welfare regulations, encourage the referral of suspected fraud to prevention and investigation units, and that they not interfere with the efforts of those units.

#92/101: Direct that Auditor-recommended Case Data System security safeguards be implemented and efforts toward identification of additional safeguards be continued.

#92/102: Direct that effective identification systems be installed to prevent unauthorized use of data terminals and that client-identification systems be sought that will effectively eliminate "multiple dipping" by

welfare recipients.

#92/103: Direct that staff quality be upgraded as rapidly as possible through the use of enhanced personnel screening, pre-hiring background checks and drug testing. Drug checks on staff personnel should be done when drug use is suspected and law permits.

#92/104: Direct that employees are provided a means of reporting possible fraud by other employees and clients, in confidence, without fear of retribution, directly to the Chief Investigator's Office.

#92/105: Direct that all cases of suspected employee fraud be referred to the District Attorney.

#92/106: Direct that the means of confidential reporting be used to report possible drug and alcohol abuse by employees and that, when abuse is verified, the abuser be provisionally removed from any employment related to welfare-funds disbursement.

#92/107: Mandate cooperation with other law-enforcement agencies regarding all observed and alleged criminal activities.

#92/108: Direct that the case applications of aliens presenting border crossing cards be referred to the State MediCal Audits and Investigations.

#92/109: Establish a procedure for the regular examination of the Insurance Index System reports from the Transit Authority, City of San Diego, County of San Diego, and the State of California for the detection of insurance-award income unreported by welfare recipients.

#92/110: Direct that a way be found to utilize the Eligibility Income Verification System (EIVS) for the checking of General Relief cases--including consideration of the cost effectiveness of payment of fee for the service.

#92/111: Discontinue "Out of Hearing Resolutions" in favor of building strong county cases and supporting the advocacy of Appeal Representatives by committing to Superior Court appeals on incorrect rulings.

#92/112: Adopt a fraud prevention driven approach by Welfare Investigations Unit (SIU).

#92/113: Establish a number of bilingual fraud prevention workers proportional to the client caseload within the district.

#92/114: Initiate indicated legislative changes through established channels to correct deficiencies in the welfare system.

DISCUSSION OF RECOMMENDATIONS

Separate the Income Maintenance Bureau from the remainder of the Department of Social Services, as a Department of Welfare reporting directly to the CAO. Concentrate all money grants to individuals within the Department of Welfare. Establish a mission statement for this department emphasizing both adherence to county, state, and federal regulations governing such grants and the need for diligence in preventing misuse of the system for personal gain. The Welfare Department would be responsible for control of a budget of approximately 700 million dollars per year and should be headed by a skilled manager with education and significant experience in the money management field. Such experience could be in banking, public accounting and auditing, or as a comptroller of a large private company.

Such action would separate activities which are money related from those that are social services related both physically and philosophically. If this recommendation is accepted, it simplifies the organization and operation of the new department by allowing all of the investigative sections to remain within the department proper. If the functions of IMB are retained within DSS and/or the top manager of DSS or IMB is an individual with principal experience in Social Services, the full field portion of the Special Investigations Unit and Quality Control should be assigned to a "third party" organization, such as the District Attorney in order to maintain its objectivity.

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Organization

The following organization chart indicates the components and functions reporting to the Director. Note that there are no "assistants" or "assistants-to" the various positions. All positions are either supervisors or individual contributors, thus increasing both responsibility and authority and therefore accountability. Clerical workers may be assigned to a supervisor at any level.

WELFARE DEPARTMENT

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                                   Director
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___________________________________________________________________________
    |                |                |                |                |
    |                |                |                |                |
  Chief            Comptroller     Personnel        Regulation       Operations
Investigator          |              and            Interpretation       |
    |                |              Employment      and Training        |
 ___|             ___|                |                |             10 District
|                |                    |             ___|                Chiefs
|-Fraud Prevent  |-QC (Internal       |                |                |
| (in Districts) |    (Audits)      Intermediate    |-Administrative   |
|-Full Field     |-Appeals          Supervisors     | Analysts       Intermediate
|-Overpayment    |-IDP system         |               |               Supervisors
| Specialists    |-Budgets            |               |                |
|-Internal          |                |             Individual         |
| Investigations    |              Individual        Contributors     1st Line
      |           Individual          Contributors                   Supervisors
      |           Contributors                                          |
  Individual                                                          |
  Contributors                                                      Individual
                                                                    Contributors
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Measurement Systems

Establish an office of the Comptroller to pull together all Budgets and Measurements of the Department. This function should have a dotted-line responsibility to the County Auditor and Controller to assure objectivity. It would provide measurements as appropriate to fulfill state and federal requirements and to provide department management with adequate information for control of its own operations. This would include an honest appraisal of both errors and fraud present in the system in order to evaluate cost of corrective measures against cost savings available by correction. Manager should have proven money management skills.

Fraud Prevention and Investigations

Establish an Investigations Section reporting directly to the Department Director. The Chief Investigator should be an experienced and skilled manager from any field requiring extensive investigations, such as insurance, law enforcement, auditing, banking, probation, etc. The chief should be classified so as to attract competent candidates that would be expected to stay in such a position for at least five years.

There has been considerable public discussion as to the qualifications and experience of individual investigators. It would be up to the Chief Investigator to make such decisions with the approval of the Director after appropriate consultation with Risk Management and legal counsel, and consideration of cost, safety of both employees and the public, and the value of the information.

The fraud prevention program initiated by Orange County and adopted by the State as its prevention model should be the cornerstone of the fraud detection process in San Diego. The expenditure of resources and manpower would focus on stopping fraud at intake. Additionally, investigative personnel would be assigned to branch offices and their activities would stress frequent face-to-face contact, feedback and eligibility worker cooperation. Early detection would eliminate fraudulent grants, and the deterrent effect of a new aggressive program would create subsequent cost avoidance.

The greatest need in the investigations section is for consistent strong management, setting clear guidelines for all its employees and measuring their performance against those guidelines.

The issue of county-owned vehicles for investigators should be judged on the same basis as other county operations. If there is no consistent policy, there should be.

Appeals Section and Overpayment Specialists Unit

Establish weekly meetings between the SIU, OSU and Appeals representatives. The work of these groups should be philosophically and mechanically interactive with the common goal of fraud prevention and recovery.

In the future, the Appeals representative must consult with the investigator and overpayment specialist on each case scheduled for fair hearing. Before a case appears in Appeals both the overpayment specialist and investigator

have completed considerable work on the case and know it best.

As the process now exists, the "fair hearing" of a case favors the recipient because the County's advocacy is weak. Proper advocacy training must be provided for the County's Appeals representatives. By establishing training in advocacy skills, the Appeals Section can more confidently pursue rulings favoring the County. Vigorous advocacy for the County can virtually eliminate "out of hearing resolutions" which tend to mirror the anticipated ruling of an Administrative Law Judge. Refocusing the Appeals, Overpayment Specialist and Investigation Units will greatly enhance their enforcement and recovery capabilities.

Communication

In the past, an official message transmitted to the employee by training programs often has been inconsistent with the unofficial message of the supervisory staff. Correction of this inconsistency will change the perceived Department motto "When in doubt, give it out!" to a more desirable "When in doubt, check it out!" Managers at all levels should frequently test which message is getting through by informally talking with employees at least three layers below them.

Internal Accounting Controls

On November 14, 1990, the Audits Division of the Office of the Auditor and Controller responded to a request of the Director of the Department of Social Services with a clear statement of the security failures of the Case Data System (CDS). As a part of that audit report, seven recommendations were made; five relating to the system as it was and two relating to the on-line system yet to be.

DSS generally endorsed the validity of the findings, but for the most part rejected the recommended solutions as not cost-effective. Even those portions of the recommendations totally accepted by DSS have not been implemented as of March, 1992. This leaves the system vulnerable to abuse and must be corrected.

Social workers are largely unqualified to judge the efficacy of systems controls. Steps should be taken forthwith to secure outside (of DSS) assistance in reaching and implementing equitable solutions to the findings of the above audit.

Identification Systems

The Department must utilize any of a variety of available sophisticated identification systems to assure that unauthorized persons cannot enter information into any Department Electronic Data System and that all entries are traceable to the person entering the information. Consider ATM cards with PIN's for access.

The Department should give serious consideration to AFIRM or similar client identification systems to prevent individuals from opening more than one case at a time, regardless of name(s) or I.D. number(s) provided. While this solution may appear expensive to install initially, the long term benefit of preventing any future multiple case fraud will more than pay for the yearly cost of operation of the System. In addition, operating experience with such a system will be valuable when considering similar systems in the future.

Personnel and Employment

Background checks are essential for all candidates for positions with access to Department Electronic Data Systems.

Drug testing prior to employment and on a continuing random schedule is desirable.

Employees should be provided with a secure method of reporting possible fraud by other employees to Internal Security Audit. The same system should be used to report possible drug and alcohol abuse by employees. If verified, the employee in question should be removed from any job responsible for approving benefits payments to clients until the abuse is corrected by approved county procedures.

Miscellaneous Procedures

The Department should cooperate with other law enforcement agencies, both receiving and giving information, concerning alleged criminal activities which are are observed in the normal course of business or are pertinent to business. If such cooperation is held improper by the courts, corrective legislation should be sought at the appropriate level (county, state, or federal).

When alien applicants present Border Crossing cards (for which they have presented proof of residence and income in Mexico) the aid application should be referred to State MediCal Investigators.

Routines should be established for regular exchange of information with other governmental agencies, such as the Transit Authority, City of San Diego, County of San Diego, and State of California, regarding claims paid to potential welfare recipients, for cross checking with client reported income. The Insurance Index System report provides a vehicle for obtaining such information.

The Eligibility Income Verification System provides excellent verification of declared income by welfare claimants paid with state and federal funds. At the present time, programs paid from San Diego County funds (General Relief) are not cross checked through EIVS because the EIVS system is paid for with state and federal funds. The Department must find a way to utilize EIVS for General Relief by paying for the service with County funds.

The Department should consider the "Zip Code Report" now used in Oceanside for possible application in the other districts of the County.

Implement and enforce a system of flagging all cases identified as having had fraud detected and refer any re-application involving the applicant for re-investigation.

LEGISLATIVE ISSUES

Introduction

In the course of its investigation into the Income Maintenance Bureau, the Grand Jury has focused on those elements within the control of DSS. At the same time, much has been learned about the Federal and State of California legislation, resulting regulations, interpretations, court rulings, negotiated agreements and handbooks governing most of the actions of IMB. This matrix of overlapping, detailed, often conflicting, highly restrictive rules and regulations can only be described as a bureaucratic quagmire. Actions of advocacy groups to "protect welfare client rights" have often resulted in new rules which make more costly the discovery and correction of truly willful and fraudulent overpayments.

The foregoing recommendations have dealt with actions needed in IMB to minimize the total cost of welfare to the taxpayer while living with the present regulations. This section will deal with both near term legislative changes to improve the ability of all counties to manage welfare fraud and longer term radical change to initiate debate on new devices to provide a safety net for the less fortunate without the present system's adverse side effects.

Short Term Legislative Change

The Grand Jury makes the following suggestions for legislative change:

1. Legislation is needed which will require applicants for welfare assistance to prove residency over a fixed period of time and preclude payments to those who merely visit or apply because California payments are higher.

2. The Welfare and Institutions Code section 10850 protects applicants and recipients against identification, exploitation or embarrassment of having applied for or having received public assistance.

The Grand Jury recognizes that citizens should have such rights, but taxpayers are citizens too, and recommends that statutes governing confidentiality be modified to permit exchange of information with and between law enforcement personnel (including DSS investigators) for the purposes of investigating and prosecuting suspected fraud.

3. When an applicant states "Immediate Need" it takes only a few hours to receive assistance. Legislation is required to permit time for adequate checking of information that could result in the prevention of fraud at the beginning and result in savings of millions of dollars.

Long Term Legislative Change

The many types of welfare assistance in effect today are all based on measuring the value of resources available to the individual or family unit requesting assistance and comparing that value to the cost of services needed by that unit. The benefit awarded to the unit is designed to make up the difference between the value of resources available and the cost of services needed, up to some arbitrary maximum value.

It is readily apparent that the recipient will get a greater benefit by understating, or limiting by willful action, resources available to the unit and/or increasing the apparent need of the unit.

Resources are often understated or limited by the following:

1. Removing the principal wage earner from the unit;

2. Concealing resources by leaving them in a jurisdiction outside the claimed county of residence;

3. Leaving current employment;

4. Not reporting current income (from any source);

5. Lying about any of the above.

The cost of services needed is often increased by:

1. Overstating the size of the family unit;

2. Increasing cost of emergency housing by frequent failure to pay; eviction, creation of emergency;

3. Falsification of documents of cost.

Not only is it difficult to verify information supplied by an applicant, but **there is a significant disincentive to:**

1. Seek work outside the house;

2. Encourage the principal wage earner (father) to remain in the house;

3. Limit the number of children.

The effect of these disincentives is to create an expanding cadre of welfare recipients unable or unwilling to break out of the cycle. It is expanding because children raised in this climate often perceive this existence as the best available to them, continuing the cycle. The problem is <u>not</u> that individuals or family units are getting help that is <u>needed</u>, but that once into the welfare system it is difficult to break out. The majority of welfare recipients may not be in this cadre of professional recipients, but there are enough to warrant consideration of alternate devices to provide the safety net because the system in place today is defective in many ways.

Legislators should consider that the features of welfare which invite the most abuse relate generally to the determination of need. Any plan which does not require differentiation of benefit based on need would reduce potential abuse and reduce the cost of administration. Provided that a secure identification, such as AFIRM, is used to preclude filing under multiple identities, the earnings side of the welfare equation is relatively controllable for an individual. The determination as to which individuals should be included in family units remains problematic. Inventive solutions will be required.