District 4
[MS-0398.044.002.003]

Grand Jury
COUNTY OF SAN DIEGO
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April 1, 1992

STATEMENT FROM THE FOREMAN

1991-92 SAN DIEGO COUNTY GRAND JURY

The San Diego County Grand jury today released its Report No. 3, entitled "A STUDY OF WELFARE FRAUD", a critical review of the County's welfare payments system. The report provides a review of the Jury's findings and recommendations after a seven-month in-depth examination of the management and security policies and practices of the Department of Social Services (DSS) and its Income Maintenance Bureau (IMB).

The District Attorney alerted the Grand Jury in July to welfare fraud investigations under his direction. Since that time, we have examined the welfare functions of DSS for the purpose of determining systemic vulnerability to fraud and recommending corrective actions. The District Attorney remains active in and responsible for any criminal investigations arising from welfare fraud. Everything we have done in examination of the system has been with the full cooperation of the District Attorney and his staff.

Through its Administration-Audit Committee, the Grand Jury has interviewed or taken testimony from more than a hundred persons, including senior and middle-grade managers, intake workers, supervisors and current and former investigators. The list also

includes former employees who have either been found guilty of fraud or allowed to resign without prosecution. We also visited district offices and gathered information from experts, consultants and agencies outside of the County.

The report describes a situation in which the majority of managers and workers are intelligent, well-educated and dedicated individuals. Unfortunately, they are operating in a policy climate which encourages a maximum of giving but which discourages critical examination and fraud prevention. The current situation in San Diego County is such that actual losses to error and fraud cannot even be determined without major corrective actions. It is estimated conservatively that 20-30% of open cases involve overpayments on an ongoing basis. With this goes a dollar rate estimated to exceed 10%, or, in taxpayer terms, something approximating $70 million per year.

The Grand Jury has found that the management of DSS:

- Has created an atmosphere in which there is a bias against fraud prevention; no recognition of the role and responsibilities of funds disbursement; unwarranted use of confidentiality to cover mistakes; a much higher priority on departmental image than on fiscal responsibility and fraud prevention;
- Has significantly understated fraud and error rates;
- Has ignored safeguards recommended by the County Auditor and by its own staff;
- Has failed to establish a policy for cooperation with the

District Attorney for prosecution of fraud.

The Income Maintenance Bureau:

- Has failed to establish an effective investigative unit;
- Has failed to train and direct intake/granted workers to detect and report fraud;
- Has operated an Appeals Group which has worked counter to the best interests of the taxpayer;
- Has exercised poor employment procedures and employee management techniques.

In our report, we have listed twenty-two significant recommendations. Some of these are summarized as follows:

- Separate the money disbursing functions from the social service functions of DSS. Establish a Welfare Department with a mission statement providing adherence to law and protection of taxpayer dollars.
- Employ a Director who is a skilled manager with education and experience in control of financial activities.
- Employ a Comptroller to handle financial affairs - budget and measurements.
- Employ a career Chief Investigator to manage the Special Investigations Unit.
- Cooperate with the District Attorney in reporting fraud cases.
- Implement Auditor recommended security procedures and I.D. systems.
- Improve employee performance through pre-employment

screening, performance monitoring and training.

These recommendations for a new department and well qualified personnel in particular positions do not require more people. On the contrary, with sound direction and properly qualified personnel in key management positions, these actions should result in net reduction of expense.

Reducing error and fraud rates to acceptable levels will require wholesale and undiluted adoption of these major changes. In fact, most will be required if there is to be any confidence in the determination of the rates themselves. The unofficial but widely reported slogan of the organization must no longer be "when in doubt, give it out." We recommend instead new policies which will lead to "when in doubt, check it out."

Failure of DSS to handle welfare fund responsibilities invites public reaction against welfare. This in turn can lead to hardship and even tragedy for the truly needy. Careful management of welfare dollars will serve the needy and the taxpayer and not those who currently manipulate the system.

Not included in our report is the concern with which we have observed frequent and questionable activities during the past few weeks in attempts at hasty correction of serious and long-standing discrepancies. These band-aid and cut-and-paste solutions will accomplish little other than confuse and stir up a work force which now more than ever needs firm and professional leadership.

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