STATE OF CALIFORNIA
Office of the Auditor General
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May 23, 1983   P-333

Honorable Art Agnos
Chairman, and Members of the
    Joint Legislative Audit Committee
State Capitol, Room 3151
Sacramento, California 95814

Dear Mr. Chairman and Members:

We have attempted to analyze the effectiveness of the various
approaches used by California's 58 counties to detect and
prevent fraud in welfare programs. As a basis for our
analysis, we tried to use performance data collected by the
Department of Social Services (DSS) from each of the counties.
We found, however, that the data collected by the DSS are
inaccurate and, therefore, do not permit a statewide
comparative analysis to identify the most effective programs.
We have been able to determine the various techniques used by
the counties to detect and prevent welfare fraud and have
included a list of these techniques for your review.

Every month the DSS collects information from each of the
counties. The information includes statistics such as the
number of cases pending investigation, the number of case
dispositions, the dollar amount of restitution arranged and
collected, and various other statistics that could be used to
measure the success of county fraud detection programs. We
found, however, that the data collected by the DSS cannot be
used to present an accurate comparison of the performance of
the 58 counties. We visited four counties and found problems
with the data reported to the DSS in each of the counties. A
major problem is that the counties define reporting categories
differently and periodically change their criteria for
reporting. Although the DSS has provided instructions to the
counties on how to complete the monthly reports, the counties
either do not uniformly interpret the instructions or they
simply do not follow the instructions. Additionally, we found
errors in figures reported by the counties.

For example, we found that one county has been including cases rejected for investigation in its count of cases pending investigation. When requests for investigation are received, investigators screen them and determine which requests will be accepted for investigation. According to department reporting requirements, counties should not include cases that are rejected at this stage in their count of pending cases.

We also found that at least one county had been reporting savings, a reduction of potential overpayments resulting from its fraud investigation activities, as part of its overpayment collections figure.

Additionally, we found errors in the data compiled by the DSS. The quarterly collection figure for one county was reported as $58,537. The correct figure was $585,378, ten times more than the figure reported.

Because of these inconsistencies in reporting, a comparative analysis of county fraud programs is not feasible. However, as we explained in the Assembly Ways and Means Subcommittee meeting on May 10, we have identified the various techniques used by the counties to detect and prevent fraud. We conducted a telephone survey of 58 counties and visited 4 to gather information on each county's welfare fraud prevention, detection and investigative practices.

The most evident conclusion of our survey is that although the counties agree on some general approaches toward fraud prevention and detection, their techniques for accomplishing these objectives are extremely diverse. Each county has developed a fraud detection program that it believes is best suited to the particular needs of that county.

For the most part, counties still rely heavily on nonautomated methods of fraud detection and prevention. The counties report that they use basically the same techniques in detecting fraud during the application, or "intake," phase as they do in continuing cases. Most counties agree that their most effective methods of fraud prevention and detection are the following:

- Experienced eligibility workers;

- Educating clients about their rights and responsibilities and stressing the penalties for fraud;

- Careful verification of clients' eligibility statements and documents; and

- Visits to the clients' homes or neighborhoods.

(Attachment A presents some of the varied nonautomated techniques that counties reported they are using.)

Just over half of the counties reported that they had some type of automated capability for fraud detection. This includes, however, at least 18 counties that reported that they have access to systems that store case record information but have no special programs for fraud detection. Only 12 counties reported that they had developed their own automated techniques for fraud detection. The most common fraud detection technique used by the counties that do operate fraud detection programs is cross-checking county files by select file characteristics to detect duplicate aid. For example, a county might search its files for multiple aid cases listed at one address. (Attachment B provides a listing of the counties' unique automated approaches to fraud detection and prevention.)

Of the 18 counties that reported that they had access to systems that store case record information only, 11 counties reported that they were using the State Department of Health Services' Medi-Cal Eligibility Data System (MEDS) to verify client eligibility and to provide information on possible duplicate aid collection. Although the primary purpose of the MEDS project is to provide information on Medi-Cal eligibility, it is estimated that 80 to 90 percent of any county's public assistance caseload is receiving Medi-Cal and is therefore part of the MEDS data base. According to the Department of Health Services, the MEDS is fully operational in 26 counties, and 24 more counties are using the on-line portion of MEDS.

Also, 24 counties told us they use the State Department of
Justice's California Law Enforcement Telecommunications System
(CLETS) to verify client information such as address or
vehicle registration, etc. This system also provides criminal
arrest data and information on possible aliases used.

A number of counties reported that they also use the Department
of Motor Vehicles (DMV) computer system to verify client data.
The DMV system provides information on registered vehicles,
drivers' licenses, and addresses. The DMV system also allows
the user to access names that are phonetically similar.

I hope this information satisfactorily addresses your concerns.
If you have any questions on the data provided here, please
contact me.

Sincerely,

THOMAS W. HAYES
Auditor General

Attachments: Appendices

Nonautomated Fraud Detection Techniques

Technique	No. of Counties Reporting Technique
Home/Neighborhood visits	58
Verify documents	34
Experienced eligibility worker	33
Emphasize to clients laws and regulations penalties for fraud/perjury, that information will be checked	26
Verify information with employer	22
Interview neighbors/landlords	21
Train eligibility workers	21
Investigators participate in interviews if eligibility worker is suspicious of client	21
Verify information with Unemployment Office, Employment Development Department, Franchise Tax Board	19
Surveillance of suspect	14
Verify information with DMV	11
Referrals from the community	9
Public awareness, media items	8
County is so small that eligibility worker knows clients	8
Verify information with the client's county of prior address	6
Match names and addresses against County Assessor's List of property owners	6
Quality assurance staff review cases	6
Check the back of payment warrants to determine existence of bank accounts	6

Technique	No. of Counties Reporting Technique
Cooperate with law enforcement	3
Cooperation with Family Support Unit	4
Verify credit sources	3
Bulletin on suspects sent to law enforcement agencies	2
Monthly income report	2
Check credit rating	2
Search warrants	2
When duplicate checks are issued, monitor to determine whether both are cashed	2
Record interview if eligibility worker suspicious of client	1
Verify status with Immigration and Naturalization Service	1
Card file on people who have committed fraud before	1
Notified of sheriff's office arrests for narcotics	1
Check address where mail is sent	1
Tell applicants when case is being investigated	1
Investigator interviews applicant prior to intake	1
Compare residency against voter registration list	1
On an irregular basis, assign all investigators to thoroughly review intake cases	1
Administrative subpoena	1

Technique	No. of Counties Reporting Technique
Check with neighboring counties for duplicate aid	1
Posters explaining fraud and penalty in grocery, drug stores	1
"Peepholes" in door so investigator can watch interview	1
Automatic referrals of people who move often	1
Call school to verify the emergency phone number matches home number	1
Insist on original documents	1
Verify at lease one birth certificate per case by mailing notice to county/state of birth	1

Automated Fraud Detection Techniques

Automated Technique	No. of Counties Reporting Technique
Match to determine whether two or more recipients have the same address or telephone number	8
Master file of aid recipients in county coded with fraud alert tags	2
Cross-match data to neighbor county	2
Credit report system	2
Match against county assessor's property owners list	2
Match welfare recipients against county payroll	1
WCMIS-online programs which can search and match files by a variety of case characteristics	1
--setting up WCMIS	1
List claims on aid for pregnancy-- review for pregnancies over 9 months	1
Group recipients by zip code--then compare other case characteristics	1
"Criss-cross" Directory of all people on aid in county by town, name, street number, and type of aid	1
Match with Registrar's Office deceased persons list	1