

The California State Auditor released the following report today:

Follow-Up—California Department of Social Services

It Has Not Corrected Previously Recognized Deficiencies in Its Oversight of Counties' Antifraud Efforts for the CalWORKs and CalFresh Programs

BACKGROUND

The California Department of Social Services (Social Services) is responsible for managing the California Work Opportunities and Responsibility to Kids (CalWORKs) program and the federal Supplemental Nutrition Assistance Program, known as CalFresh in California. Although these programs serve many who legitimately qualify for assistance, state and federal agencies generally recognize that some fraud exists, and federal law requires that states develop ways to detect fraud within these programs. In California, the counties are responsible for determining the eligibility of those receiving assistance, as well as for detecting and investigating any fraudulent activities related to these programs. Counties divide their investigative efforts into early fraud detection activities, which detect potential fraud and prevent it from occurring, and ongoing fraud investigations, involving cases in which counties suspect persons of having fraudulently received aid. In November 2009 the state auditor issued a report containing the results of our review of the cost-effectiveness of the counties' antifraud activities and made numerous recommendations to improve oversight of those antifraud efforts.

KEY FINDINGS

During our follow-up of Social Services' progress in addressing issues we raised in our 2009 audit, we noted the following:

- Despite having highlighted deficiencies in its oversight of counties' antifraud efforts for the CalWORKs and CalFresh programs more than five years ago, Social Services has fully implemented only one of the 15 recommendations we made—it has taken some action in implementing 12, has taken no action to implement one, and decided that it will not implement another.
- Five years after raising these issues, Social Services continues to be deficient in the following:
 - ✓ It has not developed a formula to analyze the cost-effectiveness of counties' antifraud efforts nor has it identified which antifraud practices are most cost-effective so that it could replicate those practices among all counties—the formula it did develop does not compare savings to the cost of performing antifraud activities; rather, it simply calculates savings generated from the activities with no consideration of cost.
 - ✓ It does not verify the accuracy of county reports containing information about the collections of benefits overpaid to CalFresh recipients—a concern raised by the federal government over the course of several years.
 - ✓ It has not clarified its instructions to the counties for completing monthly investigation activity reports and thus some counties inconsistently report their actions resulting from ongoing investigations.
 - ✓ It has not determined if the Statewide Fingerprint Imaging System (SFIS), which it implemented in 2000 to prevent fraud involving duplicate aid, is cost-effective. SFIS cost \$12 million in 2014 to operate, but only helped to detect 57 instances of fraud.
- It has an ineffective method for assessing how well counties are processing and following up on match lists—which contain information about individuals who are applying for or receiving CalWORKs aid, such as their employment, income, and outstanding felony warrants and thus help to identify potential instances of fraud. Further, Social Services has not formally documented procedures for how its staff are to conduct these oversight efforts.

KEY RECOMMENDATIONS

To ensure counties' efforts to combat fraud in these two programs are effective, Social Services should fully implement the 14 remaining recommendations from our 2009 audit, which include the following:

- Develop a formula to regularly perform a cost-effectiveness analysis of counties' antifraud activities.
- Improve its oversight of counties' processing and following up on match lists.

Further, we recommend that the Legislature require Social Services to annually report on the cost of SFIS and the instances of fraud it helps to detect.