



HUMAN
RESOURCES
AGENCY

COUNTY OF SANTA CRUZ

ADMINISTRATION
1000 Emeline Avenue
Santa Cruz, CA 95060
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October 7, 1998

Agenda: October 27, 1998

BOARD OF SUPERVISORS
County of Santa Cruz
701 Ocean Street
Santa Cruz, CA 95060

**ORGANIZATIONAL PLACEMENT OF THE
WELFARE FRAUD SPECIAL INVESTIGATIONS UNIT**

Dear Members of the Board:

Background

During budget hearings in June 1996, your Board directed the Human Resources Agency (HRA) to prepare a report on the implications of moving the Special Investigative Unit (SIU) from HRA to the office of the District Attorney, and our recommendations, if any. HRA presented a report to your Board in November 1996 which recommended the SIU program be retained within the agency. The agency recommendation was also supported by the County Administrative Office (CAO). No action was taken by your Board at the time except to request a report back after the implementation of welfare reform. During budget hearings in June 1998, HRA provided your Board with a report on the impact of welfare reform on fraud investigations and a recommendation that the SIU program be retained within the agency. At that time, your Board directed HRA to report back on the organizational placement of SIU and the impact of Welfare Reform on fraud investigations. The purpose of this letter is to provide your Board with the requested information. Copies of the Board letters submitted to your Board by the CAO, HRA and the District Attorney in November 1996 and in June 1998 are provided as Attachment I for your review.

Welfare Reform

As you know, efforts to curb welfare fraud have always been an integral part of HRA's operations. Under Welfare reform these efforts are no less important, and are an essential part of HRA's comprehensive approach to welfare reform. However, it is important to note that the



environment in which welfare fraud may occur has dramatically changed and in fact serves as a major deterrent to fraud. With the advent of time-limited benefits (a lifetime limit of 5 years) and stringent welfare-to-work program participation requirements, a new covenant exists between HRA and welfare recipients.

All recipients of aid must have a detailed welfare-to-work plan, which includes a minimum of 26 hours of activities (increasing to 32 hours effective 7/99) with the goal of economic self-sufficiency. All activities must be approved and verified by the agency. Gone are the days when it was theoretically possible to apply for aid and not be seen by the worker until the annual renewal time. Frequent contact and interaction with agency staff, in combination with required work participation activities, dramatically reduce opportunities for welfare fraud to occur. Additionally, welfare reform legislation has increased program penalty and sanction provisions.

To respond to this new welfare environment, HRA has increased its efforts in the area of early fraud prevention/detection. As you know, the SIU staff are actively involved in the CalWORKs group intake orientations and are co-located with intake eligibility staff to facilitate early fraud prevention efforts. HRA is pleased to report that this approach is considered proactive, innovative and a model by the Fraud Bureau of the State Department of Social Services. Earlier this month, state staff visited our program and met with our Chief Welfare Fraud Investigator to gain a fuller understanding of our local programs, with the idea of providing guidance to other counties on how to fully integrate SIU activities with CalWORKs in an era of declining caseloads and time-limited benefits.

It is clear that the requirements of welfare reform support HRA's response to fully integrate SIU into the agency's programmatic redesign. A change at this time would seriously undermine the progress the agency has made in developing a comprehensive integrated approach to welfare reform.

Fiscal Implications

As you know, on November 19, 1996, both the County Administrative Office and HRA reported separately to your Board, that a transfer of the SIU would result in a cost shift within HRA, requiring an increase in general fund support to the agency. As reported to you during 1998/99 budget hearings, the transfer of SIU would result in a total annualized cost shift within HRA of \$364,648, with a net county cost increase of approximately \$138,565 to the final 1998/99 HRA budget.

BOARD OF SUPERVISORS
Agenda Date: October 27, 1998
Organizational Placement of SIU

SIU Performance

The Santa Cruz SIU has an excellent record of preventing and detecting fraud. It is important to note that in several of the counties referenced in the District Attorney's letter to your Board during budget hearings, their respective SIU's had a history of poor performance. Thus a comparison to the fully functioning SIU in operation at HRA is inappropriate.

Recommendation

The current placement of SIU is working well and there is no compelling reason to transfer the program. Rather, because of welfare reform and the program and fiscal implications of a transfer, HRA strongly advises that the SIU program be retained within the agency.

IT IS THEREFORE RECOMMENDED that your Board accept and file this report and take no further action at this time.

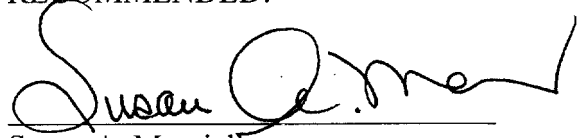
Very truly yours,



CECILIA ESPINOLA
Administrator

CE/ES/ET/pb:plcmt.SIU.bos

RECOMMENDED:



Susan A. Mauriello
County Administrative Officer

Attachments

cc: District Attorney



county of Santa Cruz

HUMAN RESOURCES AGENCY

CECILIA ESPINOLA, ADMINISTRATOR

1000 EMELINE ST., SANTA CRUZ, CA 95060

(408) 454-4130 OR 4544045 FAX: (408) 454-4642

June 2, 1998

Supplemental Budget

BOARD OF SUPERVISORS

County of Santa Cruz

701 Ocean Street

Santa Cruz, California

ORGANIZATIONAL PLACEMENT OF THE WELFARE FRAUD SPECIAL INVESTIGATIONS UNIT

Dear Members of the Board:

During budget hearings in June 1996, your Board directed the Human Resources Agency (HRA) to prepare a report on the implications of moving the **Special** Investigative Unit (SIU) from HRA to the office of the District Attorney, and our recommendations, if any. HRA presented a report to your Board in November 1996 which recommended the SIU program be retained within the agency. The agency recommendation was also supported by the County Administrative Office (CAO). No action was taken by your Board at the time except to request a report back after the implementation of welfare reform. The purpose of this letter is to provide your Board with an update on the HRA recommendation after the passage and implementation of CalWORKs. Copies of the Board letters submitted to your Board by the CAO, HRA and the District Attorney in November 1996 are provided as Attachment I for your review.

WELFARE REFORM

As your Board is aware, in August 1997, the California Legislature passed welfare reform legislation (AB 1542) which created the CalWORKs program. To respond, HRA has embarked on an aggressive and comprehensive program restructuring to facilitate the transition of CalWORKs participants from welfare-to-work. The restructuring is not yet completed but is developmental, as HRA enrolls program participants and builds new partnerships with the nonprofit and private sectors in response to individual participant needs. An important aspect of HRA's effort and key to successful welfare reform is program flexibility. Any changes which complicate existing roles and responsibilities would only serve to limit program flexibility and responsiveness.

Welfare Fraud efforts continue to be an integral part of HRA's comprehensive approach to welfare reform. SIU staff are actively involved in the CalWORKs group intake orientations held

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Supplemental
Organizational Placement of Welfare Fraud SIU

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in both the North and South County CalWORKs offices. This involvement is critical given the additional penalty and sanction provisions contained in the CalWORKs legislation and serves as an early fraud prevention effort. The fact that SIU staff are co-located and that the Chief Welfare Fraud Investigator reports directly to the HRA Administrator only serves to strengthen overall system integration in response to welfare reform.

In recognition of the importance of child support for low-income families, the CalWORKS legislation mandates a closer working relationship between welfare agencies and the Family Support Divisions to increase child support collections.

Locally, HRA has entered into an agreement with the District Attorney's office to have Family Support Officers out-stationed in HRA offices on a full time basis, to facilitate and expedite the collection of child support. Clearly, the requirements of welfare reform support HRA's response to fully integrate both welfare fraud and child support collection efforts into the agency's programmatic redesign. Any change at this time would undermine the progress the agency has made in developing a comprehensive integrated approach to welfare reform.

DISCIMPLICATIONS

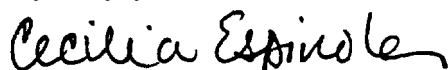
In the November 19, 1996 HRA report to your Board, it was noted that moving SIU would result in an overhead cost shift within HRA, creating a net county cost increase to the HRA budget. Based on current funding and reimbursement arrangements, the transfer of SIU would result in a total annualized overhead cost shift within HRA of \$364,648, with a net county cost increase of approximately \$138,565 to the recommended 1998/99 HRA budget.

RECOMMENDATION

Given welfare reform and the previously considered program and fiscal considerations, HRA continues to believe the current placement of SIU is working well, and any change would critically hamper the agency's ability to successfully implement the CalWORKs welfare-to-work transitional activities. Therefore, HRA advises that the SIU program be retained within the agency.

IT IS THEREFORE RECOMMENDED that your Board accept and file this report.

Very truly yours,



CECILIA ESPINOLA
Administrator

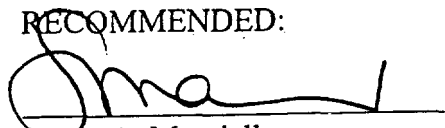
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BOARD OF SUPERVISORS
Supplemental
Organizational Placement of Welfare Fraud SIU

CE/pb:orgplcmt.bos

RECOMMENDED:



Susan A. Mauriello
County Administrative Officer

Attachments

cc: District Attorney



County of Santa Cruz 467

SUSAN A. MAURIELLO, J.D., COUNTY ADMINISTRATIVE OFFICER

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November 15, 1996

Board of Supervisors
County of Santa Cruz
701 Ocean Street
Santa Cruz, CA 95060

ORGANIZATIONAL PLACEMENT OF THE WELFARE FRAUD SPECIAL INVESTIGATIONS UNIT

Dear Members of the Board:

During budget hearings, your Board directed this office, the Human Resources Agency and the District Attorney to examine the feasibility of transferring the Special Investigations Unit (SIU) which is a part of the Human Resources Agency to the District Attorney's Office. The input of both the Human Resources Agency and the District Attorney are provided as Attachment 1 and 2 respectively and discuss a number of fiscal, personnel, programmatic and policy issues associated with the possible shift of the Special Investigators Unit from Human Resources Agency to the District Attorney..

The purpose of this report is to provide our analysis on these issues, present some additional factors for your Board's consideration and provide our recommendations.

Summary of Conclusions

As a result of our review of state-wide and local data and our experiences in Santa Cruz County, we do not recommend that your Board consider the transfer of the SIU from the current placement within the Human Resources Agency to the District Attorney's office. These conclusions are based on the following findings:

- ▶ The SIU has an excellent performance record.
- ▶ Revisions to the organizational placement are ill-advised given the requirements of welfare reform.

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- ▶ Due to cost shifting within the Human Resources Agency, a transfer of the SIU will result in a loss of funds within that agency totaling \$254,934. These losses would require the layoff of four Senior Social Workers within the Child Welfare Services Program. This program is ill-equipped to absorb such losses. Alternatively, an increase in general fund support to the agency would be required totaling \$96,875 to offset the losses. The general fund is ill-equipped to provide such funds.
- The shift could cause a loss of revenue in an unknown amount and general fund cost shift if investigators are assigned higher priority criminal investigations.
- ▶ If investigation cases are cross assigned, costs to the taxpayer for welfare fraud investigation are likely to increase substantially due to the higher salaries, increased benefits (safety retirement) and equipment allocated to District Attorney investigators. Such a change would also require renegotiation of two union contracts (SEIU and Operating Engineers Local 3) to effect such changes.
- ▶ There would be a loss of convenience and management capacity in the Human Resources Agency for activities such as internal investigations, civil rights and fair hearing management and security.
- ▶ The District Attorney has a track record of exceeding the Net County Cost budget approved by the Board and allocating additional programs to the department is not recommended.
- ▶ The benefits identified by the District Attorney, including providing more law enforcement status, training and coordination can be achieved without a transfer.
- ▶ There are practical limitations associated with a possible transfer including the lack of space in the District Attorney's Investigations offices.

SIU Performance

The Santa Cruz SIU has an excellent record of preventing and detecting fraud. The Unit is one of the most active in the State. While the State does not rank counties in the welfare fraud arena, when compared to all 58 counties, Santa Cruz investigates 14.1% of AFDC cases as compared to 6.0% statewide. In 1995-96 the unit completed

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4,341 case reviews resulting in a cost **avoidance** of **\$1,968,000** through early fraud detection and \$276,922 through restitution ordered and arranged. The State Fraud Bureau indicates the performance of the unit has "...**always** met or exceeded our standards.. ." (See Attachment 3).

Unlike other counties, the history of the-unit has always been good including several high profile cases which have been concluded. (See Attachment 4 for a few recent news articles on higher profile activities of the unit.) The Unit is not aware of any performance deficiencies perceived by the District Attorney's **office**. If such deficiencies exist, the Unit% well positioned to expeditiously address such issues. Again, we find no evidence to suggest this is the case. It is worth noting that the DA currently maintains a full **time welfare** fraud prosecutor to handle suspected fraud and abuse cases involving over \$400. While the DA's letter did not mention **these** cooperative activities, the DA's welfare fraud prosecutor works in close coordination with HRA's SIU, and no **problems** have been reported by the DA or the HRA staff.

The figures reported in the **District Attorney** letter relating to fraud activity only address early fraud investigations and the reductions in program activity reflect program *shifts* mandated by the state. A review of all fraud activity indicates that total investigations in 1995-96 were above the 9 year average. With regard to restitution **activity**, examination of the amounts generated through early fraud cost avoidance activities plus restitution activities are indicative of **increasing** efforts associated with early fraud and the **corresponding** resulting **savings** to the **taxpayers** not the converse. Collections activities have also increased, reaching \$403,156 in 1995-96, the highest level ever (see Attachment 5). The Human Resources Agency has a long history. of exceptional performance in this area that should be recognized and appreciated.

Welfare Reform

An analysis of the **impact** of transferring the SIU from HRA to the DA must take into account the significant programmatic changes underway within HRA. As your Board is aware, in August, 1996, *Congress* passed welfare reform **legislation** (HR 3774) which replaced long-standing entitlement programs with a Temporary Assistance to Needy Families (TANF) **block grant** program. The primary features of TANF includes more stringent eligibility requirements and time limited benefits with an emphasis on transitioning welfare recipients to work.

On September 17th, an HRA report to your Board summarized the new legislation and outlined a series of programmatic changes which are **necessary** to implement HR 3774. In that report, the HRA Administrator indicated that the department is undergoing a major shift from its historical **focus** on administering entitlement programs to working

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closely with the private sector to **facilitate** welfare to **work** through self sufficiency and job training programs. An important aspect of **HRA's** retooling, and key to successful welfare reform, will be to provide welfare recipients with the **skills** needed to enter the **workforce** and at the same time, build partnerships with the private sector to locate appropriate placements for program participants.

While **HRA** has embarked on many programmatic shifts in anticipation of the new legislation, unfortunately, comprehensive programmatic restructuring **will** not be **finalized** until after the adoption of the implementing State legislation, which is anticipated to occur next year. As a result, any significant **changes** proposed for **HRA** at this time must be considered in light of the unprecedented transformation in human **services** occurring within the department. Welfare Fraud efforts are an integral part of this transformation which resides in the hands of the Board of Supervisors. To introduce an additional role for the District Attorney **will** complicate the process which is already underway.

Fiscal Issues

As discussed in the **HRA** letter, the transfer of the **SIU** would result in a loss of \$254,934. Therefore, there would be an estimated \$96,875 net county cost impact associated with the loss of the **SIU**, based on current funding and reimbursement arrangements. **Because** **HRA's** budget is highly leveraged and dependent on state and federal funding sources, the estimated **\$254,934** in **program reductions** would necessitate employee layoffs. In order to **reduce** the department's net County cost by \$96,875.

Due to the operation of the Administrative Claiming Process mandated by the state, the recommended reductions would best be made in the area of Child Welfare Services and would require four positions to be deleted. Your Board must therefore balance the loss of these four positions with the alleged benefits of the proposed transfer.

Although an infusion of new General Fund dollars would mitigate this impact, the Board is well aware of the precarious status of general fund contingencies remaining at the conclusion of the Final Budget.

While it may also be possible to mitigate some of this impact by a transfer of general fund dollars from the DA budget to the **HRA** budget, as alluded to by the District Attorney, we would submit however that, based on past experience, this is highly unlikely.

**ORGANIZATIONAL PLACEMENT OF THE WELFARE FRAUD
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In addition to the-above, there are also substantial **costs** that are associated with the possible conversion of positions from the **class** of Welfare Fraud Investigators to the class of District Attorney Inspectors given that inspectors are compensated at a higher pay range and that these positions are included in the 2% at 50 safety retirement program, which as you will recall is considerably more expensive to the taxpayer. This is discussed in more detail below.

Since only **costs** associated with actual welfare fraud **activity** is eligible to be claimed, the General Fund is placed at risk if higher **priority** criminal prosecution cases are assigned to investigators rather than welfare fraud cases. Most **will** agree that the nature of the cases currently assigned to the District Attorney Inspectors are generally of a significant criminal nature, it is therefore easy to understand that DA operated welfare fraud units have a lower rate of case activity than the average of the 58 counties. In keeping with this factor, the general fund **could** be placed at substantial risk if priorities demand reassignment of **resources** to traditional criminal prosecutions.

Regrettably, over the years, the District Attorney's budget has experienced **significant** cost overruns in the Net County Cost. Therefore, to transfer additional responsibilities to the department is not recommended.

Personnel Issues

-Status of Employees: The HRA's welfare fraud investigators are SEIU members. Inspectors in the District Attorney's **office** are members of the DA Inspectors Unit represented by Operating Engineers Local 3. Depending on program decisions by the District Attorney, a transfer of the function may necessitate a conversion of Welfare Fraud Investigators to DA Inspectors. **This** has implications in terms of meet and confer obligations, Union agreement modifications, classification revisions, costs to the taxpayers, **reimbursements** from the state, and overall costs of safety retirement to the County for other **safety** members, as well. Welfare fraud investigators and DA inspectors are paid at different rates, have different benefit structures and are represented by **different** bargaining units. The salary differential, including retirement benefit and employee insurance, for the six investigators and the chief investigator, would increase personnel cost by approximately \$75,000 plus the actuarial effect of the transfer of these employees to safety retirement. These costs are unknown at the present time.

State Labor: Code provisions: In addition to the **classification** changes, any newly created DA Inspector II positions would become subject to State labor Code provision

ORGANIZATIONAL PLACEMENT OF THE WELFARE FRAUD SPECIAL INVESTIGATIONS UNIT

4850, which provides for industrial disability leave coverage for an injured employee. The County would be required to provide up to one year's paid leave per eligible injury. This presents an additional liability to the County.

impact on Retirement System: If the six welfare investigators are added to the safety retirement group, a new actuarial study-would be necessary to determine the actuarial effect of the loss of positions to the miscellaneous unit and the gain of positions to the safety unit. Given that the average age of welfare fraud investigators is 49 years old, the retirement costs for members of the safety retirement group will undoubtedly rise. In addition, safety members are eligible for industrial disability retirement benefits as a part of the safety program.

Meet and Confer: In the event HRA is required to effect layoffs of SEIU members in order to offset the projected cost shifts, the County would need to meet and confer with the Union on these issues.

Other classification concerns: While the SIU currently involves six investigators and one supervisor, if SIU were located in the DA's Office and placed under the supervision of a Chief DA Inspector, there may be classification concerns for the current chief welfare fraud investigator position, which would result from the loss of management responsibilities and organizational placement when compared with the current structure.

Other Programmatic and Policy Considerations

In addition to the factors above, there are other considerations that should not be underestimated which are discussed in the attached material in more detail. These include the fact that the Chief investigator in HRA is also assigned to manage the Civil Rights and Fair Hearings functions which are mandated activities. The loss of this staff position would create a gap which would need to be addressed..

The Chief also performs internal investigations on behalf of HRA. Internal investigations are currently handled within HRA in an effective administrative manner which maintain the highest standard of regulatory achievement as well as maintaining overall staff morale. You will recall the award received by the department for overall error rate achievement. Yet, with the best of management systems, issues do arise that require investigation. In the event outside investigators are necessary, HRA seeks assistance from the DA, Sheriff and city police departments. When appropriate, cases are referred to the DA as the outside agency responsible for prosecution. These

**ORGANIZATIONAL PLACEMENT OF THE WELFARE FRAUD
SPECIAL INVESTIGATIONS UNIT**

referrals are based on the facts in each instance. The internal investigative function is an appropriate management tool for an agency the size of **HRA**. These activities are not appropriately assigned to an outside agency they are in addition to the support provided by outside agencies.

The SIU staff also assists the agency with security assessments and needs. Again, this in house capacity has been demonstrated to be effective by the **excellent** security record of the department.

Another significant advantage cited for the proposed transfer of the unit is the increased law enforcement status, public awareness, access to training resources and staff and the like. These **activities** can **occur** without a transfer and do not serve as a sufficient rationale to disrupt a program that is performing in an exemplary manner, particularly in light of resource constraints.

With regard--to the District Attorney's proposal, depending on the **structure** proposed, shifting **SIU** to the DA would necessitate expansion of DA **office** space to accommodate the new employees. Currently, there is inadequate space available to accommodate a number of department's space requests, including the **DA's** current request to add seven additional **offices**, three soundproof rooms, and a number of other rooms and additional workstations. (See attachment 6 for **background** on this issue).

Although this letter does not address each and every comment by the departments, it is clear that the advantages to the current arrangement far outweigh any perceived benefit by the transfer.

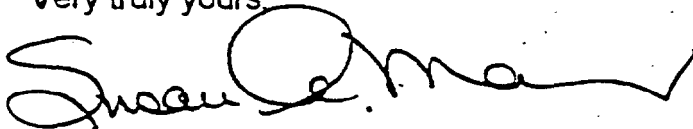
Conclusions and Recommendations

Based on the issues outlined above, there are a variety of fiscal, personnel, programmatic and policy issues involved with the proposed transfer of SIU to the DA office.

**ORGANIZATIONAL PLACEMENT OF THE WELFARE FRAUD
SPECIAL INVESTIGATIONS UNIT**

While all County departments are regularly requested to review program operations and explore potential changes which **would result** in increased administrative efficiency, in this case, there are no compelling **reasons to** transfer the **SUI** unit into the DA's office. It is therefore **RECOMMENDED** that your Board accept and file this **report** and take no further action at this time.

Very truly yours,



SUSAN A. MAURIELLO
County Administrative Officer

SAM:ES/siu1

Attachments

cc: Human Resources Agency
District Attorney

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ATTACHMENT 1



County of Santa Cruz

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HUMAN RESOURCES AGENCY

WILL LIGHTBOURNE, ADMINISTRATOR

1000 EMELINE ST., SANTA CRUZ, CA 95060

(408) 454-4130 OR 454-4045 FAX: (408) 454-4642

November 9, 1996

Agenda Date: November 19, 1996

BOARD OF SUPERVISORS
county of Santa Cruz
701 Ocean Street
Santa Cruz, California 95060

PLACEMENT OF THE SPECIAL INVESTIGATIVE UNIT

Dear Members of the Board:

During the Human Resources Agency's budget hearing, your Board directed us to prepare a report on the implications of moving the Special Investigative Unit (SIU) from HRA to the office of the District Attorney, and our recommendations, if any. The purpose of this letter is to provide your Board with an overview of the functioning of SIU, review programmatic and fiscal implications of moving the unit, and HRA's recommendations on the matter.

FUNCTIONING OF SIU

Each county is required to operate a program with the capacity to investigate actual or attempted fraud associated with the provision of public assistance benefits and public social services. This includes preventive measures at the time individuals apply for assistance so as to deter possible fraud, investigations of complaints and allegations made by members of the public, and investigations of apparent discrepancies between client-reported information and collateral information derived through such sources as the Department of Motor Vehicles, and the Franchise Tax Board. Under cooperative agreements with local district attorneys, serious cases of fraud (generally, locally, cases involving over \$400, or multiple offenses) are referred for prosecution and court-ordered restitution; less significant instances are handled administratively by the agency through such actions as case discontinuances, reductions in grants, and referral to county collections.

In California, the state retains responsibility for investigation of fraud or irregularities in the Medi-Cal program while investigation of suspected fraud in all other programs is delegated to the counties.

An additional function performed in many counties by SIU is the administrative investigation of any suggestions of impropriety on the part of staff providing services to public assistance recipients.

BOARD OF SUPERVISORS

Agenda: November 19, 1996

Special Investigative Unit

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Over the past five years the focus of **welfare** fraud investigation in many counties, including Santa Cruz County, has shifted towards early **fraud** prevention. That is, through **close** collaboration **between eligibility** workers and investigators, emphasis has **been placed on detecting** irregularities at the **application** stage, with **the result** that fewer **fraudulent** cases are ever actually opened, and the costs of both improper payments and after-the-fact investigation and **collection** are avoided.

An additional change in the past few years which impacts the **functions** of welfare **fraud** investigation has been the State of California's waiver-approved "Work Pays" **program**. Work Pays was a component of the state's policy of reducing **AFDC** grant levels, and it increased the amount of income a **recipient** could earn while **still** retaining their grant. **Its** effect, in a sense, was to legalize **what** had previously been violations in cases in which **clients** with small amounts of undeclared income from cottage activities or domestic jobs could **declare** the income and still retain most or all of their benefits. A **concomitant** effect was a reduction in the **number** of cases denied or discontinued for unreported income.

The chart below **depicts** the **flow** of **welfare fraud** investigation, referral, restitution, and cost-avoidance activities over the **period** FY 1987/1988 through **FY** 1995/1996. This period was selected as it coincides with the **structure** of the current **SIU** program.

FISCAL YEARS	87/88	88/89	89/90	90/91	91/92	92/93	93/94	94/95	95/96
INVESTIGATIONS COMPLETED ¹	3.832	2.276	5.277	5.861	4.804	3.724	2.346	3.189	4.341
ALLEGATIONS UNSUBSTANTIATED	2.429	1.405	3.547	3.787	3.385	2.989	1.801	2.552	3.724
ADM CLOSURES DENIALS, DISC & RESTITUTIONS	1.244	715	1.527	1.922	1.238	610	433	549	515
DA REFERRALS ²	159	156	143	152	181	125	114	88	102
RESTITUTIONS ORDERED & ARRANGED (\$)	324,046	337,327	355,480	605,961	704,883	367,535	235,845	258,558	276,922
COST AVOIDANCE AFDC (\$)					3,036,000	1,320,000	1,104,000	1,944,000	1,968,800
COST AVOIDANCE FDCOSTAMPS (\$)					165,160	153,120	110,880	117,920	115,720

¹ Chart incorporates Early Fraud and Regular Fraud Activities. Restitution only applies to Regular Fraud caseload activity.

² Referrals are cases pursued by the District Attorney's office, not the total number of cases referred to them.

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Special Investigative Unit

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Overall **annual** investigations averaged 3,962, with a **sharp** rise in FY 1989/1990 and FY 1990/91, a gradual **reduction** between FY 1991/92 through FY 1993/94, and a **gradual increase** since then. The "peaking" between 1989 and 1991 is **largely** thought to be a result of the program having been reorganized and new staff **having completed** training and successfully tackling a backlog of referrals.

It will be observed that between 1991/1992 and 1992/1993, there was a drop in both **administrative closures** and denials. **This** decrease coincides **with the** start of the intensive prevention **program**, and the changes in **AFDC** program **regulations**.

It will also be observed that there was a very sharp increase in restitutions in the two years between 1990 and 1992, which then declined to levels approximately consistent with the prior three **years**. It is **felt** that two **factors** may explain this fact. First, in **FY 1990/1991**, the **District Attorney** and **HRA** entered into an **agreement** for a designated prosecutor to be funded to handle welfare **fraud** referrals, and this produced very positive results. Also, **FY 1991/1992** saw the **beginning** of the **aggressive new** push on the part of **HRA** for **early** fraud prevention, thus producing **cost-avoidance** and deterrence on the front end, rather than prosecution and restitution **after benefits** had **been** improperly paid for sometimes extended periods of time.

Overall, Santa **Cruz** County has had an active and successful fraud prevention and detection program. The chart **below** displays the percentages of **AFDC** and Food **Stamp case** loads that are accepted for investigation by **SIU**, and compares the **activity** in the average of all 58 counties, in the average of the twelve counties where **SIU** is housed in **district attorney offices**, and in Santa **Cruz County**, as reported in the October-December 1995, Fraud Investigation Report issued by the state,

	% AFDC Caseload Accepted by SIU	% Food Stamp Caseload Accepted by SIU
All 58 Counties	6.0%	5.8%
D.A. - Managed Counties	4.6%	3.6%
Santa Cruz County/HRA	14.1%	9.2%

Santa **Cruz** County has been able to operate **this** very active program in an appropriate and **professional** atmosphere, making every effort both to ensure that taxpayer funds are safeguarded, and to ensure that clients who are operating in difficult conditions and are already under high stress are not unfairly treated, and that **the community** is not led to think of poor families as **uniquely** predisposed to steal or cheat.

To the best of our knowledge, the division of responsibilities **between** investigation within **HRA** and prosecution by the District Attorney has been **effective**, and the District Attorney has

BOARD OF SUPERVISORS

Agenda: November 19, 1996

Special Investigative Unit

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not expressed any concerns about the cases referred by **HRA**. In the event there were ever specific areas of concern, we would have worked **closely** with the District Attorney to t&e **whatever** corrective actions were necessary.

It is important to note **that HRA** is now preparing to implement the provisions of H.R. 3734, the most **far-reaching** change in social welfare **policy** in **sixty** years. While the details of how the state intends to operate the **TANF** program are **not** yet fully known; it is anticipated **that** we **will** be moving **from** a highly prescriptive and regulated federal program to what **will** be, at one level, a much simpler program, yet at another level, a much more **complex** one. That is, it is likely that the benefit portion of the program will be Operated on a simplified basis with reduced client reporting requirements and a significant expansion of the earned-income disregard (thus producing abalooning of the effect of **Work Pays**). Clients will be expected to enter into personal **responsibility** contracts with greatly increased **county** flexibility over provision of supportive services and other transitional programs to help people become **self-sufficient**. That increased **flexibility** based on individual client needs, while desirable in very many ways, will require even greater internal controls to assure program **integrity**.

PROGRAM IMPLICATIONS

Several areas of **program** performance have been considered:

1. Effect on the problem-solving approach to welfare reform.

AS discussed in **HRA's** March 5, 1996, study session with the Board, and **also** as mentioned above, the focus of our services under time-limited welfare reform must be on problem-solving with individual families, helping them resolve whatever **circumstances—whether** brought about by bad luck or bad choices—are barriers to **self-sufficiency**. A proactive and carefully coordinated role for the **SIU** program is a **part** of the vision we have been developing for this future system in Santa **Cruz County**. Decentralizing these functions would make it more difficult to meet our goals.

2. Effect on coordination between income maintenance staff and fraud staff.

Currently, the program benefits from close coordination between front-line income maintenance staff and the fraud investigators. **In** this way we think we are successful in interventions early in the application process so that fraudulent applications are withdrawn or inaccurate information is corrected before a public assistance case is actually opened.

3. Effect on internal **investigations**.

One of the more **important** functions of the **SIU program** for the department is, as mentioned above, its availability for internal **investigations**. That is, the **department** periodically **receives allegations** directed at **particular** Staff that **suggest** behavior that is

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Special Investigative Unit

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impermissible under the agency's code of conduct. Allegations are made on **many** grounds – violation of confidentiality **requirements**, discriminatory treatment, behavior in the **community** that may be **inconsistent with social** worker practice, etc. **Currently**, such allegations are referred by the agency **Administrator** to the SIU staff, and they conduct sensitive investigations and provide **administration with** conclusions about the merits of the allegations. These investigations have proved very **valuable** in terms of establishing **fact**, and have enabled us to both **establish** where **allegations** are **without** merit, and to successfully conclude necessary **disciplinary** actions. with a minimum of dispute with **bargaining** units or civil service authorities. At the same time, staff have confidence that they are being investigated by people who fully understand the programs the agency operates, the climate **in** which it operates, and whose **reporting** will remain within the agency's chain-of-command unless serious problems are uncovered that suggest laws may have been broken, at which point it is understood **that** the issue will be referred to law enforcement. It is anticipated that increased county **flexibility in administration** of assistance **will** require this role to **increase** in the future, and so there is concern as to whether, if the **SIU** program is moved, **we** will have to invest in new internal **investigatory capacity** .

4. Oversight of Fair Hearings/Civil Rights functions.

Currently, the Chief Investigator supervises the agency's legally required Fair Hearings and Civil Rights activities. This was **expressly linked** as those functions are very dependent upon fact-finding in sometimes contentious situations, **and the** Chief Investigator is uniquely positioned in the agency to provide guidance in the area.

5. Impact on agency security.

The Chief Investigator has been specifically trained in violence in the workplace issues and has served a very **valuable** role in advising agency administration on both on-site and in-the-field security needs and practices, is very heavily relied **upon** by managers to help develop strategies for dealing with **potentially** dangerous situations, overseeing the on-site **security guards**, and advises administration on immediate **steps** following incidents.

FISCAL IMPLICATIONS

Moving SIU would result in an overhead cost shift within HRA. That is, **while** some costs associated **with the program** would disappear from HRA, **other** fixed overhead charges such as **agency** administration, county overhead, and direct charges such as data processing, **county** counsel representation, etc., would not be **meaningfully** reduced, and SIU's current share of these costs would have to be **transferred** to other HRA programs. Having run a mock claim (a simulation of HRA's FY 96/97 budget excluding SIU expenses and revenues), we have **identified** the total annualized overhead cost shift within HRA as \$254,934. Because SIU is

highly reimbursed, we currently recover 95 % of these costs from federal and state sources. If these costs are shifted to remaining agency programs, we only anticipate reimbursement for approximately 62% of the costs (this is for two reasons — other programs do not have such high federal/state participation rates, and many of the programs are at maximum allocation levels, so any increased costs become county-only “overmatch”). Thus, this rep-added General Fund obligation of approximately \$96,875. If it were determined that these costs should be reduced within the HRA budget this would require net program reductions of an even greater magnitude as a result. loss of federal and state revenues that are matched in HRA's budget by general funds.

If it is decided to transfer the SIU functions out of HRA, and if the HRA budget was not increased by the \$96,875, given the way the Social Services financing system works in California, it would be necessary to eliminate 4.0 FTE Senior Social Workers from the Child Welfare Services program to offset these effects under the required cost claiming system.

RECOMMENDATION

Having considered the program and fiscal implications, and the implications of the impending changes in public assistance programs, HRA believes that the current system has been working well, offering necessary support to both HRA and the District Attorney. HRA also believes that change at this time would critically hamper the agency's ability to successfully implement the welfare-to-work transitional activities of the TANF program. Accordingly, HRA advises that the SIU program be retained within the agency at this time.

THEREFORE IT IS RECOMMENDED that your Board accept and file this report,

Very truly yours,

Will Lightbourne

WILL LIGHTBOURNE
Administrator

RECOMMENDED:

Susan A. Mauriello

Susan A. Mauriello
County Administrative Officer

cc: District Attorney

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ATTACHMENT 2

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DISTRICT ATTORNEY

COUNTY OF SANTA CRUZ

ARTHUR DANNER III
DISTRICT ATTORNEY

JON E. HOPKINS
CHIEF DEPUTY, CRIMINAL OPERATIONS
G. DAVID GENOCHIO
CHIEF DEPUTY, ADMINISTRATION

October 15, 1996

BOARD AGENDA: November 19, 1996

The Honorable Walt Symons, Chairperson
and Members of the Board of Supervisors
Governmental Center
701 Ocean Street, Room 500
Santa Cruz, California 95060

RE: WELFARE FRAUD SPECIAL INVESTIGATIONS UNIT

Dear Chairperson Symons and Members of the Board:

Since 1970, state law requires that each California county create an investigative unit to specifically investigate allegations of welfare fraud. Although the investigative function is required, the law does not mandate where the investigative unit is to be placed. As your Board is aware, in Santa Cruz County the responsibility for administering the Special Investigations Unit (SIU) has been given to the County's Human Resources Agency (HRA).

Over the last few years, many California counties have studied the feasibility of consolidating their respective county's welfare fraud investigative function with the investigative division of the District Attorney's Office. Twenty counties have already determined that it made both operational and financial sense to consolidate the two investigative units.

In June your Board directed the County's Human Resources Agency to report back on the feasibility of transferring the administration of this county's Special Investigation Unit to the District Attorney's Office. The Human Resources Agency has responded to your Board's directive and is recommending that you reject such a proposal. We have reviewed the arguments presented to you by HRA and suggest that there are other considerations that have merit and should be weighed by your Board before you decide the matter.

SANTA CRUZ OFFICE
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701 OCEAN STREET
SANTA CRUZ, CA 95061
(408) 454-2400
(408) 454-2227 FAX

WATSONVILLE OFFICE
P.O. BOX 223
1430 FREEDOM a m .
WATSONVILLE, Cd 95019
(408) 763-3120

FAMILY SUPPORT DIVISION
P.O. BOX 1841
420 MAY AVENUE
SANTA CRUZ, CA 95061
(408) 454-3700
(408) 454-3752 FAX

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Honorable Walt Symons, Chairperson
and Members of the Board of Supervisors
October 15, 1996
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OVERVIEW

As your Board is aware, President Clinton recently signed what has been described as 'landmark legislation' to overhaul the current welfare system. Even though the local impact of welfare reform is still unknown, I am sure you will agree that there will be less federal and state financial support available locally to provide assistance to people in need. If this prediction is correct, then I would suggest that the County must ensure that what funds are available must go to only those entitled to benefits and not to those who either "cheat" or in other ways try to take advantage of the system.

ADVANTAGES TO TRANSFER

Over the past five years, there has been an inexplicable but dramatic reduction in the number of early fraud investigations completed (-97%), the number of cases referred to the District Attorney's Office for prosecution (-73%) and the amount of restitution ordered from welfare recipients not entitled to benefits (-134%).

FISCAL YEAR	PERFORMANCE INDICATORS		
	INVESTIGATIONS COMPLETED	INVESTIGATIONS REFERRED TO D.A.	RESTITUTION*
Fiscal Year 1990-1991	1,421	152	\$605,761
Fiscal Year 1991-1992	1,195	181	\$704,883
Fiscal Year 1992-1993	727	125	\$367,535
Fiscal Year 1993-1994	597	114	\$235,845
Fiscal Year 1994-1995	721	88	\$258,558

*Statistics reported to State - DPA 266

I cannot explain why there has been such a dramatic falloff in the performance indicators for the three areas presented, but I would be surprised to learn that there has been a corresponding decrease in the amount of welfare fraud occurring in Santa Cruz County.

I believe there are several advantages to transferring the SIU to the District Attorney's Office. First, I believe that there would be a higher quality of law enforcement if the SIU staff was integrated into the experienced investigative staff of the District Attorney's Office. The

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Honorable Wait Symons, Chairperson
and Members of the Board of Supervisors
October 15, 1996
Page 3

transfer would shift **the** County's approach to **welfare** fraud from a social services environment to an -emphasis on law enforcement and avoid the conflict of interest in having the same agency that is distributing funds investigating its own practices. This office's resources would be able to provide enhanced on-going training and supervision for **welfare** fraud investigators. Further, I believe that the transfer would improve the productivity of Income Eligibility Verification **System** investigations by placing a **greater** emphasis on early fraud detection.

The scope of welfare fraud investigations within the Human Resources Agency is restricted by state rules of reimbursement to welfare **fraud** and food stamp investigations. The District Attorney's Office, which is exempt from such regulations, **will** investigate other aspects of welfare fraud such as assisting state investigators in Medical fraud investigations. The District Attorney's Office would also be able to **expand** the investigation in cases that involve hidden assets, using Labor Code violations, tax **evasion** and **other** charges relevant to that particular case.

In the District Attorney's Office there is a concerted **effort** to provide ongoing training. As a Peace Officers Standards and Training (P.O.S.T.) certified agency, District Attorney Investigators are required to complete 24 hours of training every two years. This requirement would not initially apply to the welfare fraud investigators, but they could take advantage of those training sessions which would increase their knowledge of and **expertise** in welfare fraud investigations.

In addition, the welfare fraud investigative staff would have greater access to Assistant District Attorney support outside of the welfare prosecution program, with expertise relevant to specific aspects of individual cases. Welfare fraud investigators would also have greater access to District Attorney Investigators for assistance in serving warrants.

The District Attorney's Office will also develop a plan to increase public awareness of the law enforcement effort to actively enforce welfare fraud laws. The office will attempt to promote public awareness and act as a deterrence to fraud in the following ways:

- prosecuting egregious early fraud **detection** cases to serve as deterrent to repeat offenders.
- reducing the time delay between investigation and **prosecution**.
- investigating and prosecuting the heretofore **difficult** to prove **cases**, such as **those** involving hidden **assets** and organized criminal enterprises.

- instituting a **public** relations and public **awareness** program, including the establishment of an anonymous **tip hotline** and notifying the media of significant arrests and prosecutions.

RESPONSE TO HRA ARGUMENTS IN OPPOSITION TO TRANSFER

FISCAL IMPLICATIONS

The assertion by **HRA** that moving the **SIU** to the District Attorney's Office would cost the County General Fund an **additional \$69,496 is incorrect**. **HRA's** analysis doesn't take into account the overhead that **the District Attorney's Office** will recover on behalf of the County General Fund. Unlike **HRA**, the District Attorney's Office, (with the exception of Family Support overhead recovery), is **generally** not able to recover overhead reimbursement from state and federal sources.. **HRA**, as they point out, even **after the transfer**, would still be able to recover overhead reimbursement at the rate of 62% **from their other programs**. Since **the** proposed transfer of **personnel would only involve six or seven people** out of a total workforce of 460 **HRA** employees, the **reduction** in **HRA's** overhead reimbursement percentage from **94.5%** to 62% **will be more than made up** by **the** District Attorney's **ability** to claim the 94.5% cost reimbursement in areas which are **currently** 100% County General Fund costs.

According to Rick Tibbetts of the State Department Of Social Services Fraud Program Management Bureau, Santa Cruz County should not suffer any financial loss because of the transfer of the SIU to the District Attorney's Office. It is his experience that program and overhead reimbursements are substantially identical whether the program is housed in the District Attorney's Office or in a Social Services agency.

In Santa Clara County and in Ventura County, however, as will be discussed later, one of the specific advantages to transferring the program to the District Attorney's Office was the significant benefit provided to their respective County General Funds.

PROGRAMMATIC IMPLICATIONS

1. Effect on the problem solving approach to welfare reform.
HRA's self-described proactive problem solving approach to welfare reform would not be

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put into jeopardy if the six member SIU was transferred to the District Attorney's Office. It is envisioned that once the changes in the welfare fraud regulations become apparent, that HRA's existing non-investigatory staff, working cooperatively with the SIU, will facilitate any problem solving required.

2. Effect on coordination between income maintenance staff and fraud staff

The HRA Director's letter does not identify what other counties were identified regarding their experience that there has been a "noticed less presence in the income maintenance office where early contact is the easiest." As indicated earlier, the District Attorney's Office would prioritize early fraud detection. There would be no change in the rapport between the front line HRA eligibility worker staff and the SIU investigators since the same people who have already established working relationships would continue to work together. Early fraud detection will in fact be enhanced because of the administrative support provided to the SIU by the Investigations Division of the District Attorney's Office. Currently, shortages in SIU staff has resulted in a backlog in cases of up to four to six months before cases are presented to the District Attorney's Office.

Additionally, we have been informed that the County's Medical unit gives very little cooperation to the State Medical Investigator. Currently, the County provides the state with referrals from zero to a handful per month. The Senior State Investigator who is responsible for investigating MediCal fraud cases indicates that his office should receive about forty to sixty referrals per month for a county our size. The early fraud detection program has proven effective statewide where random selection of applications or all applications are reviewed for apparent discrepancies or are checked out for accuracy before aid is expended. It has saved taxpayers statewide millions of dollars by cutting off people from aid that they are not entitled to because it is so difficult to recover the money once it has been paid out.

3. Effect on Internal Investigations

The District Attorney's Office has a long history of undertaking internal investigations on behalf of other County departments. The District Attorney's Office, as a County agency, is sophisticated about and sensitive to issues that might involve bargaining units or the civil service system. As for the suggestion that staff morale might be negatively impacted by an "outside" agency's investigative oversight, and that employee misconduct should "remain within the agency's chain of command unless serious problems are uncovered," is of concern. I am confident that transferring the SIU to the Investigations Division of the District Attorney's Office will not lead to any public disclosures or embarrassments unless otherwise justified. In the case of the District Attorney's Office, if wrong doing by a

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District Attorney employee occurs, the Attorney General's Office is given the responsibility of investigating and prosecuting the matter. **Analogously**, if a city police vehicle and a citizen are involved in a car crash, the California Highway Patrol is called in to handle the situation to avoid the appearance of a conflict of interest.

4. Availability for Child Welfare Investigations

The District Attorney's Office, along with the Sheriff's Department and the city law enforcement agencies, works very closely with the staff of the Child Protective Services Agency. The full cooperation and resources of the District Attorney's Office have historically been available to assist and train CPS with their investigations.

5. Oversight of Fair Hearings/Civil Rights Functions

The Chief Investigator of the SIU can still provide this service.

6. Impact of Agency Security

SIU personnel are limited purpose peace officers as specified in Penal Code §830.35. Their training and experience is generally limited to the welfare fraud investigation area. They are not provided any safety equipment such as pepper spray, handcuffs, firearms, etc., nor do they have any radios or cellular phones to call for help if they respond to a hostile situation. The SIU personnel are no better equipped to handle dangerous persons at HRA than a secretary or Eligibility Worker. If any emergency response is required, then-either local police or Sheriff personnel are available to respond.

7. Diversion from Welfare Related Activities

The District Attorney's Office currently administers many state and federal programs. The District Attorney's Office is well informed about the requirements of each of these programs regarding the utilization of program personnel and what constitutes a reimbursable expense.

OTHER COUNTIES' EXPERIENCE

Currently, there are twenty counties where the District Attorney's Office has at least some investigative involvement in welfare fraud investigations, These counties include Alameda, Butte, Contra Costa, Fresno, Los Angeles, Merced, Modoc, Mono, Monterey, Orange, San Diego, San Francisco, San Joaquin, Santa Barbara, Santa Clara, Siskyou, Sutter, Tehama, Tulare and Ventura. In Lassen and Sierra Counties, the SIUs are under the administration of the Sheriff's Department. There appears to be a growing consensus that the District Attorney's Office provides the proper environment for administering this unit. In checking with other counties on this matter, there are certain experiences that might be relevant to your consideration of the

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Honorable Walt Symons, Chairperson
and Members of the Board of Supervisors
October 15, 1996
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somebody may check out your Statement of Eligibility.”

Since the transfer of the **Siskiyou** County **SIU** to the District Attorney's **Office** there has been a 30% **increase in case** investigations. **According to the** investigator. in charge of the **unit**, the County General Fund benefitted from the transfer.

In February of this year, the San Joaquin County District Attorney's Office took over the administration of part of **the SIU** program. **Since their taking** over the fraud detection program the total number of welfare fraud convictions for the first nine months of this year has already exceeded the **total** number of convictions for all of calendar year 1995 by 78%. Further, the amount of restitution ordered for the first nine months of this year has exceeded the total restitution ordered in 1995 by 45%.

After the transfer of the San Francisco County **SIU** to the **District Attorney's** Office, completed investigations increased by over 50%.

In 1993 in Santa Clara County the Harvey M. Rose Accountancy Corporation was retained by the Board of **Supervisors** to analyze the cost, workload and other data pertaining to the transfer of the welfare fraud **SIU** to the District Attorney's Office. The Rose firm **concluded** that there were advantages **to the move and recommended that** the Board of Supervisors approve the transfer. The advantages include increased federal and state reimbursement to the county, a broader **approach to welfare fraud** investigation with a more focused effort on complex fraud cases, **increased law** enforcement training for welfare fraud investigators, and a greater **emphasis** on deterrence, and public awareness.

The Harvey Rose report further identified significant **financial** and operational benefits to the county by transferring the welfare fraud investigation unit to the District Attorney's Office. The report concluded by **stating**, "Although it is clear that a substantial amount of planning and interdepartmental cooperation and coordination must occur, the potentially significant financial benefit without impairing the quality of services, is compelling." (In Santa Clara County, the financial benefit to the County **General** Fund was projected to be \$438,000 annually.)

The District Attorneys Office has completed a preliminary assessment of the issues associated with absorbing the SIU into our Bureau of Inspectors. **We** are confident that we can accomplish an effective transition and we are willing to present your Board with a **specific** implementation plan at a later date.

Honorable Wait Symons, Chairperson
and Members of the Board of Supervisors
October 15, 1996
Page 7

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transfer here.

In June, Ventura County's SIU was transferred to **the** District Attorney's Office. **This** transfer of responsibility was recommended by a Ventura County **Citizen's Mandate Review Committee**. As concluded by the Citizen's Mandate Review Committee, the transfer of the SIU function **"will** result in significant net county cost reductions **for operations** in the District Attorney's Office." In the Ventura County situation, the SIU is supervised by a Senior District Attorney Inspector. Under the state's reimbursement **formula**, **92½%** of the cost of the Senior Investigator position would be reimbursed by-state and federal **sources**. **Prior** to the program transfer, 100% of that investigator's costs were funded by the County **General** Fund. In addition, the Mandate Review Committee noted **#at** the transfer of this function to **the** District Attorney's Office would allow for some current administrative overhead and indirect **costs** within the District Attorney's Office to be eligible for the **92½% rate**. In his letter to the Ventura County Board of Supervisors, District Attorney Mike Bradbury noted that he believed **"that** the recommended action to **transfer** (the SIU) represents a **sound** fiscal **position** for **the County** to adopt and also wise **public** policy choice for improving the **overall efforts** to **deter the** commission of welfare fraud."

Last April, the SIU in Merced County was transferred to the District Attorney's Office. According to Chief Inspector Huston Williamson, since the transfer the unit has gone from 'barely working' to one with a renewed vigor instilled with 'a law enforcement attitude emphasizing the detection and prevention of early fraud.'

In Fresno County, the transfer occurred because of dissatisfaction with the performance of that county's SIU. The county decided that what was needed was a shift in the county's approach to welfare fraud from a social services to law enforcement emphasis. The transferring of the unit avoided an apparent conflict of interest in how the county was handling its cases..

According to Chief Investigator David Cox, the San Diego County SIU was transferred to the District Attorney's Office three years ago because eligibility worker fraud was so rampant. A 'scathing- Grand Jury report identified rings within the Welfare Department lining their own pockets and granting aid with virtually no verification to illegals.' According to Chief Cox, "to compare performance stats from the period before the transfer to the period after are not reliable because the Welfare Department had an incentive to keep stats low so that the department looked efficient on paper. Now the unit has a law enforcement perspective supported by the District Attorney's Office which provides better training and equipment to SIU personnel." Early fraud identification is a high priority in the San Diego County District Attorney's Office. About half of the investigative staff are assigned to this functional unit and they believe there has been an immediate impact. "The word has gotten out on the street that the minute you apply for aid, (

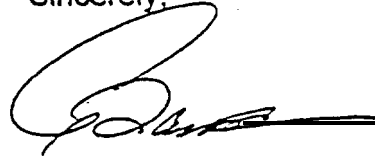
Honorable Wait Symons, Chairperson
and Members of the Board of Supervisors
October 15, 1996
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THEREFORE, IT IS RECOMMENDED THAT YOUR BOARD:

- Approve in concept the transfer of the Human Resources Agency's Special Investigations Unit to the Investigations Division of the District Attorney's Office;
- Direct that the Director of the Human Resources Agency report back to the Board regarding the status of this transfer on December 10, 1996.

Sincerely,



ARTHUR DANNER III
DISTRICT ATTORNEY

cc: Human Resources Agency
Auditor-Controller

SIU.bos

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ATTACHMENT 3

DEPARTMENT OF SOCIAL SERVICES
744 P Street, Sacramento, CA 95814

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11/14/96

November 14, 1996


Mr. Will Lightbourne, Administrator
Santa Cruz County I-lumen
Resources Agency
1000 Emeline Street
Santa Cruz, CA 95060

Dear Mr. Lightbourne:

I was recently asked by Park Cuseo of your staff to provide you with a synopsis of California Department of Social Services' analysis of the Santa Cruz Human Resources Agency's fraud prevention and detection program.

While we do not rank county performances as such, in the annual budgetary process each county's fraud program is evaluated in the context of cost effectiveness before we expend the State and Federal funds, which are approximately 95 percent of the local fraud program's cost. The Santa Cruz SIU operation has never been questioned as to its cost-effectiveness. The county's performance has, from our perspective, always met or exceeded our standards for performance. Please contact me at (916) 323-5674 if you have questions or concerns.

Sincerely,


RICK TIRRETT'S, Supervisor
Fraud Investigation Unit

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ATTACHMENT 4

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REGISTER-PAJ

20 Pages — 35 Cents (tax included)

Watsonville, Calif.

7

Investigators target welfare check thefts

STAFF REPORT

FREEDOM — Investigators from four agencies hit the Pajaro Valley this morning in a crackdown on welfare-check thefts.

Thefts of welfare checks have been increasing for at least six months, Park Cuseo of the county's Welfare Fraud Unit said from a command post set up at the Pajaro Valley Fire Agency station on Freedom Boulevard.

Cuseo said the thefts, and subsequent cashing of the checks, "are well-organized."

The thieves take the checks from unlocked mailboxes, Cuseo said, and then either sell them or get fake identifications matching the name on the check.

Of the welfare checks stolen in the county, 90 percent are in the Pajaro Valley, Cuseo said

Most of the stolen checks are cashed at large stores in Watsonville, Cuseo said. It's the merchant who takes the loss on a check cashed with false ID, he said.

When the stolen checks are sold, the buyer can get a false ID for about \$150, Cuseo said. The checks are generally for \$400 to \$1,000.

The Sheriff's Office is taking the lead in the investigation. Also involved are postal inspectors, the Welfare Fraud Unit and Watsonville police.

8-1-95

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broadcasting."
Please see CBS SELLS — BACK PAGE

SENTINEL
8/2/95

Welfare theft ring 'broken up

By JOHN ROBINSON
Sentinel staff writer

WATSONVILLE — A ring of thieves will no longer live off welfare, according to officers who busted an organization Tuesday that stole dozens of welfare checks from Watsonville-area mailboxes every month

The thievery ring was cashing up to \$15,000 a month in stolen welfare checks, and often followed mail carriers on their routes, removing the checks as soon as they were delivered

Dozens of families were left without money each month until replacement checks could be obtained, according to officers.

"All of us working guys live month to month, and some of these people don't make it to the end of the month (before their money runs out)," said Park Cuseo, chief investigator for the county's Welfare Fraud Unit "They count on their check being there."

The sophisticated ring used up to 30 people to steal the checks. According to Cuseo, the ring kept track of mail carriers and knew

Please see THEFTS — A8

Theft of checks

Continued from Page Ax

their routes and delivery times down to the minute, following them on the first of each month when the checks were delivered.

The thieves would hit three routes simultaneously, officers said. The mail carriers would be watched, and as they entered a certain area, a car would drop off three to five thieves who followed carriers, snatching the checks.

Several cars would shadow the thieves and sweep in, picking them up if there was trouble, or when the thefts were completed, officers said.

"They hit fast, very fast, in some cases as soon as the mail was in the box," Cuseo said

The checks would later be cashed at local supermarkets by thieves using false ID's. The victims would have to reapply for checks after reporting them stolen, a cumbersome bureaucratic process that takes up to two weeks.

After months of thefts, local police agencies and federal mail inspectors targeted the group for arrest.

Mail carriers were given cellular telephones to report when they were being followed, and officers staked out favored thieving grounds.

The thieves emerged as expected Tuesday, the first of the month. According to Cuseo, officers followed the thieves to a house on Marin Street in downtown Watsonville, where 15 people believed involved with the ring were found. Officers also found two welfare checks stolen Tuesday in plain sight and were searching the house

for more.

Six people were arrested in the evening on charges of possessing stolen property and mail theft, according to Cuseo, with more arrests expected.

"We'll be working into the night," Cuseo said. "It was a very sophisticated operation."

The names of those arrested were not available.

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REGISTER - PAJARONIAN
8-3-95

Men arrested in thefts say they're 'all small players'

STAFF REPORT

SANTA CRUZ — Three men arrested Tuesday in Watsonville are "all small players" in a sophisticated welfare-check theft ring, a prosecutor said in court today.

Assistant District Attorney Bob Noonan made the statement in court today for the arraignment of Salvador Alvarado, 21, Javier Castillo, 28, and Jose Guzman Hernandez, 22, on grand theft charges.

The three were arrested when officers from four law-enforcement agencies made a sweep of the Pajaro Valley Tuesday afternoon. Information on a fourth arrestee was not immediately available.

Ring members had been

following letter carriers, then taking welfare checks out of the mailboxes. The ring would make fake identifications to match the names on the checks, then cash them at large stores in Watsonville.

About 515,000 worth of stolen checks were being cashed a month, said Park Cuseo, head of the county's welfare-fraud investigations.

The investigation is continuing, and investigators said they hope to make more arrests.

Municipal Court Judge Tom Kelly denied defense requests that the three defendants be released on their own recognizance pending trial. Noonan argued that the men are not in the country legally and might leave.

Kelly set bail at \$5,000.

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POLICE  BLOTTER

Watsonville

No task force arrest A multi-agency task force aimed at eliminating the theft of welfare checks performed several **surveillances** in the Watsonville area Friday.

While no one was arrested, officials said they will continue looking for people stealing welfare checks out of

mailboxes.

Park Cuseo, chief investigator for the Santa Cruz County Welfare Fraud Department, said he hoped Friday was an indication of the task force's success.

Three people were arrested in August and the task force identified a house involved in fencing stolen checks.

"We either scared them off and some are in jail," Cuseo said.

Officials estimated that about 315,000 worth of welfare checks were being stolen each month.

The lead agencies in the task force are the Welfare Fraud Department and the Santa Cruz County Sheriff's Office. It also includes Watsonville police, U.S. Postal Service inspectors and the U.S. Border Patrol.

The border patrol is involved because the three people arrested last month were all undocumented immigrants. Cuseo said.

Compiled from law enforcement records by staff writer Donna Kimura.

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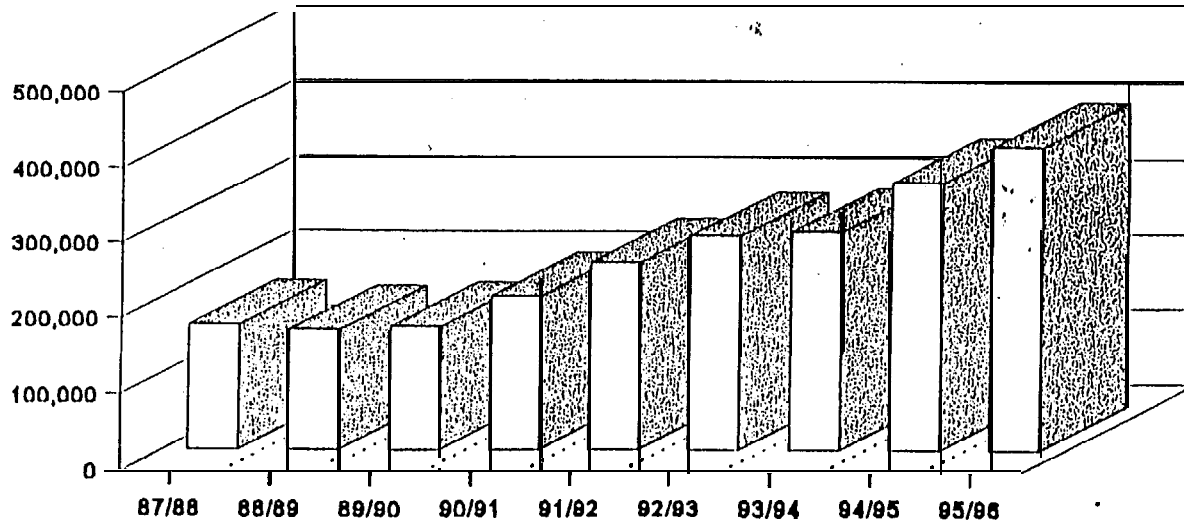
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ATTACHMENT 5

RESTITUTION COLLECTED
F/Y 87/96

87/88	88/89	89/90	90/91	91/92	92/93	93/94	94/95	95/96
163,060	156,720	161,472	202,015	247,166	283,371	289,534	355,730	403,156



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ATTACHMENT 6

COUNTY OF SANTA CRUZ
INTER-OFFICE CORRESPONDENCE

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DATE: October 31, 7996
TO: Carol **Girvetz**, County Administrative **Office**
FROM: Dave Genochio, **District Attorney's Office**
SUBJECT: DISTRICT ATTORNEY SPACE NEEDS

We have received information that second floor space will soon be available for use by other County departments. As you are aware from our many previous conversations on our space needs, our current Government Center office is completely utilized, forcing the staff to work in both an overcrowded and unsafe environment. So that you can evaluate our request for more space, I have identified below what our space needs are and how additional space would be used. **Please note that this list only provides for current needs and does not account for future growth in the office.**

SPACE NEEDS

EXPLANATION

Criminal Prosecutions Division

Four private offices

Two "regularly appointed" attorneys are without an office. These attorneys are forced to use either the conference room, the library or the offices of other attorneys who are on leave. Further, two additional offices are needed to provide work space for the numerous volunteer law clerks and attorneys that assist the Prosecution Division with legal research and writing.

Four additional workstations for support staff

Currently, there is no space available to place even one additional desk for support staff purposes. The Criminal Prosecutions Division has one vacant Legal Secretary position which will be filled within the month. There is currently no work space available for this new

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Carol Girvetz, County Administrative Office
October 31, 1996.
Page 2

employee to occupy. Further, three additional workstations are necessary for Extra Help and Student Worker support staff, who are forced to move from desk to desk looking for a place where they can work.

One additional conference room

Currently, the Criminal Prosecutions Division has one conference room which is used throughout the day. When there is a conflict in use for the conference room the law library has to be used. Using the law library is very disruptive to staff doing legal research and the layout is unsuitable for conference room purposes.

Trial preparation area

Currently, there is no place available for attorneys who are in trial to view boxes of evidence or other courtroom related materials. Nor is there adequate room for the preparation of charts, graphs and other visual displays to be utilized in court proceedings.

Additional space for computer workstations, fax machines, printers and copiers

Currently, because there are not sufficient numbers of personal computers available to be assigned to each employee, the office is required to set up workstations where this equipment can be shared by many employees. Currently, attorney staff who wish to use word processing equipment must either work at the workstation of a legal secretary which is very disruptive to that person's work, or must utilize one of the workstations in the law library which is disruptive to the conducting of legal research. The workstations are placed in the law library because there is no other place to put them.

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One soundproof room for the transcription of audio tapes

The office is overwhelmed with the number of Spanish and English audio tapes that must be transcribed for court. Our experience is that transcribing tapes in an open area is very **difficult** because of disruptions and noise from other people trying to do their own work. There is no place for a legal secretary to go where a tape can be transcribed in a quiet environment.

One video room to view video tapes and/or listen to audio tapes

Currently, video tapes must be viewed in the law library or in the conference room. Many of these tapes are interviews of rape or child molest victims. It is also not uncommon for tapes to contain pornographic material seized from criminal suspects.

Space for the breakroom

Currently, the office breakroom equipment is located in a hallway. This presents a safety hazard in an emergency situation requiring evacuation of the building. Staff must utilize an outside waiting area, also used frequently by victims, witnesses and defendants, as a break area.

Additional space for shelves or file cabinets-for case files storage

The Criminal Prosecutions Division currently has the capacity to store misdemeanor cases for approximately six months and felony cases for three years. Other files are maintained at the office's warehouse on May Avenue. Because of the shortage of staff, warehouse runs are limited to once a week. Frequently, a matter is placed on calendar by the court with this office being provided less than a day's notice. If a file is not retrieved from the warehouse prosecutors must appear in court without any information on that case that is to be heard that day.

Carol Girvetz, County Administrative Office
October 31, 1996
Page 4

Investigations Division

Three additional offices

The Inspectors Bureau currently occupies four single person offices and two larger three-person offices. There is currently 'no space available for the two inspector positions authorized in this year's budget. Also, there is no space available for the inspectors who are assigned to offsite work locations but are called back to the Government Center to assist in an investigation. Also, there is no space available for the numerous federal, state and local law enforcement officers who assist the inspectors in case investigations.

In addition, we believe that in the case of the three-person offices, the inspectors would be more productive if the offices were limited to two persons each rather than three.

Two soundproof rooms equipped with audio and video equipment to record suspect and witness interviews.

For. inspector staff who share offices, private interview rooms are necessary to properly conduct interrogations with a minimum of distraction. Further, the interview rooms will be utilized as a place to conduct polygraph examinations. It is also requested that the interview rooms be provided with "a. one-way glass window" so that others can either observe or videotape an interview without causing a disruption. Frequently, suspects or witnesses from rival gangs are brought to the District Attorney's Office. These individuals need to be separated both for their own safety and the safety of county personnel.

Consumer Affairs

One additional work space for either the paralegal or volunteer consumer advocates

Currently, there is no work space available.

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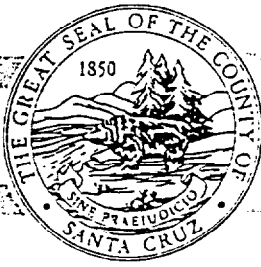
Victim/Witness Assistance Center

A waiting room and **one interview**
r o o m

Currently, crime victims and witnesses are forced to wait for court hearings in **either** court building hallways. or in the hallways of the Government Center. **Ofentimes**, these are victims of sexual assault or domestic violence. In the current situation, there is no privacy offered to the victim or witness and the physical environment they are exposed to provides **little** sensitivity or respect for their needs. Also, the **Victim/Witness Center** is often called upon to "babysit" the children of adult **witnèsses**. It is **ofteñ** difficult to control these children in a hallway environment. Lastly, the space limitations of the **Victim/Witness Assistance Center** require that crime victims be interviewed by program staff in an open environment which is also utilized as a walkway.

spaceded.mem

DISTRICT ATTORNEY



COUNTY OF SANTA CRUZ

ARTHUR DANNER III
DISTRICT ATTORNEY

JON E. HOPKINS
CHIEF DEPUTY, CRIMINAL OPERATIONS
G. DAVID GENOCHIO
CHIEF DEPUTY, ADMINISTRATION

June 3, 1998

BOARD AGENDA: Budget Hearings

The Honorable Janet K. Beautz, Chairperson
and Members of the Board of Supervisors
Governmental Center
701 Ocean Street, Room 500
Santa Cruz, California 95060

RE: PUBLIC ASSISTANCE-FRAUD SPECIAL INVESTIGATIONS UNIT

Dear Chairperson Beautz and Members of the Board:

On November 26, 1996, your Board considered arguments on the merits of transferring the administration of HRA's Public Assistance Fraud Special Investigations Unit (SIU) to the District Attorney's Office. At the conclusion of the hearing, a decision on the transfer was deferred until after the impact of welfare reform had been assessed. Now that welfare reform has been in effect for six months we believe it is time for you to reconsider the matter and determine if the transfer of the SIU to the District Attorney's Office is in the community's best interest.

The primary decision for your Board now, as it was in 1996, is to determine whether the County of Santa Cruz should shift its approach to welfare fraud from a social services response to one that emphasizes a strong law enforcement intervention. You also must decide whether there is a conflict of interest in having HRA, as the agency which is distributing public assistance funds, investigating its own practices. We believe after you have completed your review of the matter you will conclude, as the Boards of Supervisors in Santa Clara and Ventura Counties have already concluded, that by transferring the SIU to the District Attorney's Office the County of Santa Cruz would realize an enhanced revenue recovery from state and federal sources.

In our earlier correspondence, we at some length detailed the experiences of some of the twenty-one California district attorney's offices that administer the Public Assistance Fraud Special Investigative Units. In every instance cited, the wisdom of transferring the SIU from a social service environment to a law enforcement response was validated by reductions in public assistance caseloads, significant increases in early fraud detection, and increased program cost effectiveness. Since the November, 1996 hearing, there have been two creditable studies, one in Ventura County and another in San Diego County, which dramatically illustrate the magnitude of the public assistance fraud problem. In April,

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(408) 763-3120
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FAMILY SUPPORT DIVISION
P.O. BOX 1341
420 MAY AVENUE
SANTA CRUZ, CA 95061
(408) 454-3700
(408) 454-3752 FAX

Honorable Janet K. Beutz, Chairperson
and Members of the Board of Supervisors
June 3, 1998
Page 2

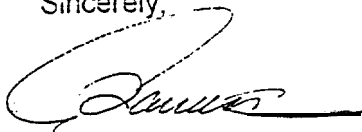
1997, Orange County released the results of a fraud incidence study conducted by the California Department of Social Services and the Orange County Social Services Agency and District Attorney's Office. In the Orange County study, 450 cases were randomly selected from the Orange County AFDC caseload between August and October, 1995. The study found that out of the 450 sample cases, 201 recipients gave false eligibility information to obtain benefit checks and food stamps. In 67% (134) of the 201 cases, the finding of fraud had an impact on eligibility or benefit levels. Using the same selection criteria as the 450 case study sample and assuming that the fraud rate is constant for all public assistance cases, this translates to \$22,500,000 in AFDC and food stamp benefits received fraudulently in Orange County on an annual basis.

In June, 1997, soon after the Orange County study results were released, the San Diego County District Attorney's Office adopted the Orange County study recommendation of face-to-face interviews with aid applicants by undertaking a program of interviewing every applicant in their home. Since the implementation of the District Attorney's program, the San Diego County Department of Social Services has denied 29% of its grant applications and has modified or discontinued 32% of its existing grants. The total savings in benefits "not paid out" in the first nine months of this program is \$3,058,245.

I am sure you will agree that the results of these studies is disturbing. The only conclusion that one can draw is that there is an extremely high incidence of public assistance fraud. It is simply an outrage that the limited public assistance dollars available go to the greedy rather than to the truly needy.

We believe that the time is right for the transfer of the administration of this county's SIU to the District Attorney's Office. However, because HRA has already submitted their application to the state for SIU program funding and that discussions need to occur with HRA to determine where to site the unit and which personnel are to be transferred to this office, we are proposing that your Board take action now on directing the transfer, but defer until the 1999-2000 Budget Hearings a report on how the transfer of the SIU is to be fully implemented.

Sincerely,



ARTHUR DANNER III
DISTRICT ATTORNEY