



CALIFORNIA STATE AUDITOR

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FACT SHEET

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The California State Auditor released the following report today: Department of Social Services

For the CalWORKs and Food Stamp Programs, It Lacks Assessments of Cost-Effectiveness and Misses Opportunities to Improve Counties' Antifraud Efforts

BACKGROUND

The 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 the food stamp program in the State of 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. The counties are ultimately 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.

KEY FINDINGS

During our review of the cost-effectiveness of counties' antifraud activities, we noted the following:

- Neither the counties nor Social Services has performed any meaningful analyses to determine the cost-effectiveness of counties' efforts to detect and deter fraud in the CalWORKs or food stamp programs; therefore, we developed our own analysis of the cost-effectiveness of the antifraud efforts directed toward the two programs.
- Based on our analysis, the measurable savings resulting from early fraud activities exceed the costs of such efforts for CalWORKs and approach cost neutrality for the food stamp program using a three-month savings projection. In contrast, ongoing fraud investigations typically are not as cost-effective because they are more costly to perform. Further, the cost-effectiveness of counties' antifraud efforts varies widely among the counties we reviewed.
- Neither Social Services nor the six counties we visited took sufficient steps to ensure the accuracy of the information contained in investigation activity reports, which Social Services uses to report to internal decision makers, the federal government, and the Legislature.
- Social Services does not ensure that counties consistently follow up on information it provides them that might affect welfare recipients' eligibility. Also, although Social Services asserts that the Statewide Fingerprint Imaging System (SFIS) is an important tool in deterring welfare fraud, it has not adequately determined the cost-effectiveness of SFIS.
- Social Services has been delayed in taking the steps to allocate \$17.2 million to the United States Department of Agriculture and claim California's \$12.5 million share of the \$42.1 million in food stamp program overpayments that the counties have collected.

KEY RECOMMENDATIONS

We made several recommendations to Social Services including the following:

- Ensure that all counties consistently gauge the cost-effectiveness of their antifraud efforts for the CalWORKs and food stamp programs.
- Take steps to improve the accuracy and consistency of the information that counties report to it on welfare fraud activity and to ensure that counties are following up consistently on all information matching welfare recipients to data about their eligibility it provides them.
- Develop a method that allows it to measure the cost-effectiveness of SFIS.
- Expedite the distribution to the appropriate entities the \$42.1 million in food stamp overpayment collections.

