



DIANNE JACOB
SUPERVISOR, SECOND DISTRICT
SAN DIEGO COUNTY BOARD OF SUPERVISORS

AGENDA ITEM

DATE: May 16, 2006
TO: Board of Supervisors
SUBJECT: Protecting the County from Welfare Fraud (District: All)

SUMMARY:

Overview

Counties throughout California are becoming increasingly susceptible to welfare fraud, specifically subsidized childcare scams. In an effort to protect the County of San Diego from welfare fraud, State leadership is needed to prevent fraud and abuse in all subsidized childcare programs.

Recommendation(s)

SUPERVISOR JACOB:

1. Direct the Chief Administrative Officer to draft a letter for the Chairman's signature to the region's State Delegation requesting that legislative action be taken for the State to specifically fund California Department of Education fraud investigation and program security activities throughout the State; as well as seeking legislative authority for the California Department of Social Services to allow the County to discontinue subsidies to an individual provider or parent who has committed fraud until such time repayment has been made.
2. Direct the Chief Administrative Officer to add support for State funded fraud investigation and program security activities for subsidized childcare programs and authority for the California Department of Social Services to allow the County to discontinue subsidies to an individual provider or parent who has committed fraud until such time repayment has been made, to the County's legislative program.

Fiscal Impact

There is no fiscal impact related to this proposal.

Business Impact Statement

N/A

Advisory Board Statement

N/A

SUBJECT:

BACKGROUND:

The threat of welfare fraud is running rampant throughout the State of California in counties such as Los Angeles, where investigators have opened more than 800 cases involving subsidized childcare scams. These scams typically involve welfare-to-work recipients who fabricate employers or exaggerate work hours in order to qualify for taxpayer-financed childcare. They then split the money with friends and relatives who claim to be caring for the children. It is imperative that we, as a County, do everything possible to protect ourselves from this type of fraud.

There are approximately 13,500 children in subsidized childcare in San Diego County. Subsidized childcare is funded through two entities: the California Department of Social Services (CDSS) and the California Department of Education (CDE). The County's Health and Human Services Agency (HHS) processes childcare payments for both CDSS and CDE programs.

Approximately 3,100 children receive childcare through CDSS, while CDE funds childcare services for the remaining 10,400. The average childcare payment is \$457.09 per child per month. However, because childcare subsidies can be larger dollar amounts than the entire public assistance grant, it is critical that program security be maintained in these programs.

The CDSS childcare program is directly linked to CalWORKs and all associated fraud investigation and prosecution costs are funded through the CalWORKs allocation. Under the CalWORKs Memorandum of Understanding (MOU) between HHS and the District Attorney's Office, Agency staff refers suspected CDSS childcare fraud cases to the District Attorney's Office in the same manner that they refer suspected public assistance fraud cases.

In a recent 12-month period, the District Attorney completed 177 CDSS childcare fraud investigations. Fraud was found in 51% of these cases, with an estimated total fraud amount of \$450,000.

In an effort to deter childcare fraud, CDSS has convened a Program Integrity Steering Committee and a Child Care Program Integrity Work Group that include representatives from San Diego County, to identify best practices and the potential need for regulation changes. CDE is also reported to be developing new regulations to tighten up their program rules, however, CDE still does not allocate specific funding for program security, including fraud investigation and prosecution.

HHS has repeatedly approached CDSS with suggestions for program security improvements, and has been involved with workgroups that are attempting to engage

CDE in program security efforts. In the interim, HHS has instituted practices to improve program security that are not utilized by other counties, such as the use of attendance sheets that report daily time in/time out details for each child that must be signed under penalty of perjury by both the parent and the provider for all childcare programs, and the use of a Provider Specialist to enroll all licensed childcare providers, enabling verification of rates charged; existence of the provider; and existence of a business at the reported location.

In spite of these efforts, program security problems exist that lie exclusively under the control of the State. Because CDE does not provide funding specifically for fraud investigations in their childcare programs, which represent the bulk of the subsidized childcare caseload, the County is susceptible to fraud. With adequate state funding, the District Attorney is willing to provide enhanced investigations and prosecutions of CDE childcare fraud cases.

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Also, CDSS does not allow the County to discontinue subsidies to an individual provider or parent if fraud has been discovered, as long as there is an ongoing need for childcare services. This current practice does not discourage fraudulent activities.

In addition, there is no dedicated funding provided for random quality reviews by HHSA staff in the current CDSS and CDE subsidy programs. Quality reviews involve face-to-face interviews and field visits on established cases to re-verify eligibility elements. In the absence of a full fraud investigation, random reviews of subsidized childcare cases could reveal discrepancies that would support early fraud detection.

HHSA has maintained a strong relationship with the District Attorney's office to strengthen program security and customer accountability. With CDE program security funding, a fraud referral system could be implemented for the CDE childcare programs to identify potential fraud cases, leading to eventual prosecution and sending a strong message that fraud is not tolerated.

Today's action directs the Chief Administrative Officer to draft a letter for the Chairman's signature to the region's State Delegation requesting that legislative action be taken for the State to specifically fund California Department of Education fraud investigation and program security activities throughout the State; as well as seeking legislative authority for the California Department of Social Services to allow the County to discontinue subsidies to an individual provider or parent who has committed fraud until such time repayment has been made.

This action also directs the Chief Administrative Officer to add support for State funded fraud investigation and program security activities for subsidized childcare programs and authority for the California Department of Social Services to allow the County to discontinue subsidies to an individual provider or parent who has committed fraud until such time repayment has been made, to the County's legislative program.

I urge your support.

Respectfully submitted,

DIANNE JACOB
Supervisor, Second District

SUBJECT:

AGENDA ITEM INFORMATION SHEET

CONCURRENCE(S)

COUNTY COUNSEL REVIEW	<input type="checkbox"/> Yes	
Written Disclosure per County Charter Section 1000.1 Required	<input type="checkbox"/> Yes	<input type="checkbox"/> No
GROUP/AGENCY FINANCE DIRECTOR	<input type="checkbox"/> Yes	<input type="checkbox"/> N/A
CHIEF FINANCIAL OFFICER	<input type="checkbox"/> Yes	<input type="checkbox"/> N/A
Requires Four Votes	<input type="checkbox"/> Yes	<input type="checkbox"/> No
GROUP/AGENCY INFORMATION TECHNOLOGY DIRECTOR	<input type="checkbox"/> Yes	<input type="checkbox"/> N/A
COUNTY TECHNOLOGY OFFICE	<input type="checkbox"/> Yes	<input type="checkbox"/> N/A
DEPARTMENT OF HUMAN RESOURCES	<input type="checkbox"/> Yes	<input type="checkbox"/> N/A

Other Concurrence(s):

ORIGINATING DEPARTMENT: District 2

CONTACT PERSON(S):

Erin Farris

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AUTHORIZED REPRESENTATIVE: _____