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PRESS ★

STATE SOCIAL WELFARE BOARD

REPORT ON WELFARE FRAUD



STATE OF CALIFORNIA

Department of Social Welfare

JULY 1968

DEPARTMENT OF SOCIAL WELFARE, 2415 FIRST AVENUE
STATE SOCIAL WELFARE BOARD
SACRAMENTO 95818



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JACK W. THOMPSON, EXECUTIVE SECRETARY

July 29, 1968

The Honorable Ronald Reagan
Governor of California
State Capitol
Sacramento, California 95814

Dear Governor Reagan:

Transmitted herewith is the report of the State Social Welfare Board on the subject of welfare fraud in California.

In response to the charge to the Board contained in your letter of July 11, 1967, we convened five public hearings. Those who testified represented recipient organizations, county welfare departments, district attorneys' offices, social workers organizations, public legal foundations and schools of social work as well as individual recipients and other private citizens. The transcripts of the testimony adduced at the hearings and the written statements submitted and considered are available for reading by anyone interested.

The attached report includes a general discussion of the major points developed in the hearings. A summary of our findings begins on page 18 and our recommendations begin on page 20.

There are methods other than public hearings which could be used to more accurately determine the extent of fraud in welfare caseloads. One method would be the use of traveling audit groups nonoriented to social welfare but skilled in fraud detection. The audit teams could make spot checks of recipients' files throughout the state. This is not necessarily recommended by us but is pointed out as a more accurate way of determining the true extent of fraud in public welfare in California.

Welfare fraud is like an iceberg: the total extent of fraud cannot be calculated from the amount now visible. As is the case with all other crime, much goes undetected. For a variety of reasons some are not successfully prosecuted. Convictions for welfare fraud do not represent an authoritative measure of the extent of that crime any more than income tax evasion convictions or convictions for embezzlement reflect the true extent of the number of people cheating on their income tax or embezzling from their employer. The incidence of welfare fraud convictions in California in relation to the caseload, just as convictions for all other crime in relation to the total population, is small. We were not furnished with any authoritative basis for comparison of the proportions of each.

Like all other citizens, the vast majority of welfare recipients are decent honest people. Like all other public servants, the vast majority of social workers and those who administer the highly

The Honorable Ronald Reagan
Page 2
July 29, 1968

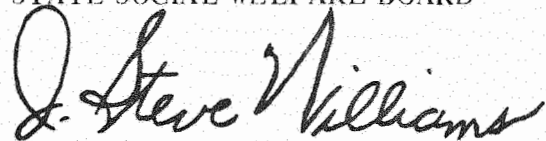
complex welfare programs in this state, are hardworking, dedicated people. In carrying out your basic objective of restoring public confidence in the administration of the welfare system it is important that not only shall uniform policies and procedures be invoked that will assure that, whatever its extent, fraud shall be effectively prevented, diligently detected and vigorously prosecuted, but that, just as with the case of teenagers, the actions and conduct of a few should not serve to cast down the many welfare recipients and workers in the eyes of their fellow citizens. That is the objective of the recommendations presented on the pages following.

The Board wishes to express gratitude for the excellent cooperation received from members of the Advisory Committee on Welfare Abuse as well as the many individuals who gave their time, knowledge and experience on this subject.

We believe that the recommendations contained in this report should be implemented at the earliest possible date.

Respectfully,

STATE SOCIAL WELFARE BOARD

A handwritten signature in cursive script that reads "J. Steve Williams". The signature is written in dark ink and is positioned above the printed name and title.

J. Steve Williams,
Chairman

Attachment

HUMAN RELATIONS AGENCY
Sacramento, California
Contact: Spencer Williams
October 4, 1968

FOR IMMEDIATE RELEASE

The following is the text of a letter from Human Relations Secretary Spencer Williams to Governor Ronald Reagan in connection with the issuance of a report by the State Social Welfare Board on welfare fraud:

"I have carefully reviewed the State Social Welfare Board's report on welfare fraud which I have transmitted to you. The opinion contained in the report that the true extent of welfare fraud in California has never been accurately determined is a concern I share with the Board. It is imperative that we find out.

"I therefore recommend that appropriate steps--both administrative and legislative--be taken to:

- a) determine the extent of welfare fraud in this State;
- b) identify individuals suspected of fraud; and,
- c) continue to encourage prosecution of these violators by the district attorneys in the counties where the frauds are found to be committed.

"Some of the procedures contained in this report, which I believe are necessary to accomplish these objectives, can be achieved by administrative action. Others will require state and federal legislation. Some will require appropriations.

"Among the steps listed in the report with which I concur are:

- * Establishment of traveling audit teams skilled in fraud detection to help determine the true extent of welfare fraud in California.
- * Development of an automated, centralized registry of all welfare recipients. The registry would immediately detect persons who received aid in two or more counties at the same time.
- * The negotiation of changes in existing federal guidelines so that a protective payment plan can be developed for children of fraudulent welfare payment recipients.
- * Stepped-up administrative action and legislative proposals by the State Department of Social Welfare to simplify regulations, standardize eligibility requirements and remove as much detail as possible from published regulations.

* Greater emphasis on the social worker's role in preventing fraud by advising individuals on welfare of the necessity of filing accurate claims and immediately reporting any changes in their status which would affect the amount of payments to which they are legally entitled.

"Through the implementation of these and other steps which may be required, I believe we can better carry out this administration's commitment to the people of California that those truly in need will receive the assistance to which they are legally entitled and those cheating the taxpayers by committing welfare fraud will be detected and prosecuted under the laws of this State."

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STATE SOCIAL WELFARE BOARD

REPORT ON WELFARE FRAUD

JULY 1968

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State of California

GOVERNOR'S OFFICE

SACRAMENTO 95814

RONALD REAGAN
GOVERNOR

July 11, 1967

Mr. Nelson A. Howard, Chairman
State Social Welfare Board
Department of Social Welfare
2415 First Avenue
Sacramento, California

Dear Chairman Howard:

Please consider this letter my formal charge to you and the members of the State Social Welfare Board, as you assume your duties as the advisory body to the Governor and the State Director of Social Welfare.

The principal public welfare concern to which I am now asking the Board to address itself is the abuse of the public assistance program in California.

We are confronted with separate and distinct bodies of opinion as to the magnitude of welfare cheating and abuse of the program. One opinion is that cheating is widespread among the 1,200,000 persons receiving cash subsistence grants in California. The other opinion is that there is only a minimal amount of cheating.

As long as this divisive disagreement exists, the public assistance program is hampered in fulfilling its necessary role of aiding the needy. Until the general public is given the facts, and all of them, this disagreement will continue. Thus, to clear the air of this disagreement, I request that you accept the heavy responsibility of gathering the facts about fraud and welfare chiseling, to check out and weigh carefully the evidence and to report to me the full picture of the situation as you find it. I am sure there is no need to caution against giving weight to unsupported hearsay, rumors, claims and charges that cannot be documented. You and I want no witch hunts. We need a thorough gathering and sifting of factual evidence upon which valid conclusions can be based. I further ask that in this endeavor, you work closely with a standing committee which will be designated by the Administrator of the Health and Welfare Agency.

Yesterday, you attended the Governor's conference on the "The Role of the Legal Profession in Public Welfare," and I urge that you give due consideration

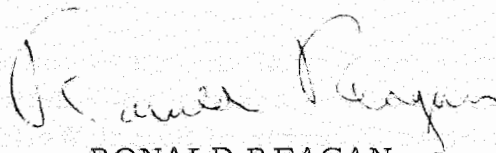
July 11, 1967

to the conclusions reached by the Conference as you prepare to assess the extent of fraud in public welfare.

You are authorized to hold such public hearings at various locations around the State to call witnesses and to do all other similar things necessary for a full and effective study of this matter. I will appreciate your advising me as to the date that I may expect to receive your report.

In order for the Board to function as strongly and effectively as possible in its advisory responsibilities to the State Director, John C. Montgomery, I have authorized him to augment and broaden this charge from time to time during the months ahead. It is Mr. Montgomery's concept and mine that the "public forum" role of the Board can be of great advisory value to him in carrying out his administrative authority and the policy decisions that are his responsibility.

Very truly yours,

A handwritten signature in dark ink, appearing to read "Ronald Reagan", is written over a faint, circular embossed seal. The signature is fluid and cursive.

RONALD REAGAN
Governor

THE STATE SOCIAL WELFARE BOARD

Mr. J. Steve Williams, Chairman
San Bernardino, California
(5/10/67 - present)

Mrs. Dorothy D. Natland
Rolling Hills, California
(6/27/68 - present)

Mr. Nelson A. Howard, Chairman
Pasadena, California
(5/8/67 - 5/17/68)

Mr. Robert E. Mitchell
Norwalk, California
(6/27/68 - present)

Mr. Raymond E. Lee
Beverly Hills, California
(5/4/67 - 5/23/68)

Senator H. L. Richardson
Pasadena, California
(9/18/67 - present)

Walter W. Dolfini, M.D.
Eureka, California
(5/4/67 - present)

Senator Tom Carrell
San Fernando, California
(4/4/67 - present)

Col. Charles A. Bowers
Sacramento, California
(3/14/68 - present)

Assemblyman John Veneman
Modesto, California
(10/9/63 - present)

Mrs. Alexander Ripley
Los Angeles, California
(5/8/67 - present)

Assemblyman John Burton
San Francisco, California
(9/8/67 - present)

Mr. Arthur R. Tirado
Fresno, California
(5/11/67 - present)

Mr. Jack W. Thompson
Executive Secretary
Sacramento, California
(2/19/68 - present)

Mrs. Estella Dooley
San Francisco, California
(5/5/67 - 3/14/68)

THE ADVISORY COMMITTEE ON WELFARE ABUSE

Mr. Edwin C. Steckman
Welfare Investigator
San Diego County
San Diego, California

Mr. Leslie J. Pryde
Supervisor - Butte County
Gridley, California

Mr. Granville C. Peoples
Director
Orange County Department of
Social Welfare
Santa Ana, California

Mr. John C. Montgomery
Ex-Officio Member
Director
State Department of Social
Welfare
Sacramento, California

Miss Mary M. O'Neill
Deputy Director
Los Angeles County Department of
Public Social Services
City of Commerce, California

Mr. James M. Shumway
Ex-Officio Member
Assistant Administrator
Health and Welfare Agency
Sacramento, California

Mr. Louis P. Bergna, Esq.
District Attorney
Santa Clara County
San Jose, California

STUDY PLAN

In an attempt to gain authoritative insight into the subject of welfare fraud in California, this Board convened public hearings in five locations in the State as follows:

January 12, 1968
Redding, California

January 26, 1968
San Bernardino, California

February 3, 1968
Fresno, California

February 16, 1968
San Francisco, California

March 1, 1968
Los Angeles, California

Invitations were extended via press releases, radio, television, letters, and personal contacts to individuals and agencies throughout the state to present evidence on the controversial subject of welfare fraud. In addition to those who presented verbal testimony at the hearings, a significant number of people submitted written testimony but did not appear. Those who testified represented recipient organizations, county welfare departments, district attorneys' offices, social workers organizations, public legal foundations and schools of social work as well as individual recipients and other private citizens.

INDIVIDUALS WHO PRESENTED TESTIMONY AT HEARINGS

Mr. Harold Barnett, Northern Valley Chapter, National Association of Social Workers, Redding, California

Mr. Oran Bollinger, Director, Imperial County Welfare Department, El Centro, California

Mr. Ronald Born, Director, San Francisco County Department of Social Services, San Francisco, California

Dr. Scott Briar, Associate Professor, School of Social Welfare, University of California, Berkeley, California

Dr. Thomas Brigham, Associate Professor of Sociology, School of Social Work, Fresno State College, Fresno, California

Mr. John Cartwright, Public Administrator, County of Fresno, Fresno, California

Mr. Reed Clegg, Director, Fresno County Department of Public Welfare, Fresno, California

Mr. Lynn D. Compton, Chief Deputy District Attorney, Los Angeles County, Los Angeles, California

Mr. R. C. Currier, Los Angeles, California

Mr. William C. Daly, District Attorney, Fresno County, Fresno, California

Miss Frances S. Engel, President, San Bernardino-Riverside Chapter, National Association of Social Workers, San Bernardino, California

Mrs. Alice Escalante, Member, Committee for the Rights of the Disabled, Los Angeles, California

Dr. Frances Feldman, Associate Professor, School of Social Work, University of Southern California, Los Angeles, California

Mr. William F. Ferroggiaro, Jr., District Attorney, Humboldt County, Eureka, California

Mr. Marvin Freedman, Assistant Director, Los Angeles County Department of Public Social Services, City of Commerce, California

Mr. Hilmi Fuad, Director, Tulare County Welfare Department, Visalia, California

Mrs. Cherie A. Gaines, Chief Attorney, Appeals Unit, Legal Aid Society of Alameda County, Oakland, California

Mr. L. Gibbons, Deputy District Attorney, Inyo County, Independence, California

INDIVIDUALS WHO PRESENTED TESTIMONY AT HEARINGS (Cont.)

Mrs. Susan Goodfellow, Local 535, Social Workers' Union of Alameda County
Oakland, California

Mrs. Judi Graham, Yuba City, California

Mr. Louis Gray, Social Workers' Union #535, Santa Clara County, San Jose,
California

Dr. Charles Guzzetta, Associate Professor, School of Social Work, San Diego
State College, San Diego, California

Mr. Robert Hargrove, Deputy District Attorney, San Bernardino County,
San Bernardino, California

Mrs. Bernice Holson, Eligibility Screener, Alameda County Welfare Department,
Union Representative, Local 535, Social Workers' Union of Alameda County,
Oakland, California

Dr. Donald S. Howard, School of Social Welfare, University of California
at Los Angeles, Los Angeles, California

Mrs. Nancy A. Humphreys, Los Angeles Chapter, National Association of
Social Workers, Los Angeles, California

Mrs. Catherine Jermany, President, Los Angeles County Welfare Rights
Organization, Los Angeles, California

Mr. David C. Kelly, Director, Humboldt County Department of Public Welfare,
Eureka, California

Mrs. Helen Little, Chairman, Bay Area Welfare Rights Organization, San
Francisco, California

Mr. Cirilo Lopez, Madera County Welfare Rights Organization, Madera,
California

Mr. Roscoe Lyda, Director, San Bernardino County Welfare Department,
San Bernardino, California

Sister Rosemary Markham, Sisters of Social Service, Los Angeles, California

Mr. Henry Mesple, Director, Fresno County Farm Bureau, Fresno, California

Mr. John J. Morrill, Special Investigator, Shasta County Welfare Department,
Redding, California

Mr. Myron Moskovitz, Directing Attorney, California Rural Legal Assistance,
Marysville, California

Mr. Robert M. Nelson, Social Work Consultant, Project Headstart, Long Beach,
California

INDIVIDUALS WHO PRESENTED TESTIMONY AT HEARINGS (Cont.)

Mr. J. Botello, Farm Worker, Yuba City, California

Mrs. Ollie Payne, Community Worker, El Centro Office, California Rural Legal Assistance, Brawley, California

Mr. Richard B. Peterson, Chief, Family Support Division, Fresno County Department of Public Welfare, Fresno, California

Mrs. Molly Piontkowski, Chairman, Committee for the Rights of the Disabled, Los Angeles, California

Mr. Peter C. Rank, Deputy District Attorney, Contra Costa County, Martinez, California

Professor Wallace N. Rich, School of Social Work, Fresno State College, Fresno, California

Lt. Dwayne Smith, Bureau of Investigations, District Attorney's Office, Los Angeles County, Los Angeles, California

Mr. Lucian Vandegrift, District Attorney, Butte County, Oroville, California

Mrs. Esther Washington, President, San Bernardino Welfare Rights Organization, San Bernardino, California

Mr. Albert L. Wells, Deputy District Attorney, San Diego County, San Diego, California

Mrs. Mabel G. Wells, ACSW, Fresno, California

Mrs. Atleary Williams, Welfare Rights Organization, Fresno, California

Mr. Norman Yates, Executive Director, Apartment Association of Inland Empire, Inc., San Bernardino, California

THOSE WHO SUBMITTED WRITTEN TESTIMONY BUT DID NOT APPEAR

Mrs. Kloh-Ann Amacher, Chairman, Public Social Services Commission of Golden Gate Chapter, National Association of Social Workers, Richmond, California

Mr. Steven Antler, Attorney, San Francisco Neighborhood Legal Assistance Foundation, San Francisco, California

Mr. Stephen Arian, Attorney, San Francisco Neighborhood Legal Assistance Foundation, San Francisco, California

Mr. Lloyd Breakey, Central California Chapter, National Association of Social Workers, Fresno, California

The Honorable Willie Brown, Assemblyman, Eighteenth District, San Francisco, California

Mrs. Mary L. Charles, President, California Social Workers Organization, Santa Clara, California

Dr. Milton Chernin, Dean, School of Social Welfare, University of California, Berkeley, California

Mrs. Kathleen Dohner, Social Worker, San Francisco County Department of Social Services, San Francisco, California

Mrs. Charlie Harris, United People Arriba Welfare Rights, Santa Clara, California

Mr. J. V. Henry, Madera Office, California Rural Legal Assistance, Madera, California

Mr. James Karls, Bay Area Council of Social Work Organization, San Francisco, California

Monsignor Roger Mahony, Director, Catholic Charities, Fresno, California

Mrs. Kristin Ockershauser, Legal Aid Foundation of Long Beach, Long Beach California

Mr. John T. O'Neill, Executive Vice President, California Apartment Association, Anaheim, California

Mr. Antonio Pacheco, Farm Worker, Yuba City, California

Mr. Norman Ribera, Fresno Realty Board, Fresno, California

Mr. Armando Rodriguez, Attorney, Madera Office, California Rural Legal Assistance, Madera, California

Mrs. Deloras Shaw, Hawaiian Gardens Welfare Rights Organization, Hawaiian Gardens, California

Mr. Keith Sorenson, District Attorney, San Mateo County, San Mateo, California

THOSE WHO SUBMITTED WRITTEN TESTIMONY BUT DID NOT APPEAR (Cont.)

Dr. Harry Specht, Associate Professor, School of Social Welfare, University of California, Berkeley, California and First Vice President, Golden Gate Chapter, National Association of Social Workers

Mrs. Emilia Telles, Community Worker, California Rural Legal Assistance, Santa Rosa, California

Mr. Charles Ward, Director, Del Norte County Department of Public Welfare, Crescent City, California

Paul Weinberger, D.S.W., Associate Professor and Coordinator of Research, Department of Social Welfare, San Francisco State College, San Francisco, California

DEFINITION OF FRAUD

In the course of the hearings, and in the review of the written testimony, there were encountered a variety of definitions of welfare fraud. We interpreted the Governor's Charge as being related to recipient fraud. For the purpose of this report the definition of welfare fraud as contained in Department of Social Welfare Bulletin #624 (Revised) will be used. It is as follows:

Fraud by applicants for or recipients of public assistance exists when the applicant or recipient has:

1. Knowingly and with intent to deceive or defraud, made a false statement or representation to obtain aid, obtain a continuance or increase of aid, or avoid a reduction of aid.
2. Knowingly and with intent to defraud, failed to disclose a fact, which, if disclosed, could have resulted in denial, reduction or discontinuance of aid.
3. Accepted aid knowing he is not entitled thereto, or accepted any amount of aid knowing it is greater than the amount to which he is entitled.
4. For the purpose of obtaining, continuing, or avoiding a reduction or denial of aid, made statements which he did not know to be true with reckless disregard of the truth.

FORMS OF FRAUD

There exists a variety of ways in which an individual may fail to report a situation or event or so misrepresent these occurrences as to constitute a suspicion of fraud. By far, the two most prevalent are unreported income and family composition. In Los Angeles County, for example, the referrals to the district attorney's office for investigation revealed that about 55% of these cases were for unreported income, about 40% on the basis of family composition, most of these being an unreported man in the home, and about 5% miscellaneous.

Aside from unreported income and family composition, some of the other more frequently misrepresented factors are:

1. Children Living Out of the Home
2. Reconciliation with Husband
3. Concealment of Husband
4. Social Security, Unemployment and Disability Benefits
5. Child Support Payments from an Absent Father
6. Allowable Expenses
7. Assets
8. Residency
9. Private Medical Benefits
10. Use of Medical Card by Another Person

DISCUSSION OF MAJOR FACTORS RELATED TO WELFARE FRAUD

When aid is obtained by fraudulent means a crime is committed. The number of convictions for such crimes is not necessarily the measure of the extent. The percentage of convictions of welfare recipients for fraud reported in this state is relatively small in relation to the total caseload.

The amount of suspected fraud presently reported to the research statistical division of the State Department of Social Welfare is not necessarily accurate. The lack of uniformity of methods utilized by the 58 counties in detecting and reporting cases of suspected fraud is one reason for this.

In the course of the inquiries, testimony was offered on a variety of factors directly or indirectly related to fraud in California welfare programs. Much of this material was of a subjective nature. As an example of the extreme viewpoints developed in the testimony, a representative of one county testified, "This reasoning results in an estimate of 4000 cases (of welfare fraud) in one year." The representative of another county testified, "...but for the past five years no actual case of fraud has been discovered in..." Some of the major points brought out in the testimony are outlined below.

State Department of Social Welfare

One of the many forms used in the AFDC application process is: ABCDM 200 - Application for Public Social Services. On the back of this form there is a section entitled "Important Notice to Public Assistance Applicants." This section is designed to alert the applicant to the necessity for reporting income, sales of property, etc. No mention is made of the need to report changes in family composition although as reported by Los Angeles County, 40% of the referrals to the district attorney's various offices in that county stem from failure to report such changes.

The activities of the county welfare departments, the special investigation units and the district attorneys' offices with respect to the handling of suspected fraud cases is reported to the State Department of Social Welfare each month. This information is the subject of a quarterly report by the State Department of Social Welfare entitled "Recipient Fraud Report."

There has been some criticism that the Recipient Fraud Report does not reflect the full scope of activity, particularly within the district attorneys' offices, and that it does not take into account those cases in which the district attorney received independent information directly from the community on suspected fraud rather than through the usual channel from the public welfare department. This statistical report, however, is compiled from information gleaned from DPA Form 266.1 submitted each month

and based on data from the county welfare departments and district attorneys' offices. Obviously, the quarterly statistical report from the State Department of Social Welfare is only as reliable as the input data, and those who would take exception to the report should make certain that the monthly report from the county reflects the true timely and accurate picture.

The reporting form has been amended to include a section wherein a district attorney can report those cases in which he receives fraud tips from the community.

The Board heard testimony to the effect that increased staffing in local agency investigation sections would result in the ferreting out of additional fraud. Various staffing standards were suggested.

The fixing of staffing standards for county welfare department investigative units should be accomplished by the State Department of Social Welfare in coordination with county agencies as a regulatory requirement.

County Welfare Departments

Many counties are taking effective steps to free social workers for more frequent and meaningful recipient contacts. This is an effort that should be continued, encouraged and supported. As social workers are freed from menial tasks and given more time to function in a capacity consistent with their training and orientation, they may be better able to reduce the incidence of welfare fraud.

Turnover among public welfare department caseworkers amounts to an average of approximately 30% annually. Such staff turnover creates almost insurmountable in-service training problems not to mention the extremely high cost of such training and the period of time when the new caseworker is not productive. One authority estimated that it takes six months to a year for a new caseworker to become thoroughly familiar with the basic rules and regulations of the particular program to which he is assigned. Administrative changes resulting in the reassignment of caseworkers further complicate this problem. In Los Angeles County which has an average annual turnover of approximately 30% among its 3300 caseworkers over 76% of the social workers have less than two years' experience and 41% have less than one year. The problem of orienting staff members and attempting to interpret the complex rules and regulations of the various welfare programs to the recipient is self evident.

Many counties are making excellent progress in developing in-service training programs which underscore fraud prevention as an integral part

of the casework relationship. The best of such programs involve the formation of close consultative relationships with district attorneys' offices taking full advantage of the techniques, training and experience within the district attorneys' staff. Such training programs not only emphasize the need for the caseworker to acquaint the recipient with his responsibilities but, also, trains the caseworker to be alert for the danger signals which, on investigation, often lead to recognition of some conflict between the information in the record and the situation as it actually exists. The early recognition of these danger signals and the resolution of the conflicts is a major step in an effective prevention program.

District Attorneys

Another subject discussed in the hearings is the fact that some prosecutors issue press releases following a conviction in a case of welfare fraud. The basis for this action is given as the deterrent effect that such publicity has on other recipients who, technically, have the potential of defrauding the taxpayer. Others contend such publicity is harmful and degrading to recipients in general and that the alleged deterrent effect can not be substantiated.

In the course of the hearings, the Board was beseeched by a number of witnesses to recommend the application of a cost-benefit approach to the investigation and prosecution of suspected fraud cases. Under the cost-benefit approach, the case of suspected fraud would not be carried through to its conclusion or beyond the point that the cost of investigation and prosecution exceeded the monetary benefits in the form of restitution which could be expected to result from the full handling of the case. This is an unreasonable approach, since if applied to other criminal matters, it would indicate that, for example, a bank robber should not be prosecuted unless the restitution justified the expense of prosecution and the necessary investigative process. Careful pre-referral screening to weed out those cases which do not, in fact, require more extensive and expensive field investigation will tend to reduce investigative and prosecuting costs.

The usual process by which a case of suspected fraud is handled from its inception to its ultimate disposition is as follows. Ordinarily, the trained caseworker notes a conflict between information contained in the case record and field observation. Information may also reach the caseworker by means of letters, telephone calls, or tips from neighbors, friends, relatives, or occasionally, in the form of an anonymous communication. Occasionally, such contacts are made directly with the district attorney's office which is free to initiate its own independent investigation without having a formal referral from the county welfare department. Usually the county welfare department will be informed of the information received and the conduct of the investigation by the district attorney's office, but in the past such referrals to that office from outside sources have not been included in the statistical reports on fraud submitted to the State Department of Social Welfare.

The caseworker receiving information or observing situations in conflict with the case record will usually attempt to obtain clarification from the recipient. Lacking sufficient clarification or encountering an uncooperative attitude on the part of the recipient will result in the caseworker referring the matter to a special investigation unit within the welfare department. Such units are composed of staff trained in the preliminary investigation of such cases to determine if, in fact, there exists a basis for some formal action by the district attorney's office or if the conflict can be explained in some other way.

Assuming a strong indication of the existence of fraud based upon an omission or misrepresentation of facts or a failure to report certain information or events, the case will then be referred to the district attorney's office where a further investigation may ensue. Ultimately a decision will be made as to the most appropriate course of action, depending upon the facts. At that point, the case may be returned to the county welfare department if investigation reveals that a fraudulent act has not been committed or there is insufficient evidence to warrant prosecution. The special investigation unit within the welfare department may then conduct a further investigation. Assuming the existence of a fraudulent act with supportive evidence, the district attorney may proceed to prosecute as in any other criminal matter.

In the district attorney's processing of a case, it occasionally becomes expedient to have an informal conference with the recipient involved in a case of suspected fraud. These are called citation hearings and are of value in helping the deputy district attorney understand all the facts relating to the case. The results of the citation hearing may be a finding that a fraud has not been committed, it may result in a confession, an offer of restitution, a reprimand, or the decision to proceed with the filing of a formal complaint. Statistical information revealing the number of cases going to citation hearings do not make a distinction between those cases in which no fraud has been found and the cases in which there is fraud and the problem is resolved other than through prosecution.

Social Workers

The caseworker potentially is the single most important person in the prevention of fraud on the part of the welfare applicant or recipient. In spite of this potential, many caseworkers view themselves in an almost exclusive service role in relation to the recipient. Some believe that enforcement of regulations should be the responsibility of others.

The service-oriented caseworker and the recipient must realize that each has certain obligations and responsibilities. The caseworker has the responsibility to become fully acquainted with all of the various aid programs and their governing regulations, to obtain for the prospective recipient the maximum amount of aid to which he is entitled (Sec. 10500 Welfare and Institutions Code of the State of California) and to insure that the recipient has a full understanding of the requirements and restrictions imposed by regulations relating to that particular form of aid.

The recipient, on the other hand, must be made to understand the importance of his meeting the terms of the restrictions and the serious consequences that may result in the event of failure on his part. In this connection, the caseworker must find the means to overcome language barriers and resolve problems related to the recipients' ability to comprehend this important information. This should not be viewed as a law enforcement function but rather as one of the basic goals of casework relationship; that of encouraging individual responsibility on the part of the recipient.

Finally, however, the social worker must be mindful that he is a guardian of a public trust, that he must guard against misuse of public funds and, in the face of a fraudulent situation should take steps to insure an effective and prompt investigation and cooperate in the prosecution of the case. From the standpoint of the social worker some relief from their varied role seems to be in sight. The State Department of Social Welfare has provided for separation of the eligibility and case service functions in the old age security category and is moving in that direction in the other aids. As this separation is accomplished on a broader basis, more time should be available for the social worker to provide direct service to the recipient.

Recipients

Another major factor related to the question of fraud is the ability of the recipient to comprehend the regulatory requirements for reporting such things as income and changes in family composition, assuming a thorough explanation by the caseworker was given. There is ample evidence that welfare regulations are quite complex and the present effort of the State Department of Social Welfare to simplify will have some positive effects, although many requirements result from federal mandates. Therefore, in spite of efforts to simplify, it is of vital importance that caseworkers exercise special care to interpret the recipient's responsibilities into the simplest and most easily understood form, as free as possible from administrative terminology and language. The intent of the regulations should be explained to further impress the recipient of the need for reporting changes that affect eligibility to the welfare department.

General Comments

A greater emphasis placed on staff retention, in-service training, development of close consultative liaison with the district attorney's office and more attention given to the recipient's understanding of his responsibilities, along with the appropriate reminders and effective follow-up, will result in an effective welfare fraud prevention program. In addition, such a program would help to reduce the large number of suspected fraud referrals resulting from agency omission and errors and further reduce the referral of cases in which there is a lack of intent

to defraud. In recognition of the public trust shared by all individuals and agencies involved in welfare service and enforcement, those suspected fraud cases which remain should be promptly and effectively prosecuted.

The information contained in the Governor's Charge relating to the opposing views on the extent of welfare fraud was certainly borne out in the inquiries conducted by this Board. This is a highly controversial subject, and these opposing views are contributing in a large measure to the social stigma attached to welfare recipients and welfare programs. The viewpoint of a segment of the public is that welfare fraud is rampant, and in this context, virtually anyone who must in time of need turn to one of the aid programs is suspect. Those having such negative attitudes and suspicions should be made aware of the legislative intent of the programs which is clearly set forth in Section 10500 of the Welfare and Institutions Code.

"10500. Every person administering aid under any public assistance program shall conduct himself with courtesy, consideration, and respect toward applicants for and recipients of aid under that program, and shall endeavor at all times to perform his duties in such manner as to secure for every person the maximum amount of aid to which he is entitled, without attempting to elicit any information not necessary to carry out the provisions of law applicable to the program, and without comment or criticism of any fact concerning applicants or recipients not directly related to the administration of the program."

The term welfare fraud was viewed almost universally as being synonymous with the program of Aid to Families with Dependent Children (AFDC). A good deal more effort is placed on ferreting out possible fraudulent situations in the AFDC program than in the other aid programs, and, as a matter of fact, when a discrepancy is noted, the problem is usually resolved in a different manner, depending upon the nature of the aid program. Such differential treatment results from the differences in wording in chapters of the Welfare and Institutions Code on the subject of enforcement as related to the various aid categories.

In the AFDC program Sections 11482 provides that a person "...who willfully and knowingly, with the intent to deceive, makes a false statement or representation or knowingly fails to disclose a material fact to obtain aid, or who, knowing he is not entitled thereto, attempts to obtain aid or to continue to receive aid to which he is not entitled, is guilty of a misdemeanor." Section 11483 provides that such a person "...shall make restitution and all actions necessary to secure restitution may be brought against him." The wording in Sections 13800 and 13801 in the Aid to the Needy Disabled is similar. However, Sections 12250 and 12850 which refer to the Old Age Security program, Aid to the Blind, and Aid to the Potentially Self-supporting Blind contain the following qualifying paragraph:

"It is the intent of the Legislature that restitution should be sought by request, civil action, or other suitable means prior to the bringing of a criminal action."

Testimony reveals that as a practical matter these differences virtually rule out criminal prosecutions under these adult programs.

The differences noted above are reflected in Department of Social Welfare Bulletin #624 entitled, "Criteria for Referral of Cases to the District Attorney." This section reads in part as follows:

"When reasonable grounds exist to suspect that fraud has occurred, the case shall be referred to the district attorney for further action.

"Exception: In OAS, APSB and AB, attempts to obtain restitution by request, civil action, or other suitable means shall be used prior to referral, after which the case shall be referred to the district attorney."

The Department of Social Welfare Recipient Fraud Report for the period January through March 1967 lists the number of suspected fraud cases referred to the special investigation units and to district attorneys. Such referrals in the AFDC categories were approximately 17 times greater than in the adult programs, while the AFDC caseload was less than half the adult caseload.

Many persons testified that the true extent of fraud is not known, nor can it ever be determined. This is probably true since the total number of criminal acts is probably not known in any area. It was proposed that an "acceptable alternative" could be obtained by comparing convictions with caseload. Such an approach is invalid since it is based on a faulty premise. The number of convictions do not take into account the many variables, such as:

1. differences in interpretation of regulations;
2. differences in application of regulations;
3. fraudulent situations overlooked;
4. cases of actual fraud lacking sufficient evidence to prosecute;
5. absence of witnesses;
6. cases of actual fraud resolved short of prosecution;
7. statute of limitations;
8. excessive caseloads of investigators;
9. cases which are not referred and/or not prosecuted because of the small amount involved.

SUMMARY

The incidence of fraud convictions within California's welfare programs is small in relation to the caseload. The comparison of fraud convictions with caseload leaves much to be desired. The unanswerable question remains - how much undetected fraud exists?

Fraud can be reduced through increased public awareness and strengthened preventive measures including:

1. better training liaison between caseworkers, investigators and district attorneys;
2. improved orientation of caseworkers and recipients;
3. increased awareness by caseworkers of their responsibility to detect and report suspected fraud;
4. adequate staff and reasonable caseloads for county welfare department fraud investigating units and district attorneys investigators; and
5. A firm and consistent prosecuting policy throughout the state.

Each individual concerned in any way with determining eligibility, providing casework services to the recipient, conducting investigations, or prosecuting cases of fraud, as well as the administrators of the agencies involved, share a role as guardian of a public trust. Each has a vital part to play in promoting the effectiveness of the welfare system for the sake of the recipient and at the same time protecting the taxpayer.

All parties must guard against the utterance of careless and irresponsible statements for whatever motive and to clearly and accurately interpret the facts related to welfare in an effort to correct the damaging misconceptions that now exist.

The administrators of welfare and enforcement agencies have a responsibility to provide the simplest and most efficient administrative and regulatory framework within which the caseworker and the enforcement staff can function with primary emphasis being placed on the ability of the individual to use his training and experience to the utmost.

The social worker must give full recognition to his diverse responsibilities. He must adequately equip himself with the knowledge necessary to insure that each recipient receives the maximum aid to which he is entitled and the service consistent with the recipient's needs in order to effect his return to productive and independent living at the earliest date. He must insure in every case that the recipient has a full understanding of the need to report situations and events which affect his

grant and is prepared to assume the responsibility for doing so. The social worker must be constantly alert for evidence of misuse of funds and misrepresentation of situations and events. When these are encountered, the social worker must give full cooperation in the investigation and possible prosecution of the case. In this context, his role embodies the elements of prevention and reporting. Neither responsibility is in conflict with his helping role in relation to the recipient.

The investigative and prosecuting staffs must act promptly, effectively and with full recognition given to the rights of the individual. When all preventive measures have been taken, there will still exist some cases of wilful and intentional fraud and these should be prosecuted to the fullest extent of the law for the protection of the public as well as the vast majority of recipients on whom the gnawing suspicion of fraud by the misinformed has a devastating impact.

RECOMMENDATIONS

The following recommendations relate to the points developed in the text of this report and/or to the testimony.

1. Changes in federal guidelines be negotiated to establish a protective payment plan for children of fraudulent recipients who lack other resources to make restitutions.
2. In computing overpayments resulting from wilful understatement of or wilful failure to report income, deductions for the standard allowance for incidentals, travel, babysitting, uniforms, etc., related to the income not reported should not be allowed in determining the amount of overpayment, thus providing an incentive to abide by the regulations.
3. The State Department of Social Welfare continue to seek through administrative and legislative action simplification of regulations, standardization of eligibility requirements, and should continue to remove as much detail from published regulations as possible.
4. The State Department of Social Welfare re-evaluate the practical usefulness of the Recipient Fraud Report now utilized. The factors to be included should be carefully analyzed in the light of its purpose.
5. The text on the back of form ABCDM 200 entitled "Important Notice to Public Assistance Applicants", be changed to include the warning that changes in family composition should also be reported to the county welfare departments as has been done on Form CA-201.
6. The state and each county have a carefully constructed workable plan designed to inform and educate the general public on the various aid programs and the people they are helping and the needs they are designed to meet. Extreme care must be used to see that only true and accurate program statements are released.
7. The establishment of an automated centralized state registry containing information on all welfare recipients. Such register would serve a purpose similar to the central register of parents who have deserted or abandoned their children, as described in Section 11478.5 California Welfare and Institutions Code, enacted in 1967. The purpose of such a registry would be to provide a source of information enabling detection of those recipients who apply and receive aid in more than one county at the same time. Other precedence for such a centralized registry are those utilized by Unemployment Insurance, the Department of Motor Vehicles and the Social Security Administration.
8. Legislation be enacted to promote uniformity in the identification and investigation of suspected fraud in all categories of aid.

9. Legislation be enacted to amend Sections 11482, 12250, 12850, 13800 and 11054 of the Welfare and Institutions Code to require that cases of suspected fraud be referred to the district attorney and prosecuted uniformly, regardless of the category of aid involved.
10. The State Department of Social Welfare, together with appropriate local agencies, undertake a study to determine what is a reasonable caseload level for thorough and effective fraud investigations. Thereafter, the department should fix standards to insure adequate efforts to detect and investigate fraud.
11. Close liaison be developed between public welfare departments and district attorneys' offices for the purpose of adding depth and emphasis to orientation of new staff and in-service training for other staff in relation to welfare fraud. State Department of Social Welfare Bulletin #624 (Revised) should be regularly reviewed by the staff and special investigations unit in each welfare department and Training Aid #21 parts a and b relating to recipient fraud should be fully utilized.
12. Efforts be made to reduce the number of unnecessary fraud referrals to district attorneys' offices. A suggested method would be by pre-referral screening by a deputy district attorney prior to the time the caseworker prepares formal referral forms to avoid time consuming paperwork.
13. The final decision as to whether cases of suspected fraud should be prosecuted be made by a representative of the district attorney's office and not by an employee of the welfare department.
14. Greater emphasis be placed on the social worker's role in preventing fraud. This role should be accepted by the profession as an important aspect of casework service to the recipient.
15. A careful and periodic examination of the duties of social workers be accomplished in order to avoid clerical and menial tasks and to take full advantage of their time, training and experience in the casework relationship including fraud prevention.
16. Greater emphasis be placed on the recipient's need for special help in understanding his responsibilities under the program. Special attention needs to be given to the language barriers, intellectual and educational deficiencies and to those having emotional problems.
17. The back of each grant check, while not revealing the nature of the payment, should contain a certification to be signed by the recipient indicating there has been no unreported change in the eligibility status.

We wish to thank those who gave of their time and talent during the course of the hearings. By the submission of this report we do not imply that we are terminating an active interest in this vital subject. Much of the testimony and written material was not related to the Governor's Charge. However, much of what we learned will serve as a wellspring for future Board action.