



United States  
Department of  
Agriculture

Food and  
Nutrition  
Service

Western Region

90 Seventh St.  
Room 10-100  
San Francisco, CA  
94103

SNAP-10-4-3-CA  
Sacramento, San Bernardino, and  
San Francisco Counties

September 8, 2013

Mr. Will Lightbourne  
Director  
Department of Social Services  
744 P Street, MS 8-17-11  
Sacramento, CA 95814

Dear Mr. Lightbourne:

This letter is to provide the State Agency Management Evaluation Recipient Integrity Review (RIR) report on California's Supplemental Nutrition Assistance Program (SNAP), referred to as the CalFresh Program in California, in Federal Fiscal Year (FFY) 2013. This is one of several tools that FNS uses to measure actions taken by the California Department of Social Services and California counties to ensure the integrity of SNAP/CalFresh which provides over \$ 7 billion in food assistance to low-income households; other measurement tools and their outcomes will be discussed separately with CDSS. With California's SNAP being supervised by the California Department of Social Services (CDSS) and administered by the State's 58 counties, the Food and Nutrition Service (FNS) review of ME priorities occurred in various locations throughout the State.

The report covers one SNAP ME priority, recipient integrity. The recipient integrity areas of review include:

- Investigations
- Administrative Disqualifications
- Prosecutions
- Reporting

The review and attached report focus on the CDSS oversight of recipient integrity. There are observations of county process and practices, though our primary focus is on the State's role in ensuring that federal regulations are adhered to at the county level. FNS believes that as the lead agency CDSS' oversight of county operations is essential to ensuring recipient integrity is maintained.

We believe that one of our mutual priorities continues to be increasing efforts to remove bad actors from the Program. While strategies that counties are embarking on vary, the oversight of program integrity efforts remains with CDSS. We met most recently with CDSS integrity and hearings staff in late June to explore additional support FNS might provide to assist efforts in pursuing potential intentional program

violators through the administrative disqualification process. We will continue the conversation and provide additional assistance as efforts move forward to pursue potential traffickers and other fraudulent activity.

We would like to acknowledge the CDSS staff as well as the county staff who provided assistance and access for us during the review. We look forward to continuing to work with staff to find ways to increase and improve program integrity.

Within 45 days of the date you receive this letter, please provide a plan to address the findings as well as the recommendations noted in the report. If you have questions, please contact Hope Rios of my staff at (415) 645-1925, or at [hope.rios@fns.usda.gov](mailto:hope.rios@fns.usda.gov).

Sincerely,



DENNIS STEWART  
Division Director  
Supplemental Nutrition Assistance Program  
Western Region

cc: Pete Cervinka, CA S/A  
Todd Bland, CA S/A  
Maria Hernandez, CA S/A  
Linda Patterson, CA S/A  
CA SPO, POQCS, SNAP, WRO

**Supplemental Nutrition Assistance Program  
Management Evaluation Review**

of

State of California  
Department of Social Services  
Recipient Program Integrity  
*Sacramento, San Bernardino, & San Francisco Counties*

March and April 2013

by

**United States Department of Agriculture  
Food and Nutrition Service  
90 Seventh Street  
Suite 10-100  
San Francisco, California  
94103**

## ACRONYMS

ADH.....	Administrative Disqualification Hearing
AE.....	Administrative Error
ALJ.....	Administrative Law Judge
CDSS.....	California Department of Social Services
CWD.....	County Welfare Department
DA.....	District Attorney
DCA.....	Disqualification Consent Agreement
eDRS.....	electronic Disqualified Recipient System
FFY.....	Federal Fiscal Year
FNS.....	Food and Nutrition Service
IHE.....	Inadvertent Household Error
IEVS.....	Income Eligibility Verification System
IPV.....	Intentional Program Violation
SIU.....	Special Investigations Unit
SNAP.....	Supplemental Nutrition Assistance Program
USDA.....	United States Department of Agriculture
WRO.....	Western Region Office

## DEFINITIONS

**Best Practices:** Exemplary methods or processes being used in one office or State that could be replicated in other offices or States.

**Corrective Action:** Actions proposed or taken by a State or local agency to change or improve operational effectiveness.

**Finding:** Identification of non-compliance with program regulations, policies, and procedures. A corrective action is required.

**Observation:** Identification of a weakness involving management practices or unregulated activity. A suggestion for an alternative action is provided.

**Recommendations:** Statement of actions that address observations made in the review. These actions may or may not be required.

**Required Corrective Action:** Statement of actions that must be taken to correct non-compliance with regulations and established policies and procedures. These actions may be prescribed or the State may be required to determine the actions to be taken.

## Executive Summary

California issued over \$7 billion in SNAP benefits in 2012. FNS estimates that 1.8 million households in California received SNAP in 2012. As of January 2013 an estimated 1.9 million households participated in SNAP in California; an 8.7 percent increase from January 2012, with estimates that half of the eligible persons in the State participate in the Program. Despite the low participation, the State ranks highest in monthly benefit issuance, with an estimated \$632 million in benefits issued for January 2013. Ensuring the rate of fraud and misuse of program benefits is low is one of our top priorities. Our review focused on recipient program integrity efforts at the State and Local level.

To complete the recipient integrity review, FNS reviewed efforts at three counties: Sacramento, San Bernardino, and San Francisco. FNS interviewed staff, observed administrative and court hearings, and reviewed hearing files and data. We also examined information from the electronic disqualification recipient system (eDRS) for timeliness and accuracy of the State's data submission. In addition we met with State Integrity staff and Hearings staff to gain a better understanding of the process for pursuing potential Intentional Program Violators.

Initial observations found the three counties reviewed are working diligently to identify and remove intentional violators from the program. Each county has their own approach to this task and many good practices in place. There were some issues with the timeliness of scheduling and holding administrative hearings in at least one county, as well as in receiving timely Administrative Disqualification Hearings (ADH) decisions and acting on disqualifications promptly to remove persons from the program. In reviewing statewide information we found that many of the 58 counties are not making use of the ADH process to pursue intentional program violations, and some of these same counties had few to no cases being pursued through court prosecutions by their district attorney. Nationwide data for FY2011 indicates California disqualified 264 persons using an ADH process (hearing or waiver) with an average amount of fraud estimated to be \$2,544 per disqualification. The 264 disqualified through ADH is very low compared to other large states:

State	ADH's held in FFY 2011
California	264
New York	1113
Texas	3909
Florida	5000

California pursued prosecutions at a higher rate with 1792 recipients disqualified in FY 2011 with an average amount of fraud per conviction or Disqualified Consent Agreement (DCA) estimated at \$400. Of the cases pursued through court 1438 were convictions, this was the highest number of convictions compared to the other four states. California's success through court compared to large states is as follows:

State	Prosecutions	Convictions	DCA's
California	1792	1438	354
New York	1196	301	895
Texas	2108	1216	892
Florida	1794	373	0

We are concerned that statewide the ADH process is not being sufficiently utilized to pursue IPV's. We met in late June with staff from CDSS' fraud section as well as the State Hearings section to discuss opportunities to work together on ensuring all parties understand SNAP retailer disqualification processes and to explore how to use ALERT data provided by FNS to pursue recipient traffickers through the ADH process. Other areas discussed during the review include exploring what more can be done to achieve higher convictions and disqualifications including timely relaying of information from FNS to CDSS, as well as increasing opportunities for counties to share successful fraud prevention, detections, and prosecution practices with each other.

We consider this report one step in the effort to share successes and lessons learned. We ask CDSS to complete similar RIRs in the state to observe and identify deficiencies as well as best practices for maintaining recipient integrity. We suggest including findings and required corrective actions in the reports the department completes of county efforts. Our review requires a written response within 45 days for each of the findings and recommendations.

**Recommendations and Required Actions Summary Table**

<b>Module</b>	<b>Federal Regulation</b>	<b>Recommendation or Required Action</b>
1- Investigations	272.4(g)	<p><b>Finding</b> None.</p> <p><b>Required Action</b> None.</p> <p><b>Recommendation</b></p> <ol style="list-style-type: none"> <li>1. Continue to promote successful investigative practices across counties.</li> <li>2. Review staffing levels and available resources in each county for successful pursuit of program violators.</li> </ol>
2- Administrative Disqualifications	273.16(a)	<p><b>Finding</b></p> <ol style="list-style-type: none"> <li>1. ADH decisions are not always rendered within the 90-day timeframe required by federal regulations.</li> <li>2. Even when decisions are rendered timely, the information is not always acted on in a timely fashion, e.g., imposing the disqualification and/or entering the data into eDRS.</li> </ol> <p><b>Required Action</b></p> <ol style="list-style-type: none"> <li>1. Ensure the ADH is held and decisions are rendered within the required timeframes.</li> <li>2. Ensure data is entered into eDRS timely.</li> <li>3. Ensure disqualifications are timely.</li> </ol> <p><b>Recommendations</b></p> <ol style="list-style-type: none"> <li>1. Review county staffing levels for ADH processing, including attending ADH on county’s behalf.</li> <li>2. Monitor counties with low ADH and IPV disqualifications, ensure potential IPV’s are pursued through ADH if warranted by all counties.</li> <li>3. Provide opportunities for counties to learn about ADH practices from counties that successfully remove program violators using an ADH.</li> </ol>



Module	Federal Regulation	Recommendation or Required Action
3- Prosecutions	273.16(g)	<p><b>Finding</b> None.</p> <p><b>Recommendation</b> 1. Share best practices across counties.</p>
4-Reporting	272.2 & 273.16(i)	<p><b>Finding</b> None</p> <p><b>Recommendation</b> 1. Review process for ensuring all IPVS are reported timely to FNS through the eDRS system.</p>

## Recipient Integrity Review Report – Detailed Findings by Module

The Recipient Integrity Review (RIR) examines State agency and/or local SNAP offices to determine compliance with Federal requirements governing recipient and benefit integrity in SNAP. The purpose of the review is to determine how waste, fraud, and abuse are handled in the State. The RIR examines the following areas: organizational structure and work flow, fraud referrals, fraud detections, investigations, computer matches, the Administration Disqualification Hearing (ADH) process, prosecutions, the Electronic Disqualified Recipient System (eDRS), and the process for collecting data for FNS reports.

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### Module 1

#### Investigations

**The purpose of the investigations module is to gain an understanding on how investigations of suspected Intentional Program Violators (IPVs) are referred and the protocol for handling the different types of investigations.**

##### **Finding**

None.

##### **Required Action**

None.

##### **Recommendation**

- Continue to promote successful investigative practices across counties.
- Review staffing levels and available resources in each county for successful pursuit of program violators.

Our review of investigations of suspected IPVs found all three counties struggling with the volume of fraud referrals received. The fraud units are responsible for investigating multiple programs including CalFresh, TANF, Child Care, Section 8 Housing, In Home Supportive Services if connected to welfare fraud, as well as employee fraud. Referrals come from data matches, public hotlines, law enforcement, as well as FNS leads. Other matches used by Special Investigative Units (SIU) include BEERS, IEVS which includes National Prison Match, and SSA death matches. Counties also run a local jail in-custody match and at least one county reviewed also ran a California Youth Authority match. The SIU staff accesses DOJ data for drug felony convictions that may be unreported, not a match but as a query on a specific individual that may be under investigation.

Staffing includes investigators hired under contract through law enforcement agencies as well as non-sworn or limited sworn investigators. The three counties we looked at all had sworn staff that review referrals received, investigate leads, and assist the USDA Office of Inspector General (OIG) on retailer disqualifications.

The most frequent type of fraud pursued was for unreported income. These are often discovered through matches of wage information. After preliminary screening the level of benefit received in error due to unreported income and other factors is used to determine if an intentional program

violation (IPV) will be pursued. Pre-established criteria also determine if an IPV is to be pursued through prosecution or via administrative disqualification hearing. Thresholds vary by county and by established agreements with their local district attorney's office.

Some of the more difficult investigations to pursue involve homeless persons. The staff we spoke with noted it is difficult to locate those outside of shelters and these cases are not always cost effective to pursue. Locally investigated trafficking cases are also some of the more difficult to pursue, except those conducted in collaboration with OIG. The trafficking cases require some amount of undercover work and surveillance. This sometimes includes search warrants to seize video cameras from the retailer. SIU staff attempt to match outside video surveillance with in-store video and EBT data to establish trafficking. One successful method for pursuing trafficking is use of the DCA when OIG is involved. In these scenarios OIG provides the SIUs with much of the detail about the trafficking operation. The SIU then offers the DCA to those identified as potential traffickers using the surveillance and other information gathered by OIG. Recently San Francisco compared clients identified in ALERT against DOJ records, and discovered—and removed—convicted drug felons that were not previously known to the agency. This resulted in approximately 10% of the persons on the ALERT match being removed from CalFresh without the additional effort of establishing IPV's through ADH's or waivers.

Another investigative effort is occurring in Sacramento County. The county's IT staff created an EBT data dump. It is a flat file from the EBT download that can be targeted based on SIU parameters to produce ad-hoc reports. Some of the reports developed have looked at EBT client records where 90-100% of the transactions are outside of the county (excluding border cities), and other suspicious patterns. After reviewing the data they may contact the client to confirm whether they are still residing in the county. They began this process in December of 2011 and have 1 FTE Investigative Assistant and 2 part-time Senior Eligibility Specialists working the reports. For calendar year 2012 the county has discontinued 1622 cases due to ineligibility as a result of these efforts.

Working with a vendor, Accenture, San Bernardino County developed an analytical initiative to complement existing detection capabilities and better target known patterns of fraud and/or non-compliance. The key objective of the Analytic pilot was to develop a model that improves investigative processes. The project looks at historical data from certain cases to assist in predicting behaviors indicative of fraud. The cases included those with IEVS discrepancies, prior IPV's, prior prosecutions, and over issuances related to non-reporting. Predictive behaviors were identified such as frequent address changes or moves. Initially the county ranked cases and sampled from the top tier (dollar) for fraud investigations. Adjustments have been made and now the scoring is on risk instead of on value (dollar). For those who are homeless and ranked high, they will look for warrants or drug convictions that could lead to termination as these individuals are difficult to locate. There are six investigators working the analytical cases. Prior to the pilot fraud investigations occurred after approximately 9 months on CalFresh. The goal is to identify the high risk cases within 3 months of approval and investigate sooner. The county continues to monitor and modify the process and we look forward to updates on their success.

Challenges discussed with all counties include resources, staffing levels, volume of fraud referrals received, and the low return on investment for some of the leads received.

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## Module 2

### Administrative Disqualifications

The purpose of the module is to gain an understanding of how the Administrative Disqualification Hearing (ADH) process works, including ADH notices, interviews, how the ADH waiver is offered and accepted, and an overview of how the hearing is conducted.

#### Finding

- ADH decisions are not always rendered within the 90-day timeframe required by federal regulations.
- ADH scheduling process resulted in scheduled hearings at the County level, but no ALJ would appear.
- Even when decisions are rendered timely, the information is not always acted on in a timely fashion, e.g., imposing the disqualification and/or entering the data into eDRS.

#### Required Action

- Ensure the ADH is held and decisions are rendered within the required timeframes.
- Ensure that an ALJ is assigned to all scheduled hearings.
- Ensure data is entered into eDRS timely.
- Ensure disqualifications are timely.

#### Recommendations

- Review county staffing levels for ADH processing, including attending ADH on county's behalf.
- Monitor counties with low ADH and IPV disqualifications, ensure potential IPV's are pursued through ADH if warranted by all counties.
- Actively promote the use of ADH's in counties and provide opportunities for counties to learn about ADH practices from counties that successfully remove program violators using an ADH.

#### ADH processing

Our review of California's ADH processes revealed that decisions were not always rendered within the 90 days required by 7 CFR 273.16(e)(2)(iv). We also found instances in which CDSS would schedule hearings, but an ALJ would not be assigned, so while the County would prepare for the hearing, and oftentimes, the client would appear, there could be no hearing. We discussed both these findings at the exit, and understand that CDSS is taking immediate steps to remedy both these situations. Please include those corrective actions in your response to this report, and how you will track their effectiveness.

#### County Practices

One of our observations was that in San Francisco County, Special Investigation unit (SIU) represents the county in ADH's. Sacramento County is represented by specialized hearings workers. We would recommend that San Francisco County consider the use of hearings workers, or other eligibility staff, to present their cases, as often questions arise that require specialized eligibility knowledge.

Also, there is a high client no-show rate (70-80%) for ADH's in all counties. We recommend that both CDSS and counties consider alternatives to on-site hearings, such as video or audio conferences, in order to reduce State costs of conducting these hearings.

Our conversations with San Bernardino County revealed that whereas previously, they were obtaining IPV determinations through ADH's for traffickers identified through recipient transaction data at disqualified retailers (known as ALERT data), they were no longer being upheld in ADH's. State hearings staff informed us that they are now requiring a higher standard of evidence to find an IPV using ALERT data. We continue to work with CDSS on evidence standards and how counties can best present evidence to support an IPV finding in these situations. This discussion and future exchanges may include additional technical assistance from FNS, other states investigative staff, as well as other state hearings staff.

#### Cost-effectiveness of ADH's versus prosecutions

A larger issue is our concern that California is not utilizing the ADH process to its fullest potential. We found that only 11 counties routinely employ ADH's to pursue IPV determinations. In comparison to other large States, we found that California's ADH numbers are inordinately low, as illustrated in the table below<sup>1</sup>.

State	ADH's held in FFY 2011
California	264
New York	1113
Texas	3909
Florida	5000

Section IV of the FNS State Activity Report<sup>2</sup> reveals that in FFY 2011, California ADH activity included 131 waived hearings and 133 upheld hearing convictions, all resulting in IPV determinations. These 264 disqualifications represented \$671,708 in fraudulent benefits with an average amount of \$2,544 of fraud per determination. While California pursues prosecutions at a higher rate than most States, in FFY 2011 prosecutions resulted in an average SNAP fraud dollar amount of only \$400. We believe that this disparity is due to the high cost of pursuing prosecutions versus what appears to be the relatively cost-effective method of identifying IPV's through the ADH process. In that 7 CFR 273.18(k)(l) allows the State to retain 35% of dollars collected from IPV overissuances, we encourage the State to actively work to expand the use of the ADH process throughout all counties.

Subsequent to our review and our exit conference, we completed a management evaluation (ME) review in Los Angeles County. We took that opportunity to discuss their use of the ADH process, and discovered that L.A. County held only 14 ADH's between April 2012 and April 2013. This seems an inordinately low number for such a large county, and we encourage CDSS to work with L.A. County to increase their use of the ADH process.

<sup>1</sup> Information extracted from the FNS State Activity Report for FFY 2011, found at [http://www.fns.usda.gov/snap/qc/pdfs/2011\\_state\\_activity.pdf](http://www.fns.usda.gov/snap/qc/pdfs/2011_state_activity.pdf)

<sup>2</sup> [http://www.fns.usda.gov/snap/qc/pdfs/2011\\_state\\_activity.pdf](http://www.fns.usda.gov/snap/qc/pdfs/2011_state_activity.pdf)

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## Module 3

### Prosecutions

**The purpose of this module is to gain an understanding of how a suspected IPV is processed through a prosecution in court.**

To complete this module FNS reviewed 25 prosecution cases from Sacramento County. Twenty of these resulted in convictions. Of those twenty, 11 were felony drug convictions, 5 were for unreported earnings, and the remainder was other types of fraud. Nine of the felony convictions had dollar errors exceeding \$10,000 which included a combination of TANF and CalFresh received fraudulently. All but two of the court convictions were disqualified timely and all of the IPV's were entered into eDRS timely, with almost half entered to the State's feeder system prior to the DQ start date.

The Sacramento county DA pursues fraud for SNAP and other assistance programs. The county SIU staff provide all information up front to the prosecutor and the case is "trial ready" when sent forward. The DA and SIU have a good working relationship and pre-established thresholds for referring cases to the DA are in place. Our observation of the court proceedings found the district attorney and public defenders working cooperatively, attempting to reduce felony charges to misdemeanors when appropriate, and postponing court proceedings to allow time for additional restitution to be made for a reduction of the charge. Clients present for the court proceedings appeared aware of their options and willing to meet payment benchmarks set by the DA as part of the agreement to postpone the trial. We did not observe any trials; all court appearances resulted in postponements.

We found the Disqualified Consent Agreement (DCA) is used most often for clients accused of selling benefits. There are agreements between counties and the DA's allowing counties to secure the DCA. These are often presented by Criminal Investigators who may be working with FNS OIG on a retailer trafficking operation. One recent operation involved 50 people trafficking. Of those contacted by SIU staff 48 signed the DCA, 1 also had unreported income, and 1 had misdemeanor charges filed against them and signed the DCA prior to the court date. We did not hear of instances of using the DCA outside of retailer trafficking actions. The DCA agreements had all required language included and notices to clients disqualified after signing the DCA were clear and correct. All eDRS entries were timely, with some entries occurring prior to the start date of the DQ.

### Findings

- None

### Recommendation

- Share best practices across counties.

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## Module 4

### Reporting

The purpose of this module is to reconcile the data provided by the State to complete the FNS-366b.

This module also includes a review of the Electronic Disqualified Recipient System (eDRS) to ensure that all disqualified recipients are added to eDRS within required timeframes. The module also includes a review of the accuracy of data to eDRS: Disqualification Start Dates, Decision Date, Penalty Length, and Offense codes and descriptions.

#### 366B Reconciliation

The review module requires comparing data on the number of disqualified recipients as reported on the FNS-366B report to the number of disqualified recipients reported in eDRS. The comparison found a total of 2167 on the 366B and 2079 in eDRS. The two reports were within 4% of each other, well below the 10% threshold of this module. There are no findings or recommendations for this review area.

#### eDRS

The purpose of this portion of the module is to ensure timely, accurate entry of disqualified recipients to eDRS. An individual disqualified should be posted to eDRS no later than 30 days after the disqualification took effect, as required by 7 CFR 273.16(i)(1). The review is completed by pulling a sample of 20 cases using the eDRS ad-hoc query and comparing the following data to the state/local information:

- Name
- Social Security Number
- Start Date
- Penalty Length

In California the counties have a web-based feeder system to relay IPV information to the State. The State then batches the county-submitted information to eDRS on a monthly basis. In our review of Module 2, Administrative Disqualifications, we found all but one case had accurate information entered into eDRS; one case had a misspelled name. Had that case been included in the sample pulled for Module 4 it would have resulted in a finding. As the case was pulled for Module 2 and we noticed the incorrect name when looking at eDRS for capturing entry dates, we are not considering it a finding in Module 4. We notified the county of the error and our expectation is the name will be corrected in eDRS.

#### Finding

- None

#### Recommendation

- Review process for ensuring all IPV's are reported timely to FNS through the eDRS system.