

HUMAN SERVICES COMMITTEE



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Back row: William Hutson, James Coughlin, Darrell Freeland (chair), Robert Deao

Front row: Dianne Tolbert, Sandra Munson, Floydia Wilson, Felix Diaz

HUMAN SERVICES COMMITTEE

Introduction

The Human Services Committee reviews social services operations in the County, including:

- Agriculture Commission/Weights & Measures
- Animal Regulations
- County Library
- Economic Department
- Hospital
- Housing & Community Development
- Human Services
- Mental Health Services
- Non-profit Corporations
- Parks & Recreation
- Public Health
- School Districts, including County Superintendent of Schools
- Veterans Services

The following departments or agencies were reviewed:

- Agriculture Commission/Weights & Measures
- Barstow Community Hospital
- Department of Aging and Adult Services, Meals on Wheels
- Department of Human Services, Public Integrity Division (PID)
- Department of Public Health
- Department of Veterans Affairs
- Performance Educational Resource Center
- Preschool Services/Head Start Program
- San Bernardino County Museums
- Sheriff-Coroner, Public Administrator and Department of Aging and Adult Services.
Public Guardian Warehouse
- Yucaipa-Calimesa Joint Unified School District

The Human Services Committee received three complaints filed with the Grand Jury and investigated two of them with one report.

The following report is included in this Final Report:

- Department of Human Services, Program Integrity Division: Electronic Benefit Transfer Card Fraud

**HUMAN SERVICES
PROGRAM INTEGRITY DIVISION
ELECTRONIC BENEFIT TRANSFER (EBT) CARD FRAUD**

INTRODUCTION

In June 2011, a complaint was received by the Grand Jury regarding the County Human Services Department, Program Integrity Division's (HS-PID) investigation into EBT card fraud cases as follows: "when parolees, probationers, documented gang members and ex-convicts are encountered, and are in possession of a card not bearing their name." The Fraud Investigation Unit is required to prevent, identify, investigate and prepare for prosecution cases involving abuse of the welfare system.

The Grand Jury decided to look into the matter and an investigation began. Principles of the Public Integrity Division/Welfare Fraud Unit and the District Attorney's Office were interviewed to learn how EBT card fraud cases are investigated and processed.

BACKGROUND

An EBT card is an Electronic Benefit Transfer card issued by the County and has funds loaded on it which consist of cash assistance and food stamps as outlined by the Federal Code of Regulations (7CFR 274.12(h)(6), with Quest Operating Rules and with the International Organization for Standardization's (ISO) standard 7811. The placement of the magnetic stripe, the number of tracks and card dimensions are in compliance with ISO 7811 technical specifications and the card is non-expiring and contains a high-coercivity magnetic stripe.

Individuals qualifying for these cards are approved by the County and must meet a criteria based on the size of one's family, budget, and household expenses, i.e., utilities and rent. Upon approval, the recipient is issued an EBT card, which works like a bank debit card. The recipient chooses a pin number while in the issuing office. Depending on their entitlement, cash assistance and/or food stamps, one or both, are loaded by the County once per month on the card.

Photographs are not required on these cards. The EBT card's cash assistance can be used anywhere the card is accepted which includes thousands of locations.

One area where fraud is occurring is when an EBT card has been sold to a person whose name does not appear on the card. The HS-PID is not able to prosecute that person who purchased the card but can go after the person whose name is on the card. The HS-PID supplied us with an EBT Fraud Detection/Prevention Report for 2011 which offered the following information:

| TYPE OF REPORT | HOW OFTEN REVIEWED |
|---|---------------------------|
| Out of State EBT Usage | Monthly |
| EBT Card Issued on Closed Case | Monthly |
| Multiple EBT Card Issued | Quarterly |
| Multiple High Dollar Amount Transactions | Quarterly |

FINDINGS

1. Complaints received by the HS-PID came from a number of sources such as confidential Hotline, e-mails, Caseworker Narrative Section, anonymous and un-anonymous informants, Integrated Earnings Verification System (IEVS) used by case workers of the HS-PID, and We-Tip.
2. EBT cards are not generally tracked unless there is a red flag such as large purchases, substantial funds spent in a short period of time and funds being used out-of-state. Also, most individuals receiving EBT cards are fingerprinted. However, a single mother under the age of 18 is not required to be fingerprinted; although immediately following the 18th birthday, the fingerprinting requirement begins.
3. Welfare Fraud Investigators report recipients who receive EBT cards who are investigated for abuses, are imposed the following penalties: first offense, six months off the program; second offense, 12 months off the program and third offense are disqualified from the program. In those cases, where recipients are overpaid, they are allowed to reimburse the County and are not always subject to incarceration.
4. After conducting our interviews with members of the HS-PID, we learned that the investigators do not handle complaints from law enforcement, but if such a complaint is received, they go directly to the supervisor. The fraud investigators handle issues concerning eligibility, residential discrepancies, household compositions and unreported income. On the other hand, the District Attorney works with general welfare cases having to do with entitlement, failure to report income, household composition and illegal acquisition or use of a card. However, they admitted they do not see a lot of these matters.
5. The District Attorney's Office does not investigate EBT card fraud cases unless the amount is over \$950 and the case has been referred to the DA's office. Currently, there are two cases pending trial involving two County employees embezzling \$100,000 - \$500,000 with the help of their family members assisting in the embezzlement. In the past, the DA's office reports that for several years they have received at least 40 cases from the HS-PID. However, now they receive about 12 cases.
6. Based on information we received from both the District Attorney's Office and the Welfare Fraud Investigators, investigations relative to EBT card fraud are specifically investigated by the Human Services Program Integrity Division.

7. In addition, we learned from the District Attorney’s Office, they are not able to prosecute cases, as they have been in the past, because they do not get cooperation from the Human Services Department who can provide the evidence needed in these matters. Also, in court cases information needed is not released and investigators are not allowed to assist in witness needs. The District Attorney’s Office extended an invitation to the HS-PID to participate in sweeps in conjunction with some 850 cases involving arrests and warrants. However, the operation was halted because the department was unwilling to get involved. The HS-PID, however, does admit they are aware of EBT card fraud and it is a “big thing.” They have witnessed cards being sold on Craig’s List and EBT cards being advertised in an effort to solicit a buyer and they do watch these activities.

RECOMMENDATIONS

- 12-20 Create a cooperative environment between law enforcement agencies and the Welfare Fraud Unit so that complaints concerning fraud can be processed, saving taxpayer dollars. (Finding 7)
- 12-21 Assign an investigator in the Welfare Fraud Unit to specifically handle EBT card fraud matters of any kind. (Finding 4)
- 12-22 Impose more stringent penalties upon recipients who abuse EBT card privileges rather than eliminating them from the welfare program after a third offense. (Finding 3)
- 12-23 Ensure that EBT cards include a photograph of the recipient and require fingerprinting at any age. (Finding 2)

| Responding Agency | Recommendations | Due Date |
|--------------------------|------------------------|--------------------|
| Board of Supervisors | 12-20 through 12-23 | September 29, 2012 |