

# Press Reports and Audits on Governmental Waste, Fraud and Mismanagement

Compiled by the California Taxpayers' Association

---

## Child Care

---

### **\$1.5 billion: Child-Care Welfare Fraud**

**Dollar Amount: \$1,500,000,000**

Authorities in Los Angeles County say an increasingly popular type of welfare fraud involving child care is "looting the public treasury" by as much as \$1.5 billion a year – statewide. James Cospser, head deputy district attorney in the county's Welfare Fraud Division: "There is so little regulation. The Legislature is either unaware or indifferent to the tremendous losses. It's a completely broken and dysfunctional system" that is a "tragic looting of the public treasury." Fraud takes 40 percent to 50 percent of the annual \$600 million child-care allocation for Los Angeles County, and, Mr. Cospser said his counterparts "up and down the state" have similar estimates of fraud loss from a statewide program that costs taxpayers as much as \$3 billion a year. Fraud typically involves welfare-to-work recipients who make up employers or exaggerate work hours to qualify for child care assistance. A person with five children can be paid as much as \$5,000 a month from the program. They split the cash with friends and relatives who pretend to be caring for the children. (Caltaxletter: 2/3/06 from Los Angeles Daily News, 1/31/06.)

**Region:** So. California

**Jurisdiction:** County

**Source:** LA Daily News - Jan. 31, 2006

---

### **Billion in Penalties for Missed Deadlines**

**Dollar Amount: \$1,300,000,000**

A December report by the California State Auditor notes that the state's failure to implement a statewide automated child support collection system will cost the state \$1.3 billion in federal penalties by 2006. The state has been fined since 1998, and the fine in 2003 is estimated to total \$207 million, the auditor noted. The Contra Costa Times (December 18) article noted that South Carolina is the only other state paying fines for failing to meet the 1997 federal deadline. California now uses a variety of systems to track payments. California taxpayers spent some \$111 million for a system that failed in 1997, the newspaper reported, and now state child support officials are negotiating with a consortium led by IBM for automated collection technology. The consortium submitted the lone bid for the project, valued at \$1.3 billion over 10 years. Department of Child Support Services Director Curt Child said the audit confirmed that the department is meeting its goals. "This thing is on track," he said, adding that the federal government could stop its fines as soon as the 2005-06 fiscal year. The San Francisco Chronicle (December 23) reported that about \$1 billion in support was collected in 2001 throughout California, only 41 percent of the total amount of child support owed. That's just slightly better than the 40 percent from the year before. (Cal-Tax Update: As of 2007, the state will comply with federal requirements.)

**Region:** Statewide

**Jurisdiction:** State

**Source:** Contra Costa Times - Dec. 18, 2004

---

## Grand Jury Calls Child-Care Program "ATM for Thieves"

**Dollar Amount: \$500,000,000**

The Los Angeles County Grand Jury called child care programs an "ATM for thieves" that cost taxpayers \$500 million a year in fraudulent claims. (This is more than was previously estimated in this county.) Jurors said the failure of county social workers to verify that welfare-to-work recipients qualify for child care has resulted in about half of the \$1.1 billion CalWORKS child-care program being lost to fraud. (Caltaxletter: 6/30/06 from Los Angeles Daily News, 6/30/06.) The newspaper also reported (10/24/06) that county prosecutors believe this kind of fraud can be reduced by two-thirds if an independent agency would conduct random, unannounced visits to welfare-to-work participants' homes, according to recommendations from a Citizens' Economy and Efficiency Commission.

**Region:** So. California

**Jurisdiction:** State

**Source:** LA Daily news - June 30, 2006

---

## Foster Care Needs Oversight

**Dollar Amount: \$23,000,000**

Although more than \$11 million has been spent studying California's foster care program in the past three years, no dramatic progress has been made toward dealing with the \$2 billion-a-year program's shortcomings. That was a conclusion of the state's Little Hoover Commission, whose chair, Michael Alpert, said, "With no one in charge, the foster care system fumbles forward, and often backward, and costs children and families their happiness, their prosperity and even their lives. The buck stops nowhere." Los Angeles County spent \$12 million in the past three years settling lawsuits involving foster children who died or were abused. The article was in the Los Angeles Daily News (February 4, 2003).

**Region:** Statewide

**Jurisdiction:** State

**Source:** LA Daily News - Feb. 4, 2003

---

## Fresno County Overpaying for Foster Care

**Dollar Amount: \$1,700,000**

Fresno County has overpaid \$1.7 million for foster care of children over the last 12 years. On November 8, the county's Board of Supervisors decided to develop a policy that will prohibit foster care placements with businesses that owe the county for overpayments. Supervisors were also grumpy with county officials who intended to ask the supervisors to write off the overpayments. Supervisor Henry Perea said, "I don't see us holding foster care agencies' feet to the fire." (Fresno Bee, November 9, 2005.)

**Region:** C. Valley

**Jurisdiction:** County

**Source:** Fresno Bee - Nov. 9, 2005

---

## More Child Care Fraud is Found

**Dollar Amount: \$450,000**

\$9,000,000

**Region:** So. California

**Jurisdiction:** County

**Source:** SD Union-Tribune - May 17, 2006

---

