

Press Reports and Audits on Governmental Waste, Fraud and Mismanagement

Compiled by the California Taxpayers' Association

Welfare

Unemployment Insurance Fraud

Dollar Amount: \$280,000,000

The Sacramento Bee (July 31, 2003) reported skyrocketing unemployment insurance claim fraud in 2002, totaling \$280 million. That's almost a fourfold increase since 2000, the newspaper said. There has been a significant increase in fraudulent claims stemming from stolen or compromised personnel records. The Bee, based on internal memos and information from Employment Development Department staffers, reported that there are key weaknesses in the state's benefit system. For example, the department issues control numbers and benefits to people who file claims under a Social Security number that belongs to another person, living or dead. Claimants also can file for benefits over the phone or online, making it easier to falsify their identities. Criminals have been successful in the creation of fake employers, and the department depends on employers to report fraudulent claims. According to The Bee, insiders at the department say a search for quick fixes has resulted in "superficial seals on gaping holes." The Bee quoted EDD spokesperson Loree Levy as saying the department's primary mission is to provide quick service to those out of work. She also said the department is spending \$80 million to update its 30-year-old computer system so officials can cross-check claims with a state directory of newly hired employees. Elsewhere on the UI front: Orange County Auditor Peter Hughes has concluded that the county may have to refund some unemployment insurance money back to state and federal agencies because \$3.2 million was spent on things unrelated to unemployment expenses since 1998. For example, the Orange County Register reported (May 29, 2003) that the county's human resources department used UI funds to pay for "enlightened leadership" management training. False claims to the state for unemployment insurance have ripped off an estimated \$16 million over the last five years, according to investigators. The Fresno Bee reported (May 3, 2003) that state and federal investigators found that most of the checks, totaling millions of dollars, went to about a dozen people. On May 2, six defendants from San Joaquin appeared in federal court in Fresno on charges of conspiracy and mail fraud. It is part of an ongoing investigation. The fraudulent payments have been uncovered since a Fresno County sheriff's deputy, making a routine traffic stop early last year, noticed the driver had keys to several hundred post office boxes throughout the Central Valley.

Region: Statewide

Jurisdiction: State

Source: Sacramento Bee, July 31, 2003

"You Work, They Steal"

Dollar Amount: \$127,000,000

At least \$127 million in unemployment insurance payments were involved in fraudulent claims because the state hasn't checked to make sure they were going to eligible recipients. What appeared to be organized crime against the state, by having payments forwarded to different addresses, was under investigation by federal authorities. The ease by which this scam -- one of the biggest thefts of government money in the state -- has been working was reported in a CBS 2 Special Assignment segment (January 23, 2003).

Region: Statewide

Jurisdiction: State

Source: CBS 2 Special Assignment - Jan. 23, 2003

Computer Snafus

Dollar Amount: \$18,000,000

An \$18 million computer project to link four welfare networks has been abandoned by the state of California, according to a July 12 report in the Los Angeles Times. It is at least the fifth time in this decade, reported The Times, that California state government has "frittered away millions of dollars trying to construct a new system ... Nearly half a billion dollars has been wasted on mammoth systems that spun out of control and were abandoned." Reporter Virginia Ellis continues: "For taxpayers, the failures have been more than monetary; they have meant lost opportunities to make government more effective and efficient." Other projects that failed because they were poorly designed and poorly managed: The Department of Motor Vehicles (\$51 million), child-support tracking (\$201 million, including \$90 million in federal penalties); prison information (\$18 million, with costs later recovered from contractor), and lottery scratcher automation (\$52 million). The welfare linkage project was abandoned early this year after consultants and state officials had "grave concerns" because it had inadequate controls and oversight. Efforts to kill the project began in the waning months last year of the Wilson administration. Ms. Ellis writes that the failures are not only costly to taxpayers, they are humiliating because California is the cradle of today's technology. (1999)

Region: Statewide

Jurisdiction: State

Source: LA Times - July 12, 2001

Millionaires Eligible for Welfare?

Dollar Amount: \$10,000,000

AB 167 (Bass) repeals current asset limitations for eligibility for the CalWORKS (welfare) program and provides "there shall be no limit on the assets of an individual or a family as a condition of aid under this chapter." (Cal-Tax: Under the bill, could a family with all assets (other than a home and car which are now exempt from the asset limit) tied up in \$10 million worth of stock in a growth company not paying dividends and minor other income could qualify for welfare? The author of the bill is the majority floor leader, Number 2 Democrat in the Assembly.)

Region: Statewide

Jurisdiction: State

Source: AB 167 of 2007

LA County Out \$6 Million Due to Welfare Worker Errors

Dollar Amount: \$6,000,000

By failing to comply with federal rules on monitoring the homes of foster children living with relatives in Los Angeles County, welfare workers cost the county an estimated \$6 million last year. There are about 11,000 foster kids living with relatives and a number of homes were not inspected by county workers. County supervisors on February 13 ordered the Department of Children and Family Services to develop a plan to comply with federal requirements. Department Director Patricia Ploehn said social workers have been hampered with an inadequate computer tracking system. (Source: Los Angeles Times of February 14.)

Region: So. California

Jurisdiction: County

Source: LA Times - Feb. 14, 2007

Skid Row Welfare Scams Cost Millions

Dollar Amount: \$4,600,000

Authorities in Los Angeles say skid row has attracted rip-off artists who are stealing millions of dollars by using the homeless. State and federal investigators say they have broken up two food stamp scams, one involving a merchant accused of giving homeless folks 50 cents on the dollar, then charging the entire amount (\$6 million) to the government. The homeless with Medi-Cal or Medicare cards are recruited for expensive medical tests at a clinic where tests cost taxpayers at least \$1.6 million. "We have taxpayer money meant for food being converted to cash that goes to buy drugs from dealers and gang members," said police Captain Andrew Smith. (Caltaxletter: 12/15/06 from Los Angeles Times, 12/15/06.)

Region: So. California

Jurisdiction: City

Source: LA Times - Dec. 15, 2006

Controller Chiang Reports Prisoners Get Welfare Payments

Dollar Amount: \$400,000

County jail inmates in California have received more than \$400,000 in state and federal benefit payments to which they are not entitled, according to a review of a small number of jailbirds by the state controller's office. Controller John Chiang said total overpayments to locked-up criminals could add up to millions of government dollars. "This state and federal assistance program provides crucial aid to aged, blind and disabled Californians who have little or no income or other resources to provide for their basic needs," Mr. Chiang said. "It clearly is not intended to benefit jail inmates." Recipients in California get up to \$836 a month from the Supplemental Security Income/State Supplementary Payment program (SSI/SSP). The money is to cover living expenses, and state rules say the payments must be suspended for those jailed longer than 30 days. Auditors from the Controller's Office found 3,398 prisoners receiving payments, and auditors examined a sample of 539 prisoners. Of these, 257 were ineligible to receive payments because they had been in jail for 30 days or more. Those 257 received \$413,995 from the program, including \$141,146 in state funds and \$272,849 from Uncle Sam. If the sample were considered representative, which auditors believe is the case, the misspent funds would total \$3 million for the 18-month period. The report said some counties were lax in their reporting of incarcerations. (Source: State Controller's Office, April 18.)

Region: Statewide

Jurisdiction: State

Source: Controller's Office - April 18, 2007

Misspending Cited at the LA County Welfare Office

Dollar Amount: \$20,504

The Los Angeles County Department of Public Social Services spent \$20,504 on newspaper advertising announcing the election of two officials to the county's Commission for Public Social Services. In a letter to county supervisors, Bryce Yokomizo, department director, said his staff acted improperly when its news releases, instead of being sent to news reporters, were sent with a request to seven newspapers to publish them as paid ads. Mr. Yokomizo wrote, "My department failed to determine, in advance, what the cost would be for these ads. Moreover, regardless of cost, a notice like this should never have been purchased at public expense." (Los Angeles Times, September 7, 2005.)

Region: So. California

Jurisdiction: County

Source: LA Times - Sept. 7, 2005
