



JOHN A. WAGNER
DIRECTOR

STATE OF CALIFORNIA—HEALTH AND HUMAN SERVICES AGENCY
DEPARTMENT OF SOCIAL SERVICES
744 P Street • Sacramento, CA 95814 • www.cdss.ca.gov



ARNOLD SCHWARZENEGGER
GOVERNOR

November 19, 2009

ALL COUNTY INFORMATION NOTICE NO. I-81-09

REASON FOR THIS TRANSMITTAL

- State Law Change
- Federal Law or Regulation Change
- Court Order
- Clarification Requested by One or More Counties
- Initiated by CDSS

TO: ALL COUNTY WELFARE DIRECTORS
ALL COUNTY SPECIAL INVESTIGATION UNITS

SUBJECT: CALIFORNIA WORK OPPORTUNITY AND RESPONSIBILITY TO KIDS (CalWORKs) EARLY AND ONGOING FRAUD COST SAVINGS

The purpose of this All County Information Notice (ACIN) is to provide counties with the methodology the California Department of Social Services (CDSS) uses to determine cost savings in the CalWORKs early and ongoing fraud and prosecution activities.

Background

In 2006, the CDSS developed a ten-year statistical study on fraud prevention and detection activities in the CalWORKs program. In response to the data, the County Welfare Directors Association (CWDA) and the California District Attorneys Association (CDAA) joined forces to create the Program Integrity Steering Committee (PISC) to identify promising cost-effective approaches for improving program integrity.

The PISC selected a Peer Review Team (PRT) comprised of representatives from County Welfare Departments, District Attorney’s Offices, Special Investigations Units, and CDSS Fraud Bureau staff with the goal of gathering first-hand information on promising approaches that could be shared statewide. The team visited seven counties, interviewing county staff at all levels about how they address early and ongoing fraud prevention, detection, and prosecution. Based on the results, the PRT proposed several innovative ways that could be implemented in counties statewide, one of which is the cost savings methodology. The PRT recommended that if counties want the option of using a consistent method for calculating cost savings, they could use the CDSS Cost Savings methodology, which is presented in this ACIN.

CDSS Cost Savings Methodology

- To determine county-specific CalWORKs cost savings, counties would use their average CalWORKs grant per case to determine the savings associated with denials and discontinuances and use an amount equal to the removal of one person from the assistance unit to determine the savings associated with cases that incur benefit reductions.
- To determine a county-specific average CalWORKs grant per case for any given year, the county would use its annual grant expenditures reported to the state on the Summary Report of Assistance Expenditures, CalWORKs Assistance, (CA 800) and the county's annual caseload reported to the state on the CalWORKs Cash Grant Movement Report (CA 237 CW).
- To determine the county's average CalWORKs grant per case, the county would sum the grant expenditures reported on the county's CA 800 (CA 800L + CA800M + CA800S + CA800FED) for a 12-month period. The result is divided by the sum of the caseload reported on the county's CA 237 CW, Part B, #8 (cases receiving cash grants) for the same 12-month period. The result is the average CalWORKs grant for the county for that year.

The grant amount for the "reduction" calculation is the incremental decrease of removing of one person from the assistance unit (AU) (e.g., the difference between the maximum aid payments (MAP) for an AU of three versus an AU of two).

CDSS assumes that 66 percent of denials, reductions, and discontinuances will result in savings, and the remainder of the cases will eventually return to aid.¹

The average length of stay on assistance used in the CDSS model is a statewide average and may be updated periodically. If a county elects to use this CalWORKs cost-savings methodology, the county would use the information presented in the following table.

¹ based on LA AFIRM study

Type of Action	Average CalWORKs Grant Savings Per Case	Length of Stay
Denial	Average grant for your county	18 months
Reduction	\$133.00*	9 months
Discontinuance	Average grant for your county	9 months

*This is the FY 2009-10 incremental difference between the MAP for a non-exempt AU of 3 and a non-exempt AU of 2 in Region 1.

The basic calculation formula for determining cost savings would be as follows:

$$\# \text{ of Actions } \times 66\% \times \text{Average Grant Amount Per Month} \times \text{Average Length of Stay on Assistance} = \$ \text{ Savings}$$

The calculations for each category of savings are as follows:

Early Fraud:

$$\begin{aligned} &\# \text{ of Denials } \times 66\% \times \text{Average grant for your county} \times 18 \text{ Months} \\ &= \$ \text{ Savings} \\ &\# \text{ of Reductions } \times 66\% \times \$133.00 \times 9 \text{ Months} = \$ \text{ Savings} \\ &\# \text{ of Discontinuances } \times 66\% \times \text{Average grant for your county} \times \\ &\quad 9 \text{ Months} \\ &= \$ \text{ Savings} \end{aligned}$$

Ongoing Fraud:

$$\begin{aligned} &\# \text{ of Reductions } \times 66\% \times 133.00 \times 9 \text{ Months} = \$ \text{ Savings} \\ &\# \text{ of Discontinuances } \times 66\% \times \text{Average grant for your county} \times \\ &\quad 9 \text{ Months} \\ &= \$ \text{ Savings} \end{aligned}$$

CDSS uses the definitions contained in the instructions of the Fraud Investigation Activity Report (DPA 266) for defining early fraud denials, benefit reductions and discontinuances, and for defining ongoing fraud benefit reductions and benefits discontinued.

It should be noted that this ACIN only provides a cost-savings methodology for the CalWORKs Program and not the Food Stamp Program. The county does not derive any early and ongoing fraud benefit savings from Food Stamps, only

administrative savings. Counties could use the methodology above to calculate Food Stamp and CalWORKs administrative savings by multiplying the county's administrative cost per case by the number of cases denied or discontinued as a result of early or ongoing fraud activities and not expected to return to aid by the average length of stay on aid, as noted in the benefit savings methodology.

Questions regarding this ACIN should be directed to June Russell, Welfare Fraud Program Coordinator, or Suzie Steinwert, Unit Manager, of the Fraud Bureau, at (916) 263-5700.

Sincerely,

Original Document Signed By:

CHARR LEE METSKER
Deputy Director
Welfare to Work Division