



COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER

OFFICE OF COUNTY INVESTIGATIONS
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April 29, 2024

TO: Jackie Contreras, Ph.D., Director
Department of Public Social Services

FROM: Greg Hellmold, Chief *Greg Hellmold*
Office of County Investigations

SUBJECT: **IMPROVEMENT OPPORTUNITIES NOTED DURING LIMITED
REVIEW – #2022-18769**

NUMBER OF RECOMMENDATIONS	
PRIORITY 1	1
CORRECTIVE ACTION REQUIRED WITHIN 90 DAYS	
PRIORITY 2	0
CORRECTIVE ACTION REQUIRED WITHIN 120 DAYS	
PRIORITY 3	0
CORRECTIVE ACTION REQUIRED WITHIN 180 DAYS	

During a limited review at the Department of Public Social Services (DPSS or Department), we noted areas where DPSS can improve its process for immediately notifying the Office of County Investigations of instances when they suspect a County employee engaged in welfare fraud. Please see Attachment I, Table of Findings and Recommendations for Corrective Action, for details of our observations and recommendations.

Review of Report

We discussed our report with DPSS management. The Department’s response (Attachment II) indicates general agreement with our findings and recommendations.

We thank DPSS management and staff for their cooperation and assistance during our review. If you have any questions please contact me at (213) 893-0243 or ghellmold@auditor.lacounty.gov, or your staff may contact Supervising Investigator Graciela Soto at (213) 893-0552 or gsoto@auditor.lacounty.gov.

GH:SL:GLS:JC:jh
IOR-2022-18769

Attachments (2)

c: Oscar Valdez, Auditor-Controller
Audit Committee
Audit Division

LOS ANGELES COUNTY AUDITOR-CONTROLLER

Robert G. Campbell
ASSISTANT AUDITOR-CONTROLLER

Greg Hellmold
DIVISION CHIEF

OFFICE OF COUNTY INVESTIGATIONS

Report #IOR-2022-18769

DEPARTMENT OF PUBLIC SOCIAL SERVICES IMPROVEMENT OPPORTUNITIES NOTED DURING LIMITED REVIEW (#2022-18769)

BACKGROUND

The Department of Public Social Services (DPSS or Department) administers the CalFresh Program to promote and safeguard the health and well-being of low-income households by increasing their food purchasing power to meet their household's nutritional needs. Eligibility and the amount of CalFresh benefits are based on the applicant's household size, "countable income," and monthly expenses such as housing and utilities.

DPSS administers the Welfare Fraud Prevention and Investigations (WFP&I) Section, which is responsible for the prevention and investigation of welfare fraud (e.g., CalFresh, General Relief, CalWORKS). The WFP&I Section receives and handles approximately 15,000 to 20,000 fraud cases/referrals annually, and sends approximately 200 cases to the Los Angeles County District Attorney's (LADA) Office for prosecution of welfare fraud. DPSS is also responsible for immediately referring matters to the Office of County Investigations (OCI) when they suspect a County employee is engaging in welfare fraud.

During a review involving welfare fraud committed by a non-DPSS employee, we noted areas where DPSS can strengthen its process for notifying OCI of suspected welfare fraud committed by County employees.

TABLE OF FINDINGS AND RECOMMENDATIONS FOR CORRECTIVE ACTION

ISSUE

RECOMMENDATION

1	<p>Reporting Suspected Welfare Fraud by a County Employee - During our limited review, we noted that DPSS does not always make a referral to OCI, as required, when County employees are suspected of engaging in welfare fraud. Specifically, DPSS identified a Department of Health Services (DHS) employee who committed welfare fraud (i.e., misrepresented their income on the application) and received \$2,149 in CalFresh benefits they were not entitled to receive, and entered into a repayment agreement with the employee. However, DPSS did not notify OCI or DHS of the fraud committed by the employee, and OCI only became aware of the fraud after receiving a tip from an anonymous informant.</p> <p>Once OCI began investigating the matter, we discovered that the DHS employee subsequently filed another fraudulent claim for benefits and improperly received an additional \$1,040. DPSS entered into another repayment plan with the employee.</p> <p>DPSS management indicated that they do not have any formal or documented procedures for immediately notifying OCI when they suspect a County employee engaged in welfare fraud.</p>	<p>Priority 1 – DPSS management strengthen processes and internal controls to ensure compliance with Board Policy 9.040 and County Fiscal Manual (CFM) Chapter 15 by:</p> <ul style="list-style-type: none"> a) Developing desk procedures requiring that allegations and findings of suspected welfare fraud involving County employees are immediately referred to OCI, and ensuring that all impacted employees are aware of these procedures. b) Developing a process for management to ensure that staff is following applicable policies and procedures as required in CFM 15. <p>Department Response: Agree Implementation Date: June 30, 2024</p>
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Priority Ranking: Recommendations are ranked from Priority 1 to 3 based on the potential seriousness and likelihood of negative impact on the Agency's operations if corrective action is not taken.

TABLE OF FINDINGS AND RECOMMENDATIONS FOR CORRECTIVE ACTION	
ISSUE	RECOMMENDATION
<p>Ultimately, DPSS did not file a case with LADA to report either instance of welfare fraud by the DHS employee, and explained that the amount was within DPSS' internal policy threshold for LADA referral.</p> <p>The County Board of Supervisors (Board) Policy Manual Section 9.040, Investigations of Possible Criminal Activity Within County Government, stipulates that in all instances when it is suspected that a County employee has engaged in criminal activity, OCI is to be notified immediately.</p> <p>Impact: Failure to follow Board Policy and notify OCI of suspected welfare fraud by County employees may result in the inability to pursue criminal prosecution, reputational damage to the County, and increased risk of fraud to the County by continuing to employ unethical personnel in positions of trust.</p>	

For more information on our auditing process, including recommendation priority rankings, the follow-up process, and management's responsibility for internal controls, visit auditor.lacounty.gov/audit-process-information.



County of Los Angeles
DEPARTMENT OF PUBLIC SOCIAL SERVICES

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Fourth District

KATHRYN BARGER
Fifth District

April 22, 2024

TO: Greg Hellmold, Chief
Office of County Investigations

FROM: 
Jackie Contreras, Ph.D., Director

**SUBJECT: RESPONSE TO AUDITOR-CONTROLLER FINDINGS AND
RECOMMENDED CORRECTIVE ACTIONS – REPORT #2022-18769**

The Department has reviewed the Auditor-Controller's report and agrees with the one finding and recommendation.

If you have any questions, please contact me at (562) 908-8383, or your staff may contact Sheila Early, Division Chief, Research, Evaluation, and Quality Assurance Division, at (562) 908-5879.

JC:lb

Attachment

**DEPARTMENT OF PUBLIC SOCIAL SERVICES
IMPROVEMENT OPPORTUNITIES NOTED DURING LIMITED REVIEW #2022-18769
DEPARTMENT ACTION PLAN/RESPONSE**

ISSUE 1: REPORTING SUSPECTED CRIMINAL ACTIVITY BY A COUNTY EMPLOYEE

A/C Recommendation	<p>DPSS management strengthen processes and internal controls to ensure compliance with Board Policy 9.040 and County Fiscal Manual (CFM) Chapter 15 by:</p> <p>a) Developing desk procedures requiring that allegations and findings of suspected welfare fraud involving County employees are immediately referred to OCI, and ensuring that all impacted employees are aware of these procedures.</p> <p>b) Developing a process for management to ensure that staff is following applicable policies and procedures as required in CFM 1.0.</p>
Priority	PRIORITY 1
Agree/Disagree	Agree
Department Action Plan¹	The Department will strengthen its current policy and procedures related to notifying the Office of County Investigations (OCI) when any County employee is suspected of engaging in welfare fraud. Additionally, the Department will develop internal controls for management to ensure staff are adhering to the policy and procedures.
Planned Implementation Date	June 30, 2024
Additional Information (optional)²	N/A

¹ In this section the Department should only describe the efforts they plan to take to implement the recommendation. Any other information should be included in the Additional Information section below.

² In this section the Department can provide any background or clarifying information they believe is necessary.