

DEPARTMENT OF SOCIAL SERVICES
COUNTY OF MADERA

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KELLY L. WOODARD, Director

An Affirmative Action/Equal Opportunity Employer

May 3, 2013

Honorable D. Lynn Jones
Presiding Judge of the Superior Court
Madera County Superior Court
209 W. Yosemite Ave.
Madera, Ca. 93637

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MADERA
SUPERIOR COURT

RE: *Response to 2012-13 Madera County Grand Jury Complaint Regarding the Madera County Department of Social Services, Final Report*

Dear Honorable Presiding Judge D. Lynn Jones:

In accordance with California Penal Code § 933.5(a) and (b), this letter addresses all **Findings and Recommendations** in the above-referenced report which address subjects under the control of the Department of Social Services.

The Grand Jury's Final Report contains Findings with subsection findings therein. This letter provides a response to each of the Grand Jury's Findings, subsection findings, and Recommendations. Wherever disagreements are found, descriptive analyses explain therefor.

Unless otherwise specified, *overpayment* will refer generically to both CalWORKs overpayments and CalFRESH overissuances.

Grand Jury Findings:

1. The organization and staffing of the Eligibility Unit is inadequate, both in number of staff and organizational structure.

Department of Social Services response: Disagree with the finding.

The organizational structure of the eligibility unit is typical of a county welfare department. The Department had been working to increase the number of eligibility workers long before this report. A number of factors have contributed to staffing patterns in the eligibility unit. First, the lingering economic downturn has resulted in

more people seeking and receiving services. Second, programs formerly administered at the State level, such as the Healthy Families Program, have been folded into existing county-administered programs (often without commensurate increases in resources to meet the increased workload). Both of these factors have contributed to growing caseloads¹ for our eligibility workers, whose ranks have remained relatively flat. Meanwhile, budget shortfalls at the county level have resulted in layoffs and furloughs of county staff. Whenever possible, the Department of Social Services absorbed affected county staff. However, acquiring additional staff in the numbers sufficient to meet our needs while others on the county team were being laid off was, until recently, not an option. In February 2013, the Department received permission to add an additional sixteen staff to the eligibility unit. This request included entry-level eligibility and support staff positions, as well as two supervisor positions. Lastly, federal and state authorities are encouraging the Department to work to expand participation in the public assistance programs. Recently, a plan was submitted, as required by the State, to increase the number of people in Madera County on CalFRESH. Soon, the eligibility unit will begin engaging inquiries on the Affordable Care Act, further stretching staff and its ability to meet a litany of state mandates.²

- a. The new "Round Robin" process was implemented in early October and will require additional time to determine its ultimate success.

Department of Social Services response: Agree with finding.

- b. The intake process has been distributed to all EWs with the implementation of the "Round Robin", thus the specialized skills and knowledge including fact gathering and personal observations for determining eligibility, so crucial during intake, has been diminished.

Department of Social Services response: Disagree with finding. The Department expects the Round Robin system to engender a more well-rounded, competent eligibility staff.

- c. The intake process for CalFRESH will be less effective when the interview process is conducted over the telephone and may increase the potential for fraud.

Department of Social Services response: Agree with finding with qualification. State regulations mandate the Department conduct telephone interviews when requested by the client.

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Round Robin intake process, among other things, has equalized the workload, dropping the average caseload size to 390 per worker.

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Department of Social Services response: Disagree with finding. The Department has tasked an eligibility unit, consisting of a supervisor and three eligibility workers under the authority of a program manager, with overseeing the processing of past due IEVS reports. The processing of IEVS abstracts is among the factors used to evaluate the performance of each member of the unit, including the supervisor and program manager.

- 2. High turnover of EWs is expensive and disruptive.

Department of Social Services response: Agree with finding.

- a. The high turnover rate in the Eligibility Worker Unit is a long-term problem, yet no apparent action to change the situation is in evidence.

Department of Social Services response: Disagree with finding. Attracting and retaining eligibility workers is a challenge not unique to Madera County. A study which surveyed 23 California county welfare departments (including Madera) indicates the turnover rate for eligibility workers to be 14.8%, with over half leaving for other jobs, promotions, or retirement.³ The position requires technical, organizational, and customer service skills that are in demand among higher-paying professions. The Department has countered these influences by supporting the growth and development of our eligibility staff. The Department does this by encouraging staff to continue their formal educations, offering regular leadership meetings and trainings, and preparing staff to compete for promotions. In-house candidates who successfully compete via the civil services process are offered promotions within the Department. These and other efforts, however, are no panacea for turnover, and we don't expect our Department to be immune from turnover in a job market slowly emerging from recession.

- b. Wages for EWs are non-competitive with neighboring counties, contributing to the exceedingly high turnover rate.

Department of Social Services response: Disagree with finding. The Department does not believe the turnover rate is *exceedingly* high. Rather the turnover rate for eligibility workers in most counties is higher than that of other professions. The wage level may contribute to this, but as the following chart indicates, Madera County wages are not much different than the surrounding counties, with the exception of Merced.

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Department of Social Services response: Disagree with finding. There is no empirical evidence suggesting that the morale of the eligibility unit is lower than other DSS employees. Top management stays engaged with staff in number of ways. First, it holds regular *Brownbag* lunch meetings. These informal lunches give staff a platform to voice concerns and questions directly to the Director and Deputy Directors. Minutes, including formal responses to staff concerns and questions, are later distributed to staff. Second, the Department holds regular leadership meetings designed to prepare staff for leadership positions. Third, the Department holds quarterly *All Staff* meetings which, among other things, recognize staff for outstanding efforts and accomplishments. Fourth, top management participates in program integrity groups. Regular meetings, principally conducted by line staff and supervisors, allow dialogue between staff and top management on program integrity matters. Finally, the Department has an internal Safety Committee which meets regularly to inform and educate staff on safety issues and protocols. Staff can electronically submit safety concerns and suggestions. The Safety Committee responds to each and every submittal. When needed, law enforcement continues to be very responsive to our needs.

Hirings in Eligibility Unit, January 2012—April 2013			
	Total Hired	Internal Promotion	Outside Hiring
Program Manager	1	1	0
Eligibility Supervisor	3	3	0
Eligibility Worker III	7	7	0
Eligibility Worker II	9	7	2
Eligibility Worker I	20	4	16

The Department fills vacancies in the eligibility unit through internal promotions whenever possible. The civil service process requires EW I applicants to pass a written exam. The Department encourages interested clerical staff to compete for

these positions, though the exam often disqualifies many from being considered.

3. The automated C-IV Case Management and IEVS reporting systems are effective and efficient; however, they are sophisticated and complex systems requiring a lengthy training period.

Department of Social Services response: Agree with finding.

- a. The required processing of IEVS reports by the EWs is not being uniformly accomplished in accordance with State and Federal regulations. Many EWs do not process their respective IEVS reports in a timely basis and some reports are not processed at all.

Department of Social Services response: Disagree with finding. The percentage of IEVS abstracts being processed dropped precipitously after the March 2010 conversion to the C-IV computer system. This was due to a number of factors: a significant rise in the number of IEVS matches, unfamiliarity with C-IV, confusion over clearing IEVS abstracts in C-IV (which ultimately required the assistance of C-IV technical staff to correct), as well as the inherent difficulties of migrating computer systems with all its attendant missteps. Nevertheless, Madera County eligibility staff consistently processes IEVS abstracts at a higher rate than the state average.

Madera County				State			
Quarter	Total Number of Abstracts		% of Abstracts Processed	Quarter	Total Number of Abstracts		% of Abstracts Processed
	(On Hand)	Processed			(On Hand)	Processed	
Jan-10	593	545	92%	Jan-10	391,559	151,182	39%
Apr-10	748	733	98%	Apr-10	404,777	143,622	35%
Jul-10	1,820	1,099	60%	Jul-10	394,292	137,152	35%
Oct-10	1,765	695	39%	Oct-10	389,623	122,086	31%
Jan-11	2,543	953	37%	Jan-11	455,314	149,138	33%
Apr-11	2,865	1,572	55%	Apr-11	493,097	179,998	37%
Jul-11	2,012	1,355	67%	Jul-11	500,908	171,886	34%
Oct-11	1,739	1,279	74%	Oct-11	519,399	162,634	31%
Jan-12	2,022	725	36%	Jan-12	567,526	188,220	33%
Apr-12	2,541	1,149	45%	Apr-12	613,308	197,802	32%
Jul-12	2,283	1,201	53%	Jul-12	688,589	260,333	38%
Oct-12	2,315	1,194	52%	Oct-12	720,014	246,542	34%

Source: DPA 482⁴

This being said, the Department takes responsibility for the number of late IEVS abstracts, which currently stands at 3,062. This number represents .6% of the State's 475,077 pending IEVS abstracts as of December 2012. The Department has designated staff to tackle this backlog, though we cannot yet give a fail-safe date

when all IEVS reports will be current.

- b. Many potential CalWORKs O/Ps and CalFRESH O/Is (meaning that the recipient may be receiving benefits for which he/she is not entitled) are reported via the IEVS reports, but are not diligently addressed by the EWs.

Department of Social Services response: Disagree with finding. The Department had fallen behind in the processing of IEVS, but has a unit dedicated solely to remedy this.

- c. The IEVS report processing, which is the basis for O/P and O/I discovery, are viewed as non-priority issues by many EWs, their supervisors and DSS management.

Department of Social Services response: Disagree with finding. The Department had lost focus of IEVS, but is attacking the backlog of reports with intensity. Weekly progress on the past due IEVS is charted and reviewed by Department management.

- d. The Director and senior management are not effectively communicating the importance of processing O/Ps and O/Is to the EWs and the Eligibility Unit as a whole.

Department of Social Services response: Disagree with finding. The Department believes that the focus on IEVS was lost beginning with the migration to C-IV and continued from there as staff transitioned from paper to electronic case management processes. The Department does not believe this is indicative of a breakdown in communication, but rather the learning curve associated with sweeping changes to well-established ways of doing business.

- 4. The Collections Unit is a competent and well-organized unit, however, it is required to operate with out-dated policies and lack of attention and priority from top management.

Department of Social Services response: Disagree with finding.

The Department of Social Services' policies comply with the law, as promulgated in regulations and directives from the State of California. The Collections Unit collects monies for overpayments on public assistance cases as vigorously as allowed by law. Madera County currently has approximately \$4.3 million in overpayments on the books. Its CalWORKs overpayments (\$2.8 million) represent about .3% of California's \$827 million in CalWORKs overpayments. As noted in the subfindings below, the amount of overpayments continues to increase; which itself testifies to the fact that, despite a large backlog of IEVS, overpayments are being computed regularly.

Madera County collects CalWORKs overpayments at a rate slightly below the state

average.⁵ There are two general types of overpayments: county or client error and fraud. The collection of overpayments is handled differently depending on the type of overpayment and status of the public assistance case. Overpayments on active cases are typically collected through grant reductions, the amounts of which are proscribed by state regulation as percentages of a family's benefits.⁶ Cases of suspected fraud are referred to SIU for investigation. SIU determines if a case for fraud exists. If so, the District Attorney can decide to pursue criminal charges in Superior Court and/or assess penalties, disqualifications from aid, and impose more aggressive repayment terms in lieu of prosecution. In either case, the Department collects repayments as per the agreement executed by the District Attorney/SIU.

When a case with an outstanding overpayment is discontinued from public assistance, the Collections Unit sends a letter advising the client of the amount owed. Included with the letter is a blank repayment agreement, which the client can use to specify how the overpayment will be repaid. State regulation explicitly prohibits the Department from demanding voluntary payment for non fraudulent CalWORKs cases⁷ and is curiously silent on how county welfare departments are to *negotiate* a payment schedule for CalFRESH overissuances. This means that our Department cannot, unlike a private sector debt collector, demand or negotiate a payment amount or schedule for overpayments. Rather the former client alone determines the amount and frequency of payments. The Collections Unit receives these monies, no matter how small, without malice. A voluntary repayment agreement can be suspended by the client at any time.⁸ What'smore, state regulations allow counties to make a cost analysis decision to avoid spending more in resources than could be recovered in overpayments.⁹

Clients who fail to respond to repayment agreements or miss payments on repayment plans they themselves wrote are automatically placed on Tax Intercept. This does not guarantee that monies will be recovered, but at times prompts clients, who receive FTB/IRS notifications of impending intercepts, to repay overpayments so as to avoid tax refund intercepts.

- a. The outstanding balance of uncollectible O/Ps of CalWORKs grants is currently \$2.8 million and has steadily increased each year.

Department of Social Services response: Agree with finding.

- b. The outstanding balance of uncollectible O/Is of CalFRESH food stamps is currently \$1.5 million and has steadily increased each year.

Department of Social Services response: Agree with finding.

- c. The process of requesting a Board Resolution to write off uncollectible amounts for cases ten or more years in arrears, although required for accounting purposes, does not provide current information to the Board of Supervisors (BoS) for good

management decisions.

Department of Social Services response: Disagree with finding. The Department brings this item to the BoS on a routine basis. A Board letter accompanies the Resolution outlining the need for such. The Department head is also present at the BoS meeting to answer any questions or concerns individual BoS members might have.

- d. Under the current reporting system the BoS is neither completely informed nor aware of the scope and growth of current outstanding balances of O/Ps and O/Is.

Department of Social Services response: Agree with finding.

- e. The practice of allowing the recipient to set the monthly repayment amount is a poor business practice and unreasonable.

Department of Social Services response: Disagree with finding. Overpayments on active cases are collected through reductions in monthly benefits, the percentages of which are dictated in statute. County Counsel advises the Department is bound by the regulations and cannot set minimum payments to recoup overpaid benefits on closed cases.

- 5. Problems associated with the Eligibility Unit have existed for the past decade. They have been formally documented but are not resolved.

Department of Social Services response: Disagree with finding.

The Department of Social Services has implemented changes to address challenges with the Eligibility Unit, including adjusting our case management model, requesting additional staff, designating staff solely to process IEVS, and exploring office space options with County Administration. These changes will take time to develop and produce results.

- a. There is a documented response to the 2009 State Audit Report from the Director of DSS identifying corrective action.

Department of Social Services response: Agree with finding.

- b. There has been no improvement or change in operation of DSS.

Department of Social Services response: Disagree with finding. Many of the specific deficiencies and recommendations cited in the 2009 State Audit Report have been corrected or implemented.

6. Existing office space, parking, safety, and security for the main Madera locations are both inefficient and inadequate for the current operation and for future growth.

Department of Social Services response: Agree that office space and parking is inadequate; disagree that safety and security is inadequate.

The Department has long had an excellent safety record. The incidences involving staff have been few and minor. The continued growth of the number of individuals seeking assistance from our Department, however, does present office space and parking challenges. The Department is working with County Administration to find a long term solution to these needs. In the short-term the Department is addressing these issues internally by transforming spaces in its current facilities and ensuring that staff is cognizant of safety protocols and concerns.

7. The Grand Jury investigation confirms allegations of the complaint to be true and accurate.

Department of Social Services response: Disagree with finding. Currently, the eligibility unit provides services to over 70,000 residents in Madera County. After healthcare reform is fully implemented, over half of county residents will look to our Department for medical insurance (Medi-Cal) and/or food and cash assistance (CalFRESH and CalWORKs). Accountability measures for these programs fall under the jurisdictions of the California Department of Social Services and the California Department of Health Care Services. Both agencies routinely audit our Department. State auditors are subject matter experts who analyze Madera County's performance in light of multiple federal and state variables and measure this against peer, regional, and statewide averages. A statewide perspective on the functioning of Madera County's eligibility unit illustrates challenges found in varying degrees in counties throughout the state. This in no way infers that the Department is mismanaged or remiss in its fundamental mission to administer benefits, within an allowable error-rate, to ever-growing numbers of individuals and families in Madera County.

Grand Jury Recommendations:

1. The Eligibility Function be further reorganized to include a fully staffed IEVS Processing Unit with appropriate staffing level to accommodate all of the IEVS processing in the time required by regulations.

Department of Social Services response: The recommendation has been implemented. The Department currently has a segregated IEVS Processing Unit within the eligibility unit.

2. The proposed newly-created IEVS Processing Unit be transferred to the District

Attorney's SIU to share a common mission of fraud discovery, prosecution, adjudication and recovery of funds.

Department of Social Services response: The recommendation is outside Departmental control. However, the Department believes the IEVS unit should remain under the jurisdiction of the Department of Social Services. The reasons for this are as follows: First, the Department is governed by the California Department of Social Services, which has jurisdiction over IEVS at the state level. This relationship fosters a closer partnership than could be established with a third party. Second, the Department of Social Services, which daily interacts with those on public assistance, is better equipped to audit benefits and detect fraud using, as one of its tools, the IEVS process for this purpose. Transferring the IEVS process would remove this key fraud fighting tool from front line staff. Lastly, the District Attorney prosecutes crimes, including welfare fraud, but should not also be expected to police those crimes.

3. The BoS authorize the District Attorney and Director of DSS to acquire the space necessary to house the combined SIU staff and proposed IEVS Processing Unit, with the cost to be covered by DSS State and Federal funding.

Department of Social Services response: The recommendation is outside Departmental control. However, the Department believes it is better equipped to house and supervise a segregated IEVS unit within its current administrative structure. As mentioned previously, a segregated IEVS processing unit in the eligibility unit, which has the requisite supervision to ensure a consistent focus on IEVS, is operating effectively at this time. The audit controls imposed on this unit include quarterly state reports on fraud, overpayments, and IEVS processing data, as well as the internal performance evaluation controls that are applied to each eligibility worker, supervisor, and program manager in the unit.

4. The BoS direct the departments involved to report quarterly current and up-to-date information regarding fraud, O/Ps and O/Is showing both dollar amounts and case counts.

Department of Social Services response: The recommendation is outside Departmental control. Nevertheless, the Department is happy to provide the BoS, at its direction, with quarterly summaries of its fraud data, including dollar amounts and case.

5. To make the recovery effort more cost-effective the Director of DSS, instead of the recipient, set a reasonable amount not less than \$25.00 as a minimum monthly payment.

Department of Social Services response: The recommendation will not be implemented. Overpayments on active cases are collected through reductions in monthly benefits, the percentages of which are dictated in statute. County Counsel

advises the Department is bound by the regulations and cannot set minimum payments to recoup overpaid benefits on closed cases.

6. The County Administrator conduct a Management Audit to determine the effectiveness of the current DSS management and organizational structure. The audit should also address the following, but not limited to, long range facility requirements, including office space, parking, recipient waiting areas, interview facilities, as well as safety and security requirements for both staff and recipients.

Department of Social Services response: The recommendation is outside of Departmental control.

7. The County Administrator, in conjunction with the Director of DSS, determine if the above proposed Management Audit might be outsourced and paid for with State and Federal funds.

Department of Social Services response: The recommendation is outside of Department control. However, the Department does not believe it should be implemented for a few reasons. First, the BoS commissioned an audit of each county department in 2011. Employing a number of analytical methods, including staff interviews, peer county comparisons, mandated duties analyses, and others, the MGT report determined that the Department of Social Services was operating efficiently.¹⁰ Second, the Department is routinely audited by the State on its many mandates. Lastly, utilizing federal and state allocations to duplicate state and local efforts would not be a wise use of resources and could exacerbate the concerns addressed in this report.

The Department of Social Services would like to thank the Grand Jury for providing accountability and transparency to local government. We look forward to continuing to work with the county team and other stakeholders to make Madera County a great place to work and live.

Sincerely,



Kelly Woodard, Director
Madera County Department of Social Services

cc: Madera County Grand Jury
Michael Keitz, Madera County District Attorney
Madera County Board of Supervisors
Eric Fleming, Madera County Chief Administrative Officer

¹ Public assistance caseloads in Madera County have increased over 25% in the last four years.

² The Affordable Care Act (ACA), commonly referred to as Obamacare, is the federal health care reform law that takes effect in 2014. A joint UC Berkeley/UCLA study indicates that Madera County will receive over 8,000 new applications for Medi-Cal due to the ACA. We expect the ACA to also drive new applications for other programs.

³ California Welfare Directors Association of California. Feb 2006. *Turnover Study*.

http://www.cps.ca.gov/documents/resources/cwda_report_v10.pdf. The eligibility worker turnover rate was second to the rate of journey level social worker in the surveyed counties.

⁴ DPA 482 (<http://www.cdss.ca.gov/research/PG366.htm>).

⁵ CA812: The state collected an average of 1.74¢ on the dollar for CalWORKs overpayments over the last three years; Madera County collected an average of 1.30¢ on the dollar for the same period. This may be more indicative of economic conditions, such as per capita income, purchasing power parity, etc., in Madera vis-à-vis the rest of the state.

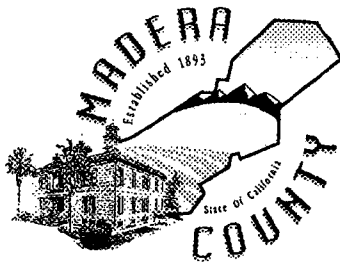
⁶ The CalWORKs grant adjustment for a county error overpayment is 5%; all others are 10% of the family's benefits. See Eligibility and Assistance Standards, Manual of Policies and Procedures (MPP) §§ 352.421(a) and 352.422(a). The CalFRESH grant adjustment is 5% for county error, 10% for household error, and 20% for an Intentional Program Violation. See Foods Stamps, Manual of Policies and Procedures §§ 63-801.22 and 63-801.736.

⁷ MPP § 44-352.21; MPP § 63-801.72.

⁸ MPP § 44-351.112.

⁹ MPP § 44-350.161; MPP § 63-801.512.

¹⁰ MGT of America, Inc. "MGT'S Organizational and Operational Review of the County of Madera". June 1, 2011

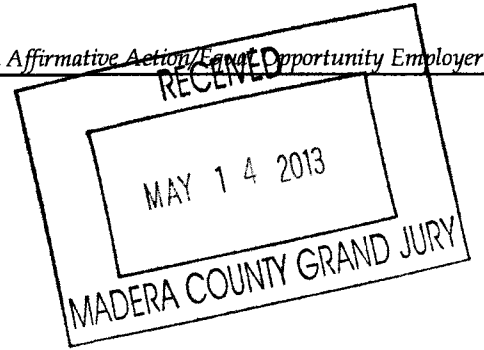


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Hirings in Eligibility Unit, January 2012—April 2013			
	Total Hired	Internal Promotion	Outside Hiring
Program Manager	1	1	0
Eligibility Supervisor	3	3	0
Eligibility Worker III	7	7	0
Eligibility Worker II	9	7	2
Eligibility Worker I	20	4	16

The Department fills vacancies in the eligibility unit through internal promotions whenever possible. The civil service process requires EW I applicants to pass a written exam. The Department encourages interested clerical staff to compete for

these positions, though the exam often disqualifies many from being considered.

3. The automated C-IV Case Management and IEVS reporting systems are effective and efficient; however, they are sophisticated and complex systems requiring a lengthy training period.

Department of Social Services response: Agree with finding.

- a. The required processing of IEVS reports by the EWs is not being uniformly accomplished in accordance with State and Federal regulations. Many EWs do not process their respective IEVS reports in a timely basis and some reports are not processed at all.

Department of Social Services response: Disagree with finding. The percentage of IEVS abstracts being processed dropped precipitously after the March 2010 conversion to the C-IV computer system. This was due to a number of factors: a significant rise in the number of IEVS matches, unfamiliarity with C-IV, confusion over clearing IEVS abstracts in C-IV (which ultimately required the assistance of C-IV technical staff to correct), as well as the inherent difficulties of migrating computer systems with all its attendant missteps. Nevertheless, Madera County eligibility staff consistently processes IEVS abstracts at a higher rate than the state average.

Madera County				State			
Quarter	Total		% of	Quarter	Total		% of
	Number of Abstracts (On Hand)	Total Processed			Abstracts Processed	Number of Abstracts (On Hand)	
Jan-10	593	545	92%	Jan-10	391,559	151,182	39%
Apr-10	748	733	98%	Apr-10	404,777	143,622	35%
Jul-10	1,820	1,099	60%	Jul-10	394,292	137,152	35%
Oct-10	1,765	695	39%	Oct-10	389,623	122,086	31%
Jan-11	2,543	953	37%	Jan-11	455,314	149,138	33%
Apr-11	2,865	1,572	55%	Apr-11	493,097	179,998	37%
Jul-11	2,012	1,355	67%	Jul-11	500,908	171,886	34%
Oct-11	1,739	1,279	74%	Oct-11	519,399	162,634	31%
Jan-12	2,022	725	36%	Jan-12	567,526	188,220	33%
Apr-12	2,541	1,149	45%	Apr-12	613,308	197,802	32%
Jul-12	2,283	1,201	53%	Jul-12	688,589	260,333	38%
Oct-12	2,315	1,194	52%	Oct-12	720,014	246,542	34%

Source: DPA 482⁴

This being said, the Department takes responsibility for the number of late IEVS abstracts, which currently stands at 3,062. This number represents .6% of the State's 475,077 pending IEVS abstracts as of December 2012. The Department has designated staff to tackle this backlog, though we cannot yet give a fail-safe date

when all IEVS reports will be current.

- b. Many potential CalWORKs O/Ps and CalFRESH O/Is (meaning that the recipient may be receiving benefits for which he/she is not entitled) are reported via the IEVS reports, but are not diligently addressed by the EWs.

Department of Social Services response: Disagree with finding. The Department had fallen behind in the processing of IEVS, but has a unit dedicated solely to remedy this.

- c. The IEVS report processing, which is the basis for O/P and O/I discovery, are viewed as non-priority issues by many EWs, their supervisors and DSS management.

Department of Social Services response: Disagree with finding. The Department had lost focus of IEVS, but is attacking the backlog of reports with intensity. Weekly progress on the past due IEVS is charted and reviewed by Department management.

- d. The Director and senior management are not effectively communicating the importance of processing O/Ps and O/Is to the EWs and the Eligibility Unit as a whole.

Department of Social Services response: Disagree with finding. The Department believes that the focus on IEVS was lost beginning with the migration to C-IV and continued from there as staff transitioned from paper to electronic case management processes. The Department does not believe this is indicative of a breakdown in communication, but rather the learning curve associated with sweeping changes to well-established ways of doing business.

- 4. The Collections Unit is a competent and well-organized unit, however, it is required to operate with out-dated policies and lack of attention and priority from top management.

Department of Social Services response: Disagree with finding.

The Department of Social Services' policies comply with the law, as promulgated in regulations and directives from the State of California. The Collections Unit collects monies for overpayments on public assistance cases as vigorously as allowed by law. Madera County currently has approximately \$4.3 million in overpayments on the books. Its CalWORKs overpayments (\$2.8 million) represent about .3% of California's \$827 million in CalWORKs overpayments. As noted in the subfindings below, the amount of overpayments continues to increase; which itself testifies to the fact that, despite a large backlog of IEVS, overpayments are being computed regularly.

Madera County collects CalWORKs overpayments at a rate slightly below the state

average.⁵ There are two general types of overpayments: county or client error and fraud. The collection of overpayments is handled differently depending on the type of overpayment and status of the public assistance case. Overpayments on active cases are typically collected through grant reductions, the amounts of which are proscribed by state regulation as percentages of a family's benefits.⁶ Cases of suspected fraud are referred to SIU for investigation. SIU determines if a case for fraud exists. If so, the District Attorney can decide to pursue criminal charges in Superior Court and/or assess penalties, disqualifications from aid, and impose more aggressive repayment terms in lieu of prosecution. In either case, the Department collects repayments as per the agreement executed by the District Attorney/SIU.

When a case with an outstanding overpayment is discontinued from public assistance, the Collections Unit sends a letter advising the client of the amount owed. Included with the letter is a blank repayment agreement, which the client can use to specify how the overpayment will be repaid. State regulation explicitly prohibits the Department from demanding voluntary payment for non fraudulent CalWORKs cases⁷ and is curiously silent on how county welfare departments are to *negotiate* a payment schedule for CalFRESH overissuances. This means that our Department cannot, unlike a private sector debt collector, demand or negotiate a payment amount or schedule for overpayments. Rather the former client alone determines the amount and frequency of payments. The Collections Unit receives these monies, no matter how small, without malice. A voluntary repayment agreement can be suspended by the client at any time.⁸ Whatsoever, state regulations allow counties to make a cost analysis decision to avoid spending more in resources than could be recovered in overpayments.⁹

Clients who fail to respond to repayment agreements or miss payments on repayment plans they themselves wrote are automatically placed on Tax Intercept. This does not guarantee that monies will be recovered, but at times prompts clients, who receive FTB/IRS notifications of impending intercepts, to repay overpayments so as to avoid tax refund intercepts.

- a. The outstanding balance of uncollectible O/Ps of CalWORKs grants is currently \$2.8 million and has steadily increased each year.

Department of Social Services response: Agree with finding.

- b. The outstanding balance of uncollectible O/Is of CalFRESH food stamps is currently \$1.5 million and has steadily increased each year.

Department of Social Services response: Agree with finding.

- c. The process of requesting a Board Resolution to write off uncollectible amounts for cases ten or more years in arrears, although required for accounting purposes, does not provide current information to the Board of Supervisors (BoS) for good

management decisions.

Department of Social Services response: Disagree with finding. The Department brings this item to the BoS on a routine basis. A Board letter accompanies the Resolution outlining the need for such. The Department head is also present at the BoS meeting to answer any questions or concerns individual BoS members might have.

- d. Under the current reporting system the BoS is neither completely informed nor aware of the scope and growth of current outstanding balances of O/Ps and O/Is.

Department of Social Services response: Agree with finding.

- e. The practice of allowing the recipient to set the monthly repayment amount is a poor business practice and unreasonable.

Department of Social Services response: Disagree with finding. Overpayments on active cases are collected through reductions in monthly benefits, the percentages of which are dictated in statute. County Counsel advises the Department is bound by the regulations and cannot set minimum payments to recoup overpaid benefits on closed cases.

- 5. Problems associated with the Eligibility Unit have existed for the past decade. They have been formally documented but are not resolved.

Department of Social Services response: Disagree with finding.

The Department of Social Services has implemented changes to address challenges with the Eligibility Unit, including adjusting our case management model, requesting additional staff, designating staff solely to process IEVS, and exploring office space options with County Administration. These changes will take time to develop and produce results.

- a. There is a documented response to the 2009 State Audit Report from the Director of DSS identifying corrective action.

Department of Social Services response: Agree with finding.

- b. There has been no improvement or change in operation of DSS.

Department of Social Services response: Disagree with finding. Many of the specific deficiencies and recommendations cited in the 2009 State Audit Report have been corrected or implemented.

6. Existing office space, parking, safety, and security for the main Madera locations are both inefficient and inadequate for the current operation and for future growth.

Department of Social Services response: Agree that office space and parking is inadequate; disagree that safety and security is inadequate.

The Department has long had an excellent safety record. The incidences involving staff have been few and minor. The continued growth of the number of individuals seeking assistance from our Department, however, does present office space and parking challenges. The Department is working with County Administration to find a long term solution to these needs. In the short-term the Department is addressing these issues internally by transforming spaces in its current facilities and ensuring that staff is cognizant of safety protocols and concerns.

7. The Grand Jury investigation confirms allegations of the complaint to be true and accurate.

Department of Social Services response: Disagree with finding. Currently, the eligibility unit provides services to over 70,000 residents in Madera County. After healthcare reform is fully implemented, over half of county residents will look to our Department for medical insurance (Medi-Cal) and/or food and cash assistance (CalFRESH and CalWORKs). Accountability measures for these programs fall under the jurisdictions of the California Department of Social Services and the California Department of Health Care Services. Both agencies routinely audit our Department. State auditors are subject matter experts who analyze Madera County's performance in light of multiple federal and state variables and measure this against peer, regional, and statewide averages. A statewide perspective on the functioning of Madera County's eligibility unit illustrates challenges found in varying degrees in counties throughout the state. This in no way infers that the Department is mismanaged or remiss in its fundamental mission to administer benefits, within an allowable error-rate, to ever-growing numbers of individuals and families in Madera County.

Grand Jury Recommendations:

1. The Eligibility Function be further reorganized to include a fully staffed IEVS Processing Unit with appropriate staffing level to accommodate all of the IEVS processing in the time required by regulations.

Department of Social Services response: The recommendation has been implemented. The Department currently has a segregated IEVS Processing Unit within the eligibility unit.

2. The proposed newly-created IEVS Processing Unit be transferred to the District

Attorney's SIU to share a common mission of fraud discovery, prosecution, adjudication and recovery of funds.

Department of Social Services response: The recommendation is outside Departmental control. However, the Department believes the IEVS unit should remain under the jurisdiction of the Department of Social Services. The reasons for this are as follows: First, the Department is governed by the California Department of Social Services, which has jurisdiction over IEVS at the state level. This relationship fosters a closer partnership than could be established with a third party. Second, the Department of Social Services, which daily interacts with those on public assistance, is better equipped to audit benefits and detect fraud using, as one of its tools, the IEVS process for this purpose. Transferring the IEVS process would remove this key fraud fighting tool from front line staff. Lastly, the District Attorney prosecutes crimes, including welfare fraud, but should not also be expected to police those crimes.

3. The BoS authorize the District Attorney and Director of DSS to acquire the space necessary to house the combined SIU staff and proposed IEVS Processing Unit, with the cost to be covered by DSS State and Federal funding.

Department of Social Services response: The recommendation is outside Departmental control. However, the Department believes it is better equipped to house and supervise a segregated IEVS unit within its current administrative structure. As mentioned previously, a segregated IEVS processing unit in the eligibility unit, which has the requisite supervision to ensure a consistent focus on IEVS, is operating effectively at this time. The audit controls imposed on this unit include quarterly state reports on fraud, overpayments, and IEVS processing data, as well as the internal performance evaluation controls that are applied to each eligibility worker, supervisor, and program manager in the unit.

4. The BoS direct the departments involved to report quarterly current and up-to-date information regarding fraud, O/Ps and O/Is showing both dollar amounts and case counts.

Department of Social Services response: The recommendation is outside Departmental control. Nevertheless, the Department is happy to provide the BoS, at its direction, with quarterly summaries of its fraud data, including dollar amounts and case.

5. To make the recovery effort more cost-effective the Director of DSS, instead of the recipient, set a reasonable amount not less than \$25.00 as a minimum monthly payment.

Department of Social Services response: The recommendation will not be implemented. Overpayments on active cases are collected through reductions in monthly benefits, the percentages of which are dictated in statute. County Counsel

advises the Department is bound by the regulations and cannot set minimum payments to recoup overpaid benefits on closed cases.

6. The County Administrator conduct a Management Audit to determine the effectiveness of the current DSS management and organizational structure. The audit should also address the following, but not limited to, long range facility requirements, including office space, parking, recipient waiting areas, interview facilities, as well as safety and security requirements for both staff and recipients.


Department of Social Services response: The recommendation is outside of Departmental control.

7. The County Administrator, in conjunction with the Director of DSS, determine if the above proposed Management Audit might be outsourced and paid for with State and Federal funds.

Department of Social Services response: The recommendation is outside of Department control. However, the Department does not believe it should be implemented for a few reasons. First, the BoS commissioned an audit of each county department in 2011. Employing a number of analytical methods, including staff interviews, peer county comparisons, mandated duties analyses, and others, the MGT report determined that the Department of Social Services was operating efficiently.¹⁰ Second, the Department is routinely audited by the State on its many mandates. Lastly, utilizing federal and state allocations to duplicate state and local efforts would not be a wise use of resources and could exacerbate the concerns addressed in this report.

The Department of Social Services would like to thank the Grand Jury for providing accountability and transparency to local government. We look forward to continuing to work with the county team and other stakeholders to make Madera County a great place to work and live.

Sincerely,



Kelly Woodard, Director
Madera County Department of Social Services

cc: Madera County Grand Jury
Michael Keitz, Madera County District Attorney
Madera County Board of Supervisors
Eric Fleming, Madera County Chief Administrative Officer

¹ Public assistance caseloads in Madera County have increased over 25% in the last four years.

² The Affordable Care Act (ACA), commonly referred to as Obamacare, is the federal health care reform law that takes effect in 2014. A joint UC Berkeley/UCLA study indicates that Madera County will receive over 8,000 new applications for Medi-Cal due to the ACA. We expect the ACA to also drive new applications for other programs.

³ California Welfare Directors Association of California. Feb 2006. *Turnover Study*. http://www.cps.ca.gov/documents/resources/cwda_report_v10.pdf. The eligibility worker turnover rate was second to the rate of journey level social worker in the surveyed counties.

⁴ DPA 482 (<http://www.cdss.ca.gov/research/P366.htm>).

⁵ CA812: The state collected an average of 1.74¢ on the dollar for CalWORKs overpayments over the last three years; Madera County collected an average of 1.30¢ on the dollar for the same period. This may be more indicative of economic conditions, such as per capita income, purchasing power parity, etc., in Madera vis-à-vis the rest of the state.

⁶ The CalWORKs grant adjustment for a county error overpayment is 5%; all others are 10% of the family's benefits. See Eligibility and Assistance Standards, Manual of Policies and Procedures (MPP) §§ 352.421(a) and 352.422(a). The CalFRESH grant adjustment is 5% for county error, 10% for household error, and 20% for an Intentional Program Violation. See Foods Stamps, Manual of Policies and Procedures §§ 63-801.22 and 63-801.736.

⁷ MPP § 44-352.21; MPP § 63-801.72.

⁸ MPP § 44-351.112.

⁹ MPP § 44-350.161; MPP § 63-801.512.

¹⁰ MGT of America, Inc. "MGT'S Organizational and Operational Review of the County of Madera". June 1, 2011