

**DEPARTMENT OF SOCIAL SERVICES**

744 P Street, Sacramento, CA 95814



October 14, 1998

ALL-COUNTY INFORMATION NOTICE I-58-98

TO: ALL COUNTY WELFARE DIRECTORS  
 ALL COUNTY FISCAL OFFICERS  
 ALL COUNTY CALWORKS PROGRAM  
 MANAGERS  
 ALL COUNTY IEVS COORDINATORS

**REASON FOR THIS  
 TRANSMITTAL**

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

SUBJECT: 25 PERCENT FRAUD INCENTIVE - CALIFORNIA WORK OPPORTUNITY  
 AND RESPONSIBILITY TO KIDS (CalWORKs) PROGRAM

REFERENCE: ASSEMBLY BILL (AB) 1542, CHAPTER 270, STATUTES OF 1997

The purpose of this letter is to provide counties with implementation instructions regarding the 25 percent fraud incentive provisions of AB 1542 (Chapter 270, Statutes of 1997). AB 1542 added Welfare and Institutions Code Section 11486(j) to establish this incentive.

**IMPLEMENTATION**

The 25 percent fraud incentive became effective January 1, 1998. This incentive is derived from the State share of savings, including federal funds received under the Temporary Assistance to Needy Families (TANF) block grant, resulting from the detection of fraud. These savings have been defined by the California Department of Social Services (CDSS) as the amounts collected on client-caused (non-administrative error) CalWORKs overpayments. Based on historical data, client-caused overpayments represent 70 percent of all overpayment collections. The CDSS will utilize the overpayment collections data already reported on the Quarterly Report of Overpayments and Collections (CA 812) as a means of calculating each county's fraud incentive. The use of existing data for computing this incentive will require no additional reporting requirements for county staff.

**COMPUTATION OF FRAUD INCENTIVE**

The Department has developed a formula to determine the amount of the annual incentive payment for each county. Effective January 1, 1998, each county will receive 25 percent of the State's share of the client-caused CalWORKs overpayment collections reported on the CA 812, lines 3c and 4c for both active and closed cases (columns 2 and 4) based on the following formula: The total amount of overpayment collections reported by each county is multiplied by

70 percent to calculate the amount of client-caused errors. This amount is then multiplied by 97.5 percent to calculate the State and Federal share of each county's savings. The resulting amount is multiplied by 25 percent to determine the amount of each county's fraud incentive payment for the fiscal year.

## DISTRIBUTION OF FRAUD INCENTIVE PAYMENTS

The fraud incentive payment will be made to each county on an annual basis after the county certifies that the CA 812 data is accurate. Collections data will be compiled at the close of the fiscal year, after counties have submitted the CA 812 for the April - June quarter. The Fraud Bureau will issue individual county letters requesting each county to certify to the accuracy of the CalWORKs overpayment collections as reported on the CA 812. When the CA 812 data has been certified for accuracy, the Department will authorize the incentive payment to each county. We expect that the January - June 1998 fraud incentive payments will be issued to counties in late November or December. These incentive payments will total approximately \$8 million statewide for January - June 1998. The incentive payments for the full fiscal year 1998-99 are expected to total approximately \$13.1 million statewide.

The fraud incentive is made up of 50 percent Federal TANF funds and 50 percent State General Funds (SGF). Use of SGF money is not restricted. Federal TANF funds must be used for purposes prescribed under the Federal Personal Responsibility and Work Opportunity Act (PRWORA) of 1996 to:

- provide assistance to needy families so that children may be cared for in their own homes or in the homes of relatives;
- end the dependence of needy parents on governmental benefits by promoting job preparation, work and marriage;
- prevent and reduce the incidence of out-of-wedlock pregnancies and establish annual numerical goals for preventing and reducing the incidence of these pregnancies; or
- encourage the formation and maintenance of two-parent families.

Counties may also use TANF funds in any manner that the State was authorized to use the amounts received under the prior AFDC and JOBS programs that were in effect on September 30, 1995. Any TANF funds not used during FY 1998-99 will be rolled over into the following year.

Information regarding the actual payment processes associated with these incentive funds, as well as any related reporting requirements regarding use of the TANF funds, will be provided by the Fiscal Systems and Accounting Branch.

## MAXIMIZING FRAUD INCENTIVE FUNDING

Prevention and detection of fraud and overpayments as well as recouping identified overpayments are important goals for ensuring program integrity. The purpose of the 25 percent overpayment incentive is to give counties a fiscal incentive to meet those goals. CalWORKs overpayments are identified through a variety of sources. However, the majority of overpayments are identified by the eligibility worker through the use of the Income and Eligibility Verification System (IEVS) reports which are used to identify a recipient's unreported income and resources. To maximize detection of overpayments and potential fraud, it is imperative that counties make processing IEVS abstracts for both active and closed cases a priority. In addition, as caseloads decline as a result of successful implementation of the CalWORKs welfare to work provisions, counties should maximize their efforts to collect overpayments on closed cases.

Any questions regarding this letter may be directed to John Moist or Judy Miller of the Fraud Bureau at (916) 323-0445 or (916) 322-6527.

Sincerely,

***Original Document Signed By  
Bruce Wagstaff on 10/14/98***

BRUCE WAGSTAFF  
Deputy Director  
Welfare to Work Division

c: CWDA  
CSAC