

STATE OF CALIFORNIA
Budget Change Proposal - Cover Sheet
 DF-46 (REV 10/20)

Fiscal Year 2022-23	Business Unit 5180	Department California Department of Social Services	Priority No.
Budget Request Name 5180-130-BCP-2022-AR		Program 4270 Welfare Programs	Subprogram N/A

Budget Request Description
 Electronic Benefits Transfer (EBT) Fraud and Theft Prevention

Budget Request Summary

The California Department of Social Services (CDSS) is requesting permanent resources to monitor, investigate, and support criminal prosecution of EBT theft of public assistance funds at the state level. This proposal is to allow CDSS to address the increase in EBT theft in the CalFresh and CalWORKs programs, comply with federal requirements, provide additional oversight and technical assistance to counties, and protect program recipients from being victimized and experiencing loss of benefits.

Requires Legislation <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	Code Section(s) to be Added/Amended/Repealed	
Does this BCP contain information technology (IT) components? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <i>If yes, departmental Chief Information Officer must sign.</i>	Department CIO	Date

For IT requests, specify the project number, the most recent project approval document (FSR, SPR, S1BA, S2AA, S3SD, S4PRA), and the approval date.

Project No. _____ **Project Approval Document:** _____

Approval Date: _____

If proposal affects another department, does other department concur with proposal? Yes No
Attach comments of affected department, signed and dated by the department director or designee.

Prepared By Raquel Givon	Date 12/8/2021	Reviewed By Ryan Gillette	Date 2/3/2022
Department Director Kim Johnson	Date	Agency Secretary	Date

Department of Finance Use Only

Additional Review: Capital Outlay ITCU FSCU OSAE Dept. of Technology

PPBA Justin Freitas	Date submitted to the Legislature 4/1/2022
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A. Budget Request Summary

CDSS requests one (1.0) full-time permanent Supervising Special Investigator, two (2.0) full-time permanent Special Investigators, and one (1.0) full-time permanent, Associate Governmental Program Analyst (AGPA) to combat an increase in third-party Electronic Benefit Transfer (EBT) theft.

B. Background/History *(Provide relevant background/history and provide program resource history. Provide workload metrics, if applicable.)*

Because of the growing occurrences of EBT card skimming, scamming and other criminal activities, there is a need to employ investigators to protect the fiscal integrity of the program, protect program recipients, and provide the public's trust of California's social service programs.

Recipients of CalFresh and CalWORKs receive their food and cash benefits on EBT cards which can be used at ATMs and point-of-sale (POS) devices throughout the state. Chapter 712, Statutes of 2018 (AB 2313) requires the State of California to reimburse cash benefits stolen by electronic benefits scams in which recipients unwittingly give up their EBT card information along with their personal identification number (PIN) and consequently become victims of cash theft to an unauthorized third party. The reimbursements for replacement benefits from this Chapter are paid from state General Fund.

California operates the nation's largest Supplemental Nutrition Assistance Program (SNAP) and Temporary Assistance for Needy Families (TANF) programs, known in California as CalFresh and CalWORKs, respectively. These programs serve approximately 4.6 million people and provide about \$10 billion in combined food and cash benefits each year. The EBT system provides the automated issuance, delivery, redemption, settlement, and reconciliation of California's food and cash assistance program benefits. Recipients use their EBT cards to access their benefits using debit type cards at point-of-sale devices and automated teller machines.

In the Spring of 2019, the California Attorney General announced charges against one suspect who alone allegedly defrauded \$750,000 cash aid in an EBT scam targeting CalWORKs program recipients. The EBT scam was discovered by Sacramento County investigators using data analytics, a technology purchased and provided by the CDSS and the state-contracted EBT vendor, Fidelity Information Services (FIS). Although this case was brought forward by Sacramento County, the victims of EBT theft resided statewide in various counties. Sacramento County Investigators were able to locate the suspect using data analytics. However, the state did not have capacity or fraud investigation expertise to support the investigation or monitor the EBT theft statewide before reaching the magnitude of \$750,000.

CDSS has also learned that in rare cases, county welfare department employees have assisted outside perpetrators to take personal information of recipients and clone EBT cards, creating significant losses. These types of scams vary but usually involve assuming a recipient's identity, such as a high-profile case in Inyo county where a county employee had stolen \$1.5 million dollars. In 2018, in San Bernardino county, an employee had stolen approximately \$80,000 in CalFresh and cash aid recreating EBT cards from dormant accounts over a three-year span of time.

These occurrences involving EBT theft could be mitigated using data analytics (e.g., patterns of multiple card transactions occurring at a single ATM in a short span of time at an unusual time of day) and may have been identified earlier if CDSS had the staff dedicated to monitoring suspicious EBT transactions. Due to the lack of investigative resources statewide, including county, state and federal investigators, there is an operational need for CDSS to employ its own investigators to prevent, identify, and help recover these significant losses of public assistance funds. Currently, state resources are configured on the premise that county welfare departments monitor, investigate, and pursue criminal prosecution of welfare fraud. However, because these thefts often cross county and state lines, state level guidance,

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monitoring, oversight, and technical assistance are also necessary to support counties in these investigations. Most recently, increased reports of out-of-state EBT theft related withdrawals have also been identified in Nevada, New Mexico, and Illinois. In recent months, because of the rise in EBT theft, there have been increased requests from the California Welfare Directors Association and many counties for assistance from CDSS.

California also faces another vulnerability with the increase in trafficking of CalFresh benefits occurring at retail stores, where food benefits are exchanged for cash by colluding retailers and recipients. Dedicated state level staffing and expertise in this area was reduced in prior years during budget reductions and assessment of resources at that time. By approving dedicated investigators and an analyst for CDSS, retailers and recipients who traffic public assistance funds can be better identified and disqualified from the program.

Resource History (Dollars in thousands)

Program Budget	PY – 4	PY – 3	PY – 2	PY-1	PY	CY
Authorized Expenditures	N/A	N/A	N/A	N/A	N/A	N/A
Actual Expenditures	N/A	N/A	N/A	N/A	N/A	N/A
Revenues	N/A	N/A	N/A	N/A	N/A	N/A
Authorized Positions	N/A	N/A	N/A	N/A	N/A	N/A
Filled Positions	N/A	N/A	N/A	N/A	N/A	N/A
Vacancies	N/A	N/A	N/A	N/A	N/A	N/A

Workload History

Workload Measure	PY – 4	PY – 3	PY – 2	PY-1	PY	CY
e.g., Applications Received, Applications Processed, Call Volume, etc.	N/A	N/A	N/A	N/A	N/A	N/A

C. State Level Consideration

This proposal is in alignment with CDSS' mission to safeguard public assistance funds for the children and adults we serve. Moreover, any deterred theft will result in cost avoidance in the form of less need for reimbursements for EBT theft. The addition of these requested positions to CDSS will help create joint task investigations with county welfare departments, state and federal partners involved in trafficking and EBT theft cases.

D. Justification

This BCP is requesting three Special Investigator positions who are sworn peace officers to meet state regulations that require sworn peace officers to investigate criminal activity pursuant to the California Penal Code (CPC). An investigator would be responsible for

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investigating and referring to the appropriate prosecuting authority per CDSS Manual of Policies and Procedures Section 20-004 when a crime was suspected (i.e., theft, fraud, perjury, trafficking, etc.). Investigators are peace officers with statewide jurisdiction under the authority of Penal Code 830.3(h), which specifies that "All investigators of the State Departments of Health Care Services, Public Health, and Social Services, the Department of Toxic Substances Control, the California Department of Health Care Access and Information, and the Public Employees' Retirement System, provided that the primary duty of these peace officers shall be the enforcement of the law relating to the duties of his or her department or office...". As with the Special Investigator positions under CDSS Community Care Licensing Division, our proposed investigator staff will not be issued firearms. The need for sworn investigators is to issue subpoenas and warrants for video surveillance, including ATM video.

Currently, the CDSS has no positions designated to investigate EBT theft or trafficking. There is no law enforcement agency taking the lead on pursuing EBT theft cases, as the state owns, funds, and operates the system that is being targeted. Although county welfare departments in California administer food benefits and cash aid and process replacement benefits, they have no ability to pursue theft occurring outside their jurisdiction. For example, a county welfare department may only be aware of a resident victim in their county, despite a much larger statewide pool of victims being fleeced by the same scam in other counties. In May 2018, the USDA and FNS released the Fraud Framework report recommending states use data analytics to identify and detect potential public assistance theft and fraud.

As of June 2019, due to the Social Security Income (SSI) cash-out program, a large population of seniors and recipients with disabilities have become recipients of CalFresh. This particular population has been shown to be susceptible to such scams, and to experience hardships when their benefits are stolen. Improved monitoring or safeguarding of benefits can be achieved by the use of data analytics.

This BCP is also requesting one Associate Governmental Program Analyst. The proposed positions are needed to prevent and deter the theft of EBT benefits from vulnerable low-income Californians. Currently, third party scammers steal public assistance funds statewide, by way of skimming, scamming, phishing, trafficking, and other electronic means. California's General Fund reimburses CalWORKs clients whose benefits are stolen by these scams. Some of these scams may also involve internal county welfare department employees. This type of crime can be mitigated by utilizing our data analytics driven technology. Increasing high technology crimes, such as EBT theft, have created operational stress to our Department, creating a demand outside our abilities and scope of work. This proposal is for positions dedicated to addressing and preventing this new and increasing activity involving EBT theft, as well as other criminal activity that goes unchecked due to a lack of resources statewide.

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E. Outcomes and Accountability (Provide summary of expected outcomes associated with Budget Request and provide the projected workload metrics that reflect how this proposal improves the metrics outlines in the Background/History Section.)

Projected Outcomes

Workload Measure	CY	BY	BY+1	BY+2	BY+3	BY+4
e.g., Applications Received, Applications Processed, Call Volume, etc.	Please see below					

This proposal aims to protect client benefits and prevent annual losses of millions of dollars annually (based on AB2559 reimbursements, DSS 466 Fraud reports, and CDSS' data analytics cases). Additional resources will allow CDSS to better prevent and detect losses involving EBT theft, while acting jointly on cases with counties, Department of Justice, and federal authorities. The proposal to create investigator and analyst positions will collaboratively identify and investigate the increasing amount of EBT theft occurring throughout the state.

F. Analysis of All Feasible Alternatives

Alternative #1: Approve resource request for FY 2022-23 for four permanent positions to continue to implement EBT theft, trafficking, and other criminal activity enforcement.

Pros:

- This will provide the CDSS with the staff necessary to meet its mandate of enforcing regulations to safeguard public assistance funds and the General Fund.

Cons:

- Increase in General Fund staffing costs, which however will be offset by lower costs related to theft and cash aid fraud.

Alternative #2: Absorb the added responsibility with the current staff.

Pros:

- No additional costs to CDSS.

Cons:

- Continuing losses to California's General Fund due to EBT theft and cost to replace benefits.
- Continued victimization of our state's vulnerable population. Additionally, it will likely result in the non-detection of criminal activities as well as substantial losses. Resources will not be available to provide to our county agencies an analyst for our Department's existing data analytics system.
- CDSS will have no capacity or expertise to perform this higher-level fraud work.

Investigative case-work and analytical monitoring require full-time staff and the redirection of existing resources would result in non-compliance with current mandates.

G. Implementation Plan

CDSS will start monitoring EBT theft and trafficking immediately following adequate staffing to support the program and legislative requirements. Our initial focus is on staffing an EBT Theft

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and Trafficking Unit. We expect program staffing to take three to six months from the date of approval for staffing. Once staffed, we expect the MOU, change in administrative processes, and program to be active within 12 months. The first implementing ACL would be issued within the next fiscal year by January 1, 2022. Regulations would follow within two years. CDSS would commence reporting on performance metrics, including the number of new criminal cases, early theft detections, and amounts subject to recovery.

July 2022

- Begin the hiring process for Associate Governmental Program Analyst to support and develop leads for the Supervising Special Investigator and Subordinate Special Investigators.
- Complete hiring of Supervising Special Investigator and Special Investigators.
- Enter into an MOU with DOJ for use of their California Law Enforcement Telecommunication System along with the California Association of Criminalists.

Ongoing

- Continue both data analytic and field investigations
- Conduct enforcement actions when compliance is not achieved
- Continue to work with DOJ and known systems for enforcement and compliance activities
- Continued enhancements to data analytics systems as necessary

H. Supplemental Information *(Describe special resources and provide details to support costs including appropriate back up.)*

This proposal includes continued start-up costs associated with implementing a new program including costs for two new vehicle purchases, communication, computers, servers, software, office equipment, and additional leased space, including cubicles and furniture.

I. Recommendation

CDSS recommends the approval of Alternative #1 to combat increasing third party EBT theft, as well as other potential criminal activity that is not being investigated due to a lack of resources statewide.

BCP Fiscal Detail Sheet

BCP Title: Electronic Benefits Transfer (EBT) Fraud and Theft Prevention

BR Name: 5180-130-BCP-2022-A1

Budget Request Summary

Personal Services

Personal Services	FY22 Current Year	FY22 Budget Year	FY22 BY+1	FY22 BY+2	FY22 BY+3	FY22 BY+4
Positions - Permanent	0.0	4.0	4.0	4.0	4.0	4.0
Total Positions	0.0	4.0	4.0	4.0	4.0	4.0
Earnings - Permanent	0	310	310	310	310	310
Total Salaries and Wages	\$0	\$310	\$310	\$310	\$310	\$310
Total Staff Benefits	0	182	182	182	182	182
Total Personal Services	\$0	\$492	\$492	\$492	\$492	\$492

Operating Expenses and Equipment

Operating Expenses and Equipment	FY22 Current Year	FY22 Budget Year	FY22 BY+1	FY22 BY+2	FY22 BY+3	FY22 BY+4
5301 - General Expense	0	34	6	6	6	6
5302 - Printing	0	1	1	1	1	1
5304 - Communications	0	7	7	7	7	7
5320 - Travel: In-State	0	11	11	11	11	11
5320 - Travel: Out-of-State	0	8	8	8	8	8
5322 - Training	0	6	6	6	6	6
5324 - Facilities Operation	0	38	31	31	31	31
5344 - Consolidated Data Centers	0	48	48	48	48	48
5346 - Information Technology	0	35	35	35	35	35
Total Operating Expenses and Equipment	\$0	\$188	\$153	\$153	\$153	\$153

Total Budget Request

Total Budget Request	FY22 Current Year	FY22 Budget Year	FY22 BY+1	FY22 BY+2	FY22 BY+3	FY22 BY+4
Total Budget Request	\$0	\$680	\$645	\$645	\$645	\$645

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Fund Summary

Fund Source

Fund Source	FY22 Current Year	FY22 Budget Year	FY22 BY+1	FY22 BY+2	FY22 BY+3	FY22 BY+4
State Operations - 0001 - General Fund	0	221	210	210	210	210
State Operations - 0890 - Federal Trust Fund	0	459	435	435	435	435
Total State Operations Expenditures	\$0	\$680	\$645	\$645	\$645	\$645
Total All Funds	\$0	\$680	\$645	\$645	\$645	\$645

Program Summary

Program Funding

Program Funding	FY22 Current Year	FY22 Budget Year	FY22 BY+1	FY22 BY+2	FY22 BY+3	FY22 BY+4
4270010 - CalWORKs	0	340	323	323	323	323
4270019 - Other Assistance Payments	0	340	322	322	322	322
Total All Programs	\$0	\$680	\$645	\$645	\$645	\$645

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Personal Services Details

Positions

Positions	FY22 Current Year	FY22 Budget Year	FY22 BY+1	FY22 BY+2	FY22 BY+3	FY22 BY+4
5393 - Assoc Govtl Program Analyst (Eff. 07-01-2022)	0.0	1.0	1.0	1.0	1.0	1.0
8548 - Supvng Special Investigator I (Eff. 07-01-2022)	0.0	1.0	1.0	1.0	1.0	1.0
8612 - Special Investigator (Eff. 07-01-2022)	0.0	2.0	2.0	2.0	2.0	2.0
Total Positions	0.0	4.0	4.0	4.0	4.0	4.0

Salaries and Wages

Salaries and Wages	FY22 Current Year	FY22 Budget Year	FY22 BY+1	FY22 BY+2	FY22 BY+3	FY22 BY+4
5393 - Assoc Govtl Program Analyst (Eff. 07-01-2022)	0	70	70	70	70	70
8548 - Supvng Special Investigator I (Eff. 07-01-2022)	0	81	81	81	81	81
8612 - Special Investigator (Eff. 07-01-2022)	0	159	159	159	159	159
Total Salaries and Wages	\$0	\$310	\$310	\$310	\$310	\$310

Staff Benefits

Staff Benefits	FY22 Current Year	FY22 Budget Year	FY22 BY+1	FY22 BY+2	FY22 BY+3	FY22 BY+4
5150150 - Dental Insurance	0	1	1	1	1	1
5150350 - Health Insurance	0	26	26	26	26	26
5150450 - Medicare Taxation	0	4	4	4	4	4
5150500 - OASDI	0	19	19	19	19	19
5150600 - Retirement - General	0	96	96	96	96	96
5150800 - Workers' Compensation	0	2	2	2	2	2
5150900 - Staff Benefits - Other	0	34	34	34	34	34
Total Staff Benefits	\$0	\$182	\$182	\$182	\$182	\$182

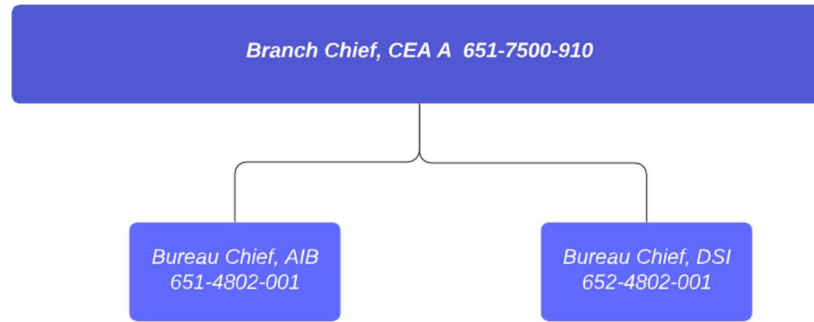
Total Personal Services

Total Personal Services	FY22 Current Year	FY22 Budget Year	FY22 BY+1	FY22 BY+2	FY22 BY+3	FY22 BY+4
Total Personal Services	\$0	\$492	\$492	\$492	\$492	\$492

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Enterprise Data Management Branch Current Org Chart

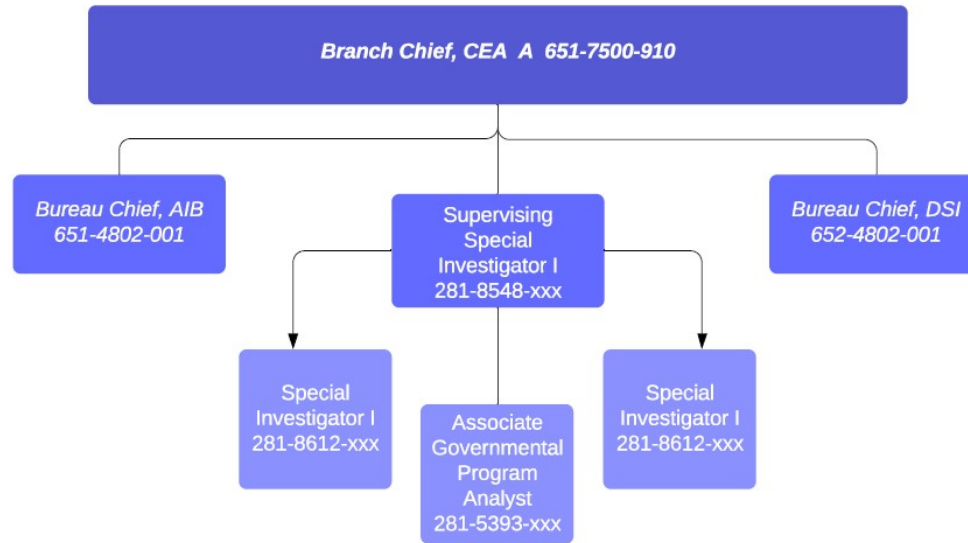
Raquel.Givon | December 9, 2021



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Enterprise Data Management Branch Proposed Org Chart

Raquel.Givon | December 9, 2021



DEPARTMENT OF SOCIAL SERVICES **RESEARCH, AUTOMATION, AND DATA DIVISION ORGANIZATION CHART**
December 2, 2021 PROPOSED

Approved