



Intercom

A SPECIAL NEWSLETTER EDITION OF THE CALIFORNIA WELFARE FRAUD INVESTIGATORS ASSOCIATION

Pursuing integrity in California's welfare programs for over 50 years

March 2023

Taxpayers Lose Millions in EBT Theft

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CWFIA is committed to assuring that welfare fraud is detected, prevented and prosecuted in order to maintain integrity for public assistance programs for over 50 years

Send a Letter to the Editor

Have a perspective on something in the Intercom you'd like to share? Disagree with something we wrote? CWFIA would like to publish opinions shared by our readers. You can submit yours here.

Email your opinions or letters to

shawnferris@cwfia.org

About CWFIA

Incorporated in 1972, this organization was founded to provide a forum for program integrity professionals to communicate and work together towards common goals. CWFIA has had an active role in developing, supporting and promoting, State legislation that has been imperative to doing just that.

CWFIA provides an annual training conference to its members to support efforts to train and develop professionals in the area of program integrity.

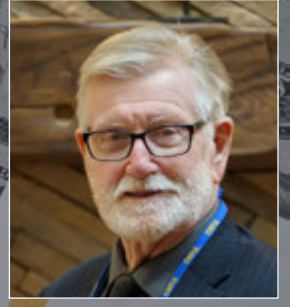
CWFIA also continues to have a voice in state legislation. State legislation affecting public assistance programs, is closely monitored, and our members are kept up to date with the latest information. The association also works closely with the California Department of Social Services, advising and providing information which assists in the development of policy, plans, and changes having an effect on public assistance program integrity statewide.

Today, with 350 plus members, we continue to work towards the same goals as those who originally founded this organization.





by Guy Christian, CWFIA Immediate Past President



Do no harm, a lesson learned too late.

Carol is a fictional person, but she is an example of many mothers who rely on the SNAP to feed their families. It's cold and raining outside but Carol has to bundle up her 11 month old and manage getting her first and fifth graders to school. She loads everyone in her 2009 Ford and begins the morning commute to get her two oldest to school.

This morning she must also go to buy groceries for her family. The rain continues as she carries the baby through the parking lot and inside the store.

She walks the aisles looking for the best prices on each item. Her budget is tight which means careful shopping is a necessity. She checks her list and thinks she will be over budget which means next week will be a little tighter. When the cashier totals the groceries she slides her EBT Card through the machine and puts in her PIN. The first attempt is rejected, then a second attempt is rejected. Panic is her first reaction, where are her benefits and how will she feed her family. If Carol received Cash Aid those funds in her account would be gone.

Carol has just joined the ranks of recipients who have lost their benefits to one of the biggest fraud operations in the history of the program known as SNAP. A program to help feed those who are in the greatest need in our communities.

The Supplemental Nutritional Assistance Program evolved from the Food Stamp Program. As many as 41 million people in California rely on some level of SNAP to provide food. In 2022 \$14.4 Billion was the cost of the program. The funding for CalWorks is \$7.2 Billion for 2022-2023.

This article is directed at SNAP. It is a vital program and does have failures unknown to the general public. Not only is there a lack of protection for those receiving benefits, there is a failure to provide for the integrity of the program. Overall, the American public doesn't mind helping those in need. However, the American public does expect their money to be spent wisely. In the case of Carol and an unknown number of other recipients something is wrong.

Every Public Assistance Program is only as safe as those who manage it. California should understand that after the Employment Development Department paid out over \$31 Billion dollars to who can only be considered criminals that something must be wrong. The attempt to correct the problem it seems to be continued with no correction.

When I began working in the field of Public Assistance there was a California State Fraud Bureau. In our region our Field Representative regularly contacted our unit to provide assistance and update us on changing Regulations and Fraud Trends. Then a budget deficit occurred and in the blink of an eye the Fraud Bureau died. Left with minimum staffing the Bureau was no longer able to complete its mission. It should be noted that all other staff in Public Assistance have been restored and in many cases are larger than ever. Today there is no Fraud Bureau, it is now the Research, Automation and Data Division. Somehow Program Integrity gets lost among those four words. This Division works to provide information and guidance to the Agency. They too, like every other facet of Program Integrity are overloaded. Apparently the word "Fraud" is now not politically correct where Public Assistance Programs are concerned.

(continued on pages 11 and 12)



Operation Urban Justice Nets 15 Arrests

On March 1, 2023, law enforcement in Los Angeles County conducted "Operation Urban Justice." Focused on targeting individuals involved in the theft of EBT benefits through the use of cloned cards. A joint operation with local law enforcement and federal law enforcement officials resulted in the arrest of 15 individuals who were charged with making unauthorized withdrawals of funds from ATM's across Los Angeles County.

Most of the suspects have been identified as Romanian nationals. The difference with this case versus prior arrests made is that the charges are being filed in federal court. To view the press release regarding these most recent arrests, please select the below link:

<https://www.justice.gov/usao-cdca/pr/15-arrested-law-enforcement-operation-targeting-fraudulent-withdrawal-benefits>





Why And Where Did The EBT Theft Problem Start



Is illegal immigration and the huge increase in EBT skimming tied together?

Since January 2021, the state of California has seen a steady increase in EBT theft. As shown in the graph, the total EBT theft loss in the CalWORKS program was estimated to be approximately \$2.5 million dollars for the month of January 2021. A year later, the monthly loss jumped to \$7.2 million dollars. Over the last 13 months, the CalWORKS losses have exceeded approximately \$60 million dollars.

Where did this all start? Why did California see a massive jump in EBT theft starting in 2020? There is a myriad of factors that have caused this crime spree.

The first factor directly relates to our weak borders. A main suspect (Florian Tudor) in EBT skimming was arrested in Cancun, Mexico by federal authorities in 2019. Florian Tudor was of Romanian descent and immigrated to Cancun, Mexico where he started a business building ATM machines. His business built ATM machines and sold them primarily to hotel resorts throughout Mexico. All of the machines he built came with deep inset skimmers.

Tudor helped a number of Romanian nationals immigrant to Mexico to assist in his illegal business operation. The operation was disbanded in 2019. A year later, we started seeing significant increases in EBT theft and skimming. Is there a correlation?

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Why And Where Did The EBT Theft Problem Start *(continued)*

In September of 2022, California law enforcement agencies conducted a sweep of arrests across California for illegally withdrawing cash from ATM devices using cloned cards. All of the suspects were Romanian nationals, most who entered the United States with a questionable immigration status.

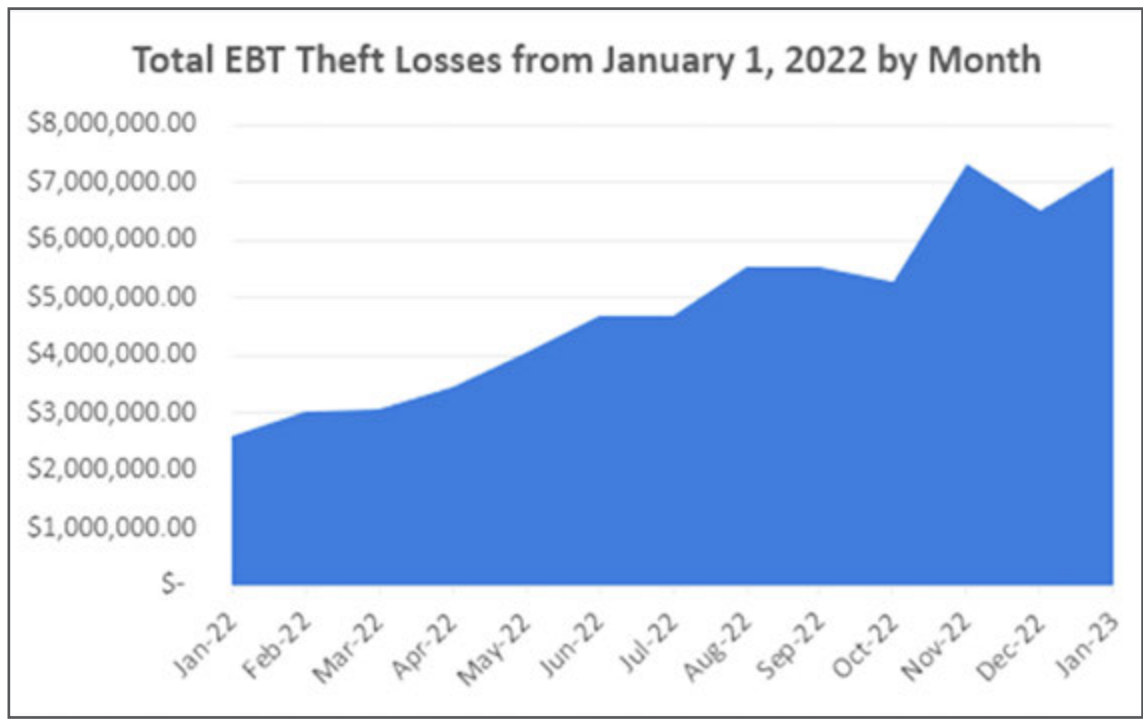
In March 2023, an operation in Los Angeles County netted another 15 arrests. Mostly all Romanian nationals with questionable immigration status. There is clearly a connection to illegal immigration and EBT theft.

Next, let's look at the card security. For the last several years, CWFIA has expressed frustration that the EBT cards lack any security features. The same suspects who are stealing the EBT benefits likely learned of the lack of security features as recipients. A lack of security features opened the door for the criminals to steal the funds. This is not a case of great criminal ingenuity. When there are no security features this invites those wishing to steal an invitation to take advantage and commit EBT theft. All theft is in part opportunity. The lack of security features has given great opportunities for the thieves to steal taxpayer funds.

The banking industry is not seeing this level of increase in thefts. Why? Because they deploy security features such as chip technology. The EBT cards will not see chip technology until June of 2025. How many more millions will be lost between now and then.

Lastly, there is bureaucracy. Seeing the thefts rise and a need to pivot and make immediate changes does not occur in part to the bureaucracy. The bureaucracy prevents us from pivoting and making decisions to stop the criminal activity. Criminals are not burdened by the laws, regulations, and the special interest groups and can change tactics and move quickly. The end result is that taxpayers of the State of California have to cover over \$60 million dollars in annual losses during the same year that the Governor announces a shortfall for our state.

The bottom line is that the entire EBT theft problem was predictable and therefore preventable. Additional significant losses are predictable but our legislators must act to prevent it.





USDA Hosts Meeting On New EBT Technology

On March 2, 2023, CWFIA board members attended a nationwide EBT Modernization Roundtable meeting facilitated online by the USDA. The purpose of the meeting was to discuss improving security functions of EBT cards. The meeting was attended by over 125 stakeholders nationwide. Unfortunately, the meeting fell short of discussing when EBT security will be improved and amounted to a forum about the minutia involved in technology improvement.

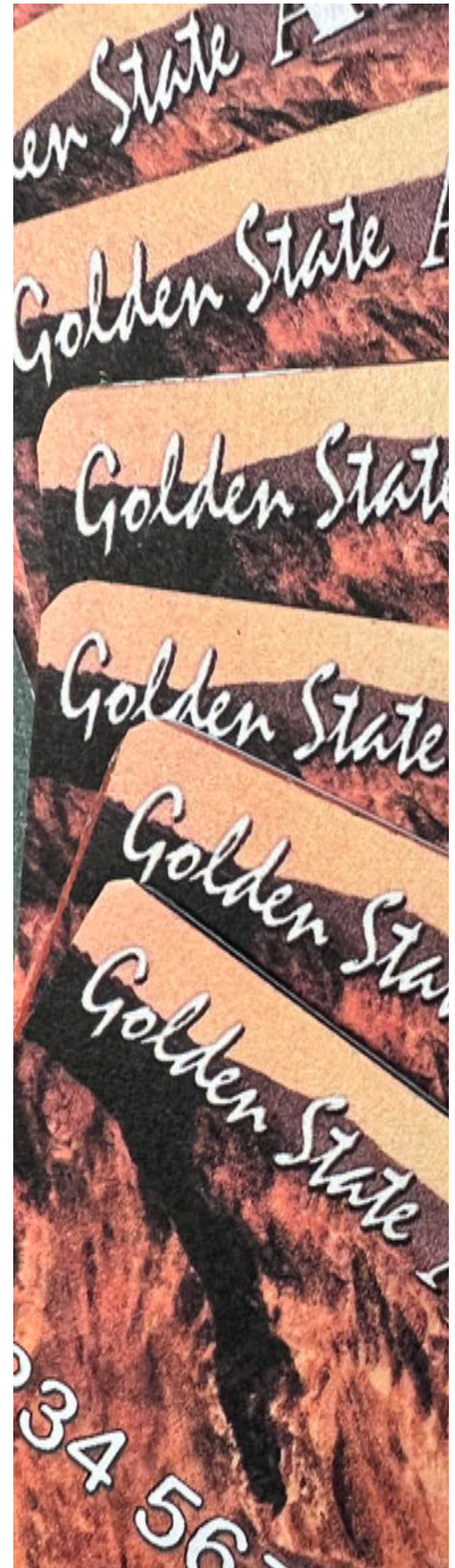
The following is a summary of the topics that were discussed: USDA asked the group if they preferred a pilot group to a phased rollout. There was no timeline presented. CWFIA board members voiced their concerns about California losing millions of dollars each month to EBT theft from compromised cards. Several stakeholders from across the nation voiced the need for implementing security features on EBT cards sooner rather than later. Numerous attendees who were presumably at the upper management level of their welfare agencies and were more concerned about the granular aspects of implementing the security. Some of the topics discussed included the following:

- An approximate \$.25 (yes, cents) per card cost increase
- The equipment needed to develop the cards
- Plastic shortages and when the card blanks are most expensive (one attendee stated the prices were “seasonal”)
- Retailers not having the proper technology to receive tap/chip forms of payment
- How much cost their agency would shoulder versus compensation from federal funding
- Would clients be able to understand the tap technology

USDA did not provide any solutions or insight to these concerns and took them under submission only. The conversation got away from security and went down the superficial rabbit-hole of what the card aesthetics would be. None of these issues identified the how, when, or confidence that these concerns are easily overcome.

An Oklahoma stakeholder reported they have implemented chipped cards for their child support and cash aid programs but have not done so with their food stamp program. This is presumably due to USDA being behind the curve. So far, this is the only state we have heard from who has increased their card security. While CWFIA understands these are all concerns that will need to be considered, there was no talk about when or if a national EBT card technology improvement will happen. Meanwhile, the national system has been hemorrhaging millions for the past two years from EBT theft. EBT cards are so insecure, it should be criminal for our federally and state funded institutions to be so negligent with tax-payer money.

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USDA Hosts Meeting On New EBT Technology *(continued)*

What does this mean to us in the State of California? Based on the lack of planning and response by USDA, there are no plans in place for the nationwide implementation of increased EBT security. California Department of Social Services reported to the CWFIA during a February 2023 meeting that they plan to implement a chipped card program in 2025. This goal date is too far off and the fraud needs to be stopped now.

Some recommendations by CWFIA to implement EBT technology is to encourage involvement by multiple card vendors. Multiple vendors need to be tasked with the security development and be stakeholders in the plan. We should be utilizing technology that is parallel to banking credit and debit cards. On a local level, fraud education and prevention should be part of the client training in addition to their rights and responsibilities they acknowledge when they open a case or receive an EBT card.

California has always been a nationwide leader. Let's take the lead to root out this fraud and then partner with neighboring states to provide a framework to them on how California is successfully preventing fraud with increased EBT security. This will provide regional security to food stamp and cash aid benefits and hopefully spread at a national level.

California leads the nation in law enforcement standards, commerce, and technology-based corporations. It makes sense for California to take the lead in EBT card modernization as soon as possible. We can set the bar by being the first in this arena and to get the job done. We have a duty to the California taxpayers to accomplish this now. We cannot afford to get caught up in the granular details and continue to donate millions of dollars to organized crime.



Webster's dictionary describes a 'void' as an empty space or vacuum. When these voids occur in government, it causes poor quality of service to its citizens and a disconnect with the reality of the current status of a given topic.

The California Department of Social Services (CDSS) autocratic and discretionary implementation regarding the removal of police reports and claim numbers on the Report of Electronic Theft of Cash Aid and CalFresh Benefits (Form 2259) has caused that void. Each of the Counties which are actively pursuing criminal investigations regarding Electronic Benefit Transaction (EBT) card skimming loudly requested that CDSS not remove that single requirement. CDSS would not listen to that input nor to CWFIA's advice to keep the requirement. CWFIA and its law enforcement partners view the elimination of the requirement as a mistake and the entire weight of blame falls on the hierarchy of CDSS.

How is CDSS now going to garner assistance from its Federal, State, and County law enforcement entities? How will the law enforcement agencies know that the crime of ATM skimming and state fund thefts are occurring in their cities? How will CDSS garner the self-starting impetus from local law enforcement agencies to attack a crime which they now have no clue of its frequency or vastness? This blunder by CDSS has caused a serious state and national issue to become invisible to law enforcement and the needed reporting statistics to fall into a 'black hole' wherein it disappears forever.

It is well known that County Special Investigation Units (SIU) do not have the staffing to maintain the necessary levels of program integrity already. By removing the law enforcement reporting requirements, they have effectively placed the entire criminal investigative responsibility on these few people. Due to their recent involvement with a Los Angeles based operation, CDSS already knows that it takes hundreds of people to conduct a successful law enforcement response. Thus, CWFIA can only assume that CDSS wishes this monumental problem to disappear from the radar of the general public and law enforcement community.

This arbitrary action by CDSS sounds familiar to another recent debacle in California's history...the Employment Development Department (EDD) unemployment claims theft. After California's taxpayers had their 32.6 BILLION dollars stolen, EDD responded with 30 criminal investigations which only identified 54 million dollars that could be attached to suspects. Remember, this is identified monies not actual recovered monies. That is only 0.17% of the total stolen monies identified to be recovered! This TERRIBLE response was caused by many factors which CDSS is now guilty of emulating. The lack of manpower within EDD and the lack of communication with law enforcement agencies are just a few of the similar facts.

Due to the CDSS' policy change, we are faced with consequences which now will escalate the crime occurrences. Taxpayer monies are already being stolen and moved out of the country and are supporting international criminal organizations. Local criminals have learned of the vulnerabilities of the EBT system and are enjoying profits like never before. Ensuring reimbursement of stolen money can never be at the expense of the program or the protection of the state coffers.

When are taxpayers going to become aware and disgusted by these governmental inactions? When is CDSS going to listen to fraud investigators and eligibility workers to keep program integrity intact? When do we as an organization forcibly move forward and make positive change happen with this new state debacle? The answer to all of this is NOW! CDSS has made a difficult situation even more impossible to contain. They have made a VOID with no plan to fill it with a well thought out alternative proposal.

Plain and simple, CDSS needs to have an alternative action plan or face the same restructuring that EDD is going through. They have created this situation and they need to fix it NOW!!



CWFIA CONF2023

MARGARITAVILLE RESORT
PALM SPRINGS, CA
10.24-10.26



cwfia.org

CLASS AND BASIC DESCRIPTION

(subject to change)

Fraud 101

Basic eligibility class

Fraud 102

What constitutes fraud? How to prove it?

Fraud 103

How to prepare a fraud case for prosecution.

Administrative Disqualification Hearings

Techniques on preparing and presenting a ADH.

Growth through Leadership

Leadership principals and techniques for productivity and unit growth.

Policy, Regulations, and Law

Updates in California welfare policy, Federal regulations, and State law.

Gangs 101

Ways to recognize gang affiliation and activity to enhance your field safety.

Verbal De-escalation Techniques

Numerous verbal techniques to turn a difficult situation back into a peaceful encounter.

Asset Forfeiture

Ways and techniques of using existing white collar criminal laws to recover ill-gotten capital from criminals.

Home Call Safety

A basic safety course to assist in keeping the worker safe while being in the field.

Fentanyl Awareness

Identification, dangers, avoidance, and emergency responses.

Interrogation 101

The basics of good interrogation skills.

Interrogation 102

Advanced interview and interrogation skills. Reading the interviewee and key questioning techniques.

Lobby Conflicts

Specific techniques and experiences on dealing with disruptive people in an office lobby

Human Trafficking

Recognizing the indicators during a home visit.

Social Media 101

Basic 'how-to' on searching the public forums for information on a person

Social Media 102

Advanced techniques to deep-dive into finding hidden details about a person within their social media accounts.



Spending Dollars to Save Pennies *(continued)*

SNAP is funded under the Federal Farm Bill. Federal funds are allocated to every State. The State is required to add funds to the program. When the "Feds" as they're known, wrote the Rules and Regulations for SNAP Program Integrity it was apparently no more than an after thought. To provide for program integrity a regulation was born. A regulation which required States to have one investigator for every 5,000 SNAP cases. I served as President of the California Welfare Investigators Association for ten years and during my tenure we were unable to find out where that number originated from. The real answer is no one knows. Was there a discussion to determine the truly needed number or did an aide or analyst just stick it in the regulations? Maybe it was just "OK guys we need a number" and just like that a number was slapped on paper.

Food Stamps vouchers were designed and used just like US currency. A \$1 voucher was honored everywhere just as United States currency. It was so widely accepted in several Middle Eastern countries it carried the same value as United States currency and was used for the purchase of anything someone wanted.

In every State FRAUD became an issue. With an exchange rate of fifty cents on the dollar it became a profitable venture with little risk. Corrupt retailers would buy Food Stamps, recipients would use them to purchase items not on the approved products list, they could be traded for cash and were used to buy drugs. The list goes on and on.

The Food Nutrition Service (FNS) is responsible for the vetting of retailers. In California, agents are spread so thin that is virtually impossible to investigate every call or data report indicating possible fraud. They just simply don't have the staff and the staff they do have work incredibly hard.

SNAP recipient fraud falls to the States. In California that responsibility is passed down to the fifty eight (58) counties. This creates a tangled web of multiple computer management systems. One county system is not compatible with another county system. There isn't enough space for me to elaborate on the downfalls of this type of management, I don't even know what to call it. I must ask myself how California, a State that boasts of a progressive environment with innovative ideas, could fail to manage a program such as SNAP.

Program Integrity in a County is determined by the Welfare Director. They determine how much the Program Integrity budget will be. In one County the Director may feel Program Integrity is important. In another they may be of the opinion there is no fraud in the system. In the first example the Fraud Unit may be well funded and in the second not so much.

In 2003 California faced a major budget shortfall. Budgets for SIU units, just as every Division was reduced to help with the shortfall. Today eligibility staff as well as support staff exceeds the level at which they were prior to the reductions. Sadly, many Special Investigation Units (SIU's) remain short staffed. This is a direct result of County Welfare Directors and their attitude toward fraud.

CDSS has always worked closer with advocates than their own County SIU's. Let me clarify that statement, County Welfare Directors manage the counties. CDSS responsibility is to manage the system, the buck stops there. They make decisions often swayed by advocates who use political pressure to push their agenda. The agenda is simple, remove any rule or regulation which might cause a perceived hurdle to a recipient receiving assistance. Fraud is rarely a consideration, after all, the "Bill of Goods" sold to Congress and taxpayers is fraud is only a minimal part of the program.

Prior to the issuance of the first EBT Cards the CWFIA Executive Board met with CDSS regarding the security of the cards. At that time we were told the cards were secure and would prevent fraud. This idea was pushed so hard that a County Welfare Director sold to his Board of Supervisors the card would totally eliminate Fraud. The SIU was decimated and without a strong SIU, fraud increased.

CWFIA has very strongly advised CDSS that cards without chips would open the door to fraud as never before. We also advised CDSS the banking industry had already begun if not completed the addition of chips to their cards. While chips wouldn't prevent every fraud, because criminals are always looking to beat any system, it would slow them down.

On the administrative side of CDSS I don't believe any one of them has ever worked with fraud on the level of CWFIA. Have they ever worked an absent parent case, children who are not in the home or an unreported income case? Have they written a search warrant then tracked down a Judge to sign it? CWFIA was and is in fact the experts in Public Assistance Fraud. Who has an annual



Spending Dollars to Save Pennies *(continued)*

conference specifically designed to train Investigators and Support Staff? Who has Quarterly Video Training that is open to anyone who wants to attend? The answer is CWFIA!! CWFIA is the one who is trying to prevent recipients from being ripped off and working to fight the fraud that steals taxpayer dollars.

Today's climate demonstrates that the advice given to CDSS that EBT cards without chips would open the door to fraud was partially accurate. A door for criminals wasn't opened, it's was ripped from its hinges.

Let's think for a minute about recipients who CDSS wanted to make it easy to obtain assistance. As I have said, they are the ones who decided the cards were safe. We now know the disaster it has created is hurting the very people they want to help.

Think back to the imaginary Carol at the start of this article. What kind of emotions must she have felt when there was no money to buy food for her children. Maybe too the embarrassment of having to ask relatives and friends to loan her money. Fear, Panic, are real emotions she must have felt. The system failed her and CDSS is responsible. There are more "Carols" out there every day!

CDSS has made another one of their "Landmark Decisions." When someone's benefits are stolen the State will replace those funds. I believe that is exactly what the State should do. After all, the State provided the card they knew was not secure and in the flick of an eye the money was gone. It was now in the hands of criminals who prey on anything they can. EBT benefits are stolen by people with no conscience. They looked around and the California EBT System was an easy target.

When money is stolen it is obvious you should file a police report. After all that's common sense. Today with many police departments it can be done by phone. You could have an officer come to your home or you could make the report at the closest police station. CDSS has now made the decision to eliminate the requirement that a recipient file a police report. CWFIA has advised CDSS that requiring the police report would have far more repercussions in legal action. Without a report, law enforcement can't open an investigation. You would think this would be obvious. Today Local, Federal and State SIU's are working together to combat the biggest theft of Welfare Fraud Funds ever seen. There is no doubt the State will continue to lose millions of dollars every month. We are told CDSS is moving to replace the current EBT Card with a new chipped card. The timeline is two years to complete the change over.

Once upon a time CDSS and CWFIA determined a way to communicate with SIU units and Investigators needed to be developed. CDSS advised they could create the system and it would take at least a year. We left the meeting and in ninety days we had a system that reached the State Fraud Bureau. Remember, that's when their name had Fraud in it and every SIU and every member of CWFIA was connected to what we titled Flash email. Today the system reaches specific members of Congress and the State Assembly and other States which trickles down to Investigators nationwide.

If you want to decrease Fraud the simplest way is to hide it. It's as easy as one, two, three, just change the Fraud Report submitted to CDSS by County SIU's. It's not only a problem for California. On the Federal level there is no report that accurately accounts for fraud. Every State has their own accounting method.

At a United Council of Welfare Fraud Conference, I attended a roundtable discussion on a variety of subjects. Early Fraud Prevention proved to be an eye opener. Some states stated early fraud was prior to granting benefits. In another State the case was funded after a verification of the facts on the application by a home visit. However, policy dictated the case would be funded regardless of whether or not the visit occurred. This is another failure at the Federal level to set rules and regulations that provide an accurate report of fraud activity.

Is it ethical for CDSS to provide benefits to recipients with a system they know will lead to fraud costing taxpayers millions upon millions of dollars. The question now is, when do your actions cross the line from administrating a program to be becoming an accomplice?

I did not go into the numbers, cases, dollars or how many recipients were damaged by this FRAUD EPIDEMIC. Other articles in this issue will expand on them. Watch for headlines, it's bound to reach the press sometime.

Maybe CDSS should listen to the experts, it will be less damaging.