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Economy & Efficiency Commission Presentation

Editorial Note: Although every effort has been made to insure the accuracy of the material in this presentation, the scope of the material covered and the discussions undertaken lends itself to the possibility of minor transcription misinterpretations.

PRESENTATION BY

Ms. Jeanne L. Kennedy

Former Chair, 1998-99 Grand Jury and incoming Economy and Efficiency Commission Commissioner
and

Dr. Herbert Harder, MD

Former Chair of the Grand Jury Health and Human Services Committee

**Topic: Summary of the 1998-99 Grand Jury Report
September 9, 1999**

Chairman Abel suggested, that since neither Supervisor Yaroslavsky, nor his representative were present, that Commissioner Jeanne L. Kennedy, Former Chair, 1998-99 Grand Jury and incoming Economy and Efficiency Commission Commissioner, and Dr. Herbert Harder, MD, Chair of the Grand Jury Health and Human Services Committee, make their presentation.

Commissioner Kennedy began the presentation by referring to the final report of the 1998-99 Grand Jury. Copies of the table of contents and summaries had been distributed, to the Commission. She went on to say that these copies would serve as a reference to the Commissioners.

As you may know the Grand Jury has two areas of responsibility, criminal and civil. One of the things that the Grand Jury did last year was to quantify the savings of their work to the taxpayers. On the Criminal side, during the 11 months up until issuing the final report, the Grand Jury had 32 hearings, heard 76 days of testimony, interviewed 429 witnesses, and indicted 121 persons. The cost of the Criminal portion of the Grand Jury's work was approximately \$200,000 a year. The first 11 months resulted in a savings to the Judicial System of \$2M.

In the Civil area the Grand Jury conducted 4 major audits, and looked into two County operations, welfare fraud and Juvenile Hall.

As the former Chair of the Committee that reviewed the problem of welfare fraud, Dr. Harder commented that the Welfare Department did not agree with the Grand Jury's study conclusion that the savings potentially available to the County was possibly in excess of \$500M a year. This estimate was derived by comparing the data from two counties in Southern California. Both if these Counties had reviewed each of their cases to determine the percentage that were fraudulent. Applying that average percentage, to Los Angeles County, the Grand Jury arrived at a potential level for fraud that was over \$500M a year.

The Welfare Department, with approximately 10,000 employees, receives 58 thousand applications for welfare each month. In the first 9 months of 1998, benefits were paid to 1.4M persons. Eight hundred thousand cases were accepted in the first 9 months of 1998.

Some of the recommendations in the report are currently being implemented or will be implemented soon. Of the 24 recommendations that were made 19 were accepted. One suggestion of the Grand Jury was to implement an incentive program. The Welfare Department felt that it was not needed since it is the responsibility of each employee to report any fraudulent activity. Putting an incentive program in place, in the opinion of the Grand Jury Committee, would significantly improve the reporting of fraudulent activities. A second suggestion was to insure that recommendations were not only implemented, but completed. Oversight from outside the department would prove to be a great advantage in accomplishing this.

Commissioner Able asked which other counties were used in comparison to Los Angeles County. Dr. Harder replied that San Diego and Orange, were used in the study.

Dr. Harder commented that the oversight of the study recommendations has been delegated to the Director of the Department and to the Auditor-Controller. And after one year, the County Administrative Officer is to review and evaluate the progress of the study's recommendations.

Mr. Breslauer commented that, over the last three years he has read dozens of final Grand Jury reports, involving thousands of recommendations, and this report is among the very best. He also raised the question on the newspaper article reporting that the Supervisors have suggested that some follow-up be undertaken by the Grand Jury.

Dr. Harder stated that he did not know how to interpret the suggestion for follow-up. Each Grand Jury has to determine its own activities and program. In addition, he commented that the Grand Jury does not have executive authority to take action, it can only make recommendations.

Commissioner Lucente asked if there had been any consideration of automating the Food Stamps Program, such as was done recently in Washington State. Dr. Harder replied that one of the recommendations, accepted by the Department, is a consideration of this type of automation.

Commissioner Kennedy interjected, that what attracted the attention of the Grand Jury, was not particular fraud by a single individual, with children, but rather newspaper reports of people who owned businesses and who had considerable assets were fraudently receiving welfare payments.

Chairman Abel wanted to know if the extent of the numbers that were mentioned have brought any reaction from the County and its leadership.

Dr. Harder replied that the only contact that he had was from the Department wanting to know if the Grand Jury could produce any documentation to support the \$500M figure. He felt that verification of this, or any other, number will be dependant upon what is found after an investigation of possible welfare fraud within the County.

Commissioner Farrar asked if there was a specific person within the Department charged with the responsibility of implementing Grand Jury recommendations.

Dr. Harder felt that the following recommendation from the Grand Jury best responded to Commissioner Farrar's question. "The Grand Jury strongly urges that the Los Angeles County Board of Supervisors retain an outside individual or private management firm to oversee the implementation and completion of the recommendations in this final report. As well as any additional suggestions for any meaningful changes, which may arise as the project is implemented."

Commissioner Abel asked Mr. Richard Popper, Deputy for the Third Supervisorial District, if Supervisor Yaroslavsky or any of the other Supervisors had reacted to the Grand Jury recommendation regarding welfare fraud.

Mr. Popper said that the first response was to double-check the \$500M number. The Board then continued by asking the Welfare Department and Auditor-Controller to work with the Grand Jury to verify this number.

Commissioner Farrar asked Dr. Harder about the auditing status, considering that the Board did not accept the Grand Jury's recommendation to have an outside auditor review possible fraud in Los Angeles County.

Dr. Harder said that the following quote from the Boards minutes addressed this issue. "On motion by Supervisor Antonovich, seconded by Supervisor Burke, Unanimously carried, the Board adopted 1998-99 Grand Jury recommendations regarding welfare fraud in Los Angeles County and, instructed the Auditor-Controller to make staff available to the 1999-2000 Grand Jury to oversee the implementation and completion of the recommendations identified by the Grand Jury and included in the Department of Public Services, Welfare Fraud Prevention and Prosecution Fiscal Year 1999-2000 Plan".

Quality and Production Liaison Hill inquired into the funding of the Grand Jury over the last 10 years. She asked that since there had been a continual reduction in Grand Jury funding, and since stated the savings are significant, what has the Grand Jury done to increase the budget.

Commissioner Kennedy said that a report was sent to the Board of Supervisors requesting an additional \$100,000 to perform audits. Although, this request was not recommended by the Chief Administrative Office in the budget, it is currently being reconsidered by the Board.

Mr. Popper interjected that the issue was to come up at the next Board of Supervisors meeting and was expected to be approved.

Commissioner Abel thanked Commissioner Kennedy and Dr. Harder for their presentation and their comments on the operations of last years' Grand Jury.

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