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WELFARE CHEATING

ADDRESS OF HON. RUSSELL B. LONG, CHAIRMAN,
COMMITTEE ON FINANCE, AND
SUPPORTING MATERIAL

COMMITTEE ON FINANCE
UNITED STATES SENATE
RUSSELL B. LONG, *Chairman*



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INTRODUCTION

On March 14, 1972, Senator Russell B. Long, Chairman of the Senate Committee on Finance, made an address on the Senate Floor dealing with the subject of welfare cheating. That statement is reproduced here.



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Senate

Welfare Cheating

Mr. LONG. Mr. President, in the past several months, there has been considerable discussion in connection with the President's welfare expansion bill concerning fraud and deceit under the existing welfare system and the potentially larger problem that might accompany enactment of the President's program in the form in which he has proposed it.

In the next few pages of the RECORD, I will show how fraud and misrepresentation and simply bad management of the welfare system have led to the inclusion on the welfare rolls of literally thousands of people all around the country who should not, under any reasonable interpretation, be eligible for benefits, or whose benefits should be substantially less than they are receiving.

It has been said that a few bad apples should not discredit the whole barrel and that welfare recipients, in general, should not be tarred with the same brush that paints horrible pictures of welfare cheating and malingering. I agree completely with the thesis that millions of people on welfare rolls are there through no fault of their own. These people would like nothing better than to leave the welfare rolls and regain their independence. They need the help of their fellow Americans and we should all do what we can to aid them. The rhetorical question posed by the passage from the Bible—"Am I my brother's keeper?"—should be answered with a resounding "Yes," but only when we refer to the destitute, the disabled, and the orphaned.

But our personal compassion for the needy must be tempered by a responsibility to the people whose money we are entrusted with spending for the public good. Frankly, if we continue a system which tolerates fraud, administrative laxity, petty chiseling and deceitful practices, we are doing a double injustice. First, we violate the trust of the people by allowing Federal funds to be used for purposes other than for relief of the needy; and, second, we are unfair to the needy themselves who could otherwise be better provided for with available funds.

In my opinion, if the taxpayers of America knew that the welfare system was as shot full of holes as it is, and if they understood that the President's welfare expansion program, embodied in H.R. 1, does nothing to correct the glaring deficiencies in the system—but in fact makes them worse—I know they would not tolerate it. And if the people representing them in Washington knew how their constituents felt about the matter, then they would not tolerate it either.

I am no newcomer to the welfare scene. My record on behalf of the poor is clear. But I am concerned—gravely concerned—that the welfare system, as we know it today, is being manipulated and abused by malingerers, cheats and outright frauds to the detriment not only of the American taxpayers whose dollars support the program, but also to the detriment of the truly needy on whose

behalf the Federal-State system of cash assistance is so important.

There is no question in anyone's mind that the present welfare program is a mess. It is only fair to say that no one really believed, until recently, that this also might be true of the adult programs—old age assistance, aid to the blind, and aid to the disabled categories.

THE ADULT PROGRAMS

I say, "until recently," in the adult programs, which include 3.1 million people, because on January 3, 1972, the Department of Health, Education and Welfare released the results of a preliminary survey indicating that errors in eligibility or payment status were found in 17 percent, or one-sixth, of the adult recipient cases. Of the approximately 500,000 recipients in these cases, 4.9 percent, or about 152,000 recipients, were ineligible for any payment, and over 7.9 percent, or about 245,000 recipients, received overpayments.

The survey covered only 34 States and only about half of the Nation's public assistance caseload, because many States were unable to review enough cases in April 1971 to provide a valid quota for a national subsample. HEW officials pointed out that it was not possible to show the percentage of errors or ineligibility by separate programs of old age assistance, aid to the blind, or aid to the disabled, but only by the three programs combined.

THE DEPENDENT CHILDREN'S PROGRAM

The survey also showed that erroneous welfare payments are going to 28.6 percent, or 772,000 families with 2,974,000 recipients, in the aid to families with dependent children—AFDC—program. Only 5.6 percent, or about 151,000 families with 582,000 recipients, were ineligible for any AFDC payment. Over 14.6 percent, or about 394,000 AFDC families with 1,618,000 recipients, received overpayments.

There were even underpayments in 9.7 percent of AFDC cases and in 4.9 percent of the adult cases.

(See exhibit 1.)

Mr. LONG. According to the article which appeared in the Washington Post on January 4, 1972, HEW officials said that, if all the errors could be corrected, there might be a net taxpayers' savings of \$500 million in welfare costs.

(See exhibit 13.)

Mr. LONG. I was quite concerned to note that in spite of the ineligibility and incorrect payment figures, there was no mention in the press release of a crack-down on administrative inefficiency in the Nation's welfare bureaucracies. It would appear that most of the States would have a higher eligibility figure than 3 percent. An HEW regulation listed in the Code of Federal Regulations, Title 45, Public Welfare Chapter II, Section 205.20(c)(5)(ii) clearly states the procedures to be followed when such a percentage is determined:

(iii) Provide for a 3 percent tolerance level on incorrect eligibility decisions. When it is determined that the rate of incorrect eligibility decisions exceeds a 3 percent tolerance level, the state and/or large urban agency must conduct a 100 percent verification on those specific factors of eligibility identified as causing the unacceptable incorrect decision rate. This more intensive investigation on specific factors of eligibility will be continued until the federal agency and the state assess the situation and work out a solution. The system contemplates periodic review and monitoring of operations by the Department of Health.

Unfortunately, it does not appear that HEW is taking any steps to improve the administration of the system, nor that they want to.

QUALITY CONTROL

Since 1962, HEW has used quality control results as a basis for claiming that ineligibility rates were 1 or 2 percent. Quality control is a method of reviewing a random sample of the eligibility decisions made by the caseworkers to determine the percentage of incorrect decisions.

Quality control results have been HEW's answer and its support against the critics of the program who claimed ineligibility and cheating were widespread in the caseloads, particularly, AFDC.

In fact, in November 1971, HEW again issued a rebuttal in a pamphlet widely distributed throughout the country and widely quoted by the proponents of the permissive welfare system. This pamphlet, entitled "Welfare Myths Versus Facts," claimed that ineligibility was only 1 to 2 percent in the total welfare caseload in the Nation.

(See exhibit 2.)

Mr. LONG. What HEW did not say, however, is that this information consisted of national estimates based on quality control findings—none of which

more recent than the April 1967 through March 1968 period. The pamphlet was issued, in fact, at a time when HEW had evidence that later quality control figures were much higher than that.

The disclosure in the recent survey is in sharp contrast to HEW's past claims that an insignificant number of welfare families are technically ineligible. No doubt, we will now hear the argument that 5 percent is not very high, and that we should not become alarmed. But let us not forget that a half billion dollars is a lot of money and that 5 percent of the families represent over one-half million people who are receiving assistance to which they are not entitled either through inefficiency, fraud, or because of administrative and court-made loopholes.

And, when we think of HEW's past claims of fraud being less than 1 percent, let us not forget that overpayments amounted to more than 14 percent in AFDC and that at least one-half of these families, involving about three-quarters of a million recipients, did not report the income, resources, or other circumstances which caused the overpayments.

THE DECLARATION SYSTEM DISCREDITED

What the HEW report does is to repudiate the rationale of the simplified method of eligibility determination adopted in 1969 in which States were permitted to simplify welfare applications by allowing the applicants to declare their eligibility with little or no checking by caseworkers.

This method was nothing but an open invitation for anyone desiring financial assistance to apply for it and receive it without more ado. This simplified method should really have been called the "blank check" method. Despite the criticism of many critics of this approach and their warnings that the case-loads would sharply increase because of eligibles if such a method were adopted, HEW approved the method for the adult categories and approved first testing it in AFDC and later encouraged its adoption statewide.

As one who has labored for 24 years to help construct the programs for the aged and disabled, I am determined to do what I can to bring about a total improvement in the program to aid little children. I am frank to say, after a 2-year study of the President's family assistance plan, that it does not constitute welfare reform at all. It has every pros-

pect of being just the opposite.

We all know what has been happening in the aid to families with dependent children—AFDC—program over the last 4 years. The 100-percent growth since 1967 has threatened to bankrupt the States, and it certainly has not helped the Federal budget. What is most alarming about this explosive growth is the large number of cheats and eligibles who get on the welfare rolls. Once these people get on welfare, it is usually very difficult to get them off—sometimes next to impossible.

The program to assist families with dependent children has gone astray so badly that the children are described as its victims, rather than its beneficiaries. It is this program that has mushroomed without planning, grown like Topsy, until it has caused the entire program to take on the appellation of the "welfare mess."

CHEATING THE TAXPAYERS TAKES MANY FORMS

One form of cheating applies to the actions of the recipients of welfare who, because of their actions, receive overpayments or assistance payments to which they are not eligible.

Another form of cheating applies to the applicants for welfare benefits who deliberately fail to disclose all information pertaining to their income resources, or other factors of eligibility, to receive benefits.

Still another form of cheating is caused by the case workers and eligibility workers who, for whatever reason, be it lack of training, lack of sympathy for the rules and regulations, or too great a feeling that the applicant or recipient is "deserving" of financial assistance, grant assistance and overpayments to the recipient. Cheating is also the result of improper management techniques or management controls.

Another type of cheating occurs when grown children persuade their aged mother or father to transfer or assign property to them, thereby depleting their resources and making themselves eligible for old-age assistance.

Cheating is also involved when a man who is employed under the WIN program forces his employer to discharge him because he deliberately breaks too many dishes, if he is a dishwasher, or deliberately causes the factory machinery to break down, if he is a factory employee. Since he is not a voluntary quitter, he may return to the welfare rolls with no diminution of his benefit.

Cheating occurs when the mother drawing AFDC assistance allows a man to move in with her and sponge off the welfare check, thus depriving the dependent children, on whose behalf the check was provided in the first place, of their food and clothing. Why should that be permitted? If he is there acting like the man of the house and enjoying the privileges of the man in the house, why should not he be obligated to bear the burdens of the man of the house?

CHEATING BY DESERTION

One of the worst types of cheating is the situation where the father either is not married to the mother, or, if he is married, he deserts or abandons his family. This situation exists in 55.8 percent of the AFDC families, according to the 1971 AFDC study issued by HEW. Six out of seven of the fathers of such children provide no support of any kind to the children they have sired.

This is the most vicious form of cheating of them all and, unfortunately, it not only is condoned by the law, the law actually encourages and fosters it—and so does the President's welfare expansion plan.

Should our welfare system be made to support the children whose father cavalierly abandons them—or chooses not to marry the mother in the first place? Is it fair to ask the American taxpayer—who works hard to support his own family and to carry his own burden—to carry the burden of the deserting father as well? Perhaps we cannot stop the father from abandoning his children, but we can certainly improve the system by obtaining child support from him and thereby place the burden of caring for his children on his own shoulders where it belongs. We can—and we must—take the financial reward out of desertions. We can—and we must—stop both the legal cheating and the illegal cheating which have transformed our welfare system into a welfare mess.

I have said many times before, and I want to reiterate it—I plan to insist that the deserting or runaway father assumes his parental responsibility and support to his family so that the children will not be dependent upon Government. We must put a stop to this ridiculous situation by which almost any man can leave his children and avoid supporting them or even worrying about them because he knows that the taxpayers under our system will support them regardless of his conduct.

Regardless of the form of cheating, the end result is an unnecessary and onerous burden on the taxpayer.

I have been talking about cheating on welfare for years. One of the causes for some of the cheating was HEW's regulation, issued in January 1969, which instituted the simplified method of eligibility determination. However, cheating is not just something of recent origin. Nor is cheating confined to any particular geographic region in the country. To the contrary—it is nationwide.

DISTRICT OF COLUMBIA

In the District of Columbia, my distinguished colleague, Senator ROBERT C. BYRD of West Virginia, initiated an investigation in November 1961, which showed 59 percent of the AFDC cases were ineligible for financial benefits, and continued investigations over the years showed a high percentage of ineligibles among newly approved AFDC applications for money payments.

NEW YORK CITY

A special review of AFDC in New York City in 1969 disclosed that 9.4 percent of the sample were ineligible and eligibility could not be determined in 1.4 percent. It was also found that 6.9 percent of the families, though eligible for AFDC, included one or more family members who were improperly included in the payment because they were not individually eligible.

The principal reasons for ineligibility were:

First, that the AFDC children were not deprived of parental support or care as required for eligibility. This group comprised 6.4 percent of all sample cases, and

Second, that the families' income or financial resources exceeded agency standards. This group comprised 3 percent of all sample cases.

Ineligibility was found to have continued for periods of more than 6 months in 57 percent of the ineligible cases. Overpayments were found in 29.9 percent of the sample cases.

(See exhibit 3.)

CALIFORNIA

Mr. LONG. In February 1971, Governor Reagan of California disclosed that 12 Californians, all fully employed, had applied for and received welfare payments merely to demonstrate the ineffectiveness of the simplified method for eligibility determination. One of the 12 had applied for welfare under four different names at

the same welfare office on the same day and was approved. This group had formed an organization called Cheaters, Inc., and had hired a lawyer to protect themselves.

In his testimony before the Senate Finance Committee on February 1, 1972, Governor Reagan stated that an actual evaluation study done in California in 1970 proved that fraud existed in at least 15 percent of the cases. He also stated that to prove how easy it is to obtain public assistance in California under the NEW rules and regulations, a person with four children, all females, went to the welfare office, applied for assistance and filled out a form stating that her four children were all males. In spite of the fact that the four female children were standing beside her and it could clearly be seen that they were not of the sex the woman had said they were, the worker asked no questions about the children, accepting the statement of the applicant without any reservations.

MARYLAND

In August 1971, eight persons in Baltimore, Md., were named in 68 indictments for using false names and addresses to obtain welfare payments. One person received more than \$2,300 a month and another \$1,700 monthly.

(See exhibit 4.)

Mr. LONG. In November 1971, Lt. Gov. Blair Lee of Maryland estimated that at least \$15 million of the \$160 million in State and Federal funds paid out for welfare assistance is going to persons who either are ineligible or receiving overpayments.

(See exhibit 5.)

NEVADA

Mr. LONG. In December 1970, follow-up investigations by the State of Nevada of all of its AFDC cases, it was reported that 22 percent of the welfare recipients that State were dropped from the rolls for cheating. Subsequent developments indicated that the 22-percent figure probably overstated ineligibility; a better estimate is that about 15 percent of those on the rolls at the time of the investigation were probably ineligible.

(See exhibit 6.)

NEW YORK STATE

Mr. LONG. New York State, in its fourth month report on employment referrals and job placements under its welfare reform program which was instituted in July 1971, showed that 51,416 welfare recipients were referred to the

division of employment. Of those referred, 3,733, or approximately 7 percent, were removed from the public assistance rolls for failure to comply with the work requirements.

(See exhibit 7.)

Mr. LONG. In the fifth month report, covering November 1971, on employment referrals and job placements under the New York welfare program, there were 50,532 referrals, of which 4,335 persons, or 9 percent, were dropped from the welfare rolls—bringing the 5-month total of those for whom assistance was terminated to 20,160. The recipients referred in November are approximately 3 percent of the 1.7 million people on public assistance rolls in New York.

(See exhibit 8.)

Mr. LONG. Governor Rockefeller, in his testimony before the Senate Finance Committee on February 3, 1972, stated that the 6-month report of the employment referral and job placements program covering December 1971, showed that 15,755 people have been placed in jobs and a total of 23,000 had been found ineligible during the 6-month period and had their assistance terminated.

NEW YORK CITY

In New York City, according to Human Resources Administrator Jule Sugarman, late closings in processing welfare cases is costing the city approximately \$2 million a month. There are 10,400 of the 162,000 transactions that are in arrears representing suspensions and terminations on which delay could cost up to \$24 million on an annual basis. In addition, there were 5,100 cases of suspected fraud. Mr. Sugarman also said that savings from speeding closings would be augmented by swifter recovery in identifying duplicate check frauds which have been estimated as high as \$4 million a year.

(See exhibit 9.)

WASHINGTON, D.C.

Mr. LONG. In hearings on the District of Columbia appropriations for fiscal year 1972, before the Subcommittee on District of Columbia Appropriations of the Committee on Appropriations, House of Representatives, the director of social services administration—SSA—of the District of Columbia Department of Human Resources testified that \$6 to \$8 million was being expended annually to recipients who were ineligible. As a result, Congress cut \$4.5 million from the District's welfare program proposal. The director of human resources, reportedly

perturbed over her testimony that ineligible welfare recipients were defrauding the District of some \$8 million a year, removed the SSA director from her position in January 1972.

The recently completed quality control review of the April-June 1971 AFDC caseload in the District of Columbia showed that 6.2 percent, or approximately 5,200 AFDC recipients, were totally ineligible for benefits and 20.5 percent or approximately 17,000 recipients, were receiving overpayments.

(See exhibit 10.)

NEW YORK STATE

Mr. LONG. Mr. George Berlinger, who was appointed New York Inspector General for Welfare in August 1971, mentioned the following cases which had come to his attention:

A woman receiving \$241 a month for the last 18 months after having declared that her husband had deserted her. Investigation disclosed that the husband still lived at home, earned \$4.28 an hour and owned a 1971 Mercury. The family had received \$5,663 in Aid to Dependent Children payments.

A similar case involving an "absent husband" who is actually living with the family and earning \$132 a month. The family had received \$9,458 in Aid to Dependent Children payments over the last 38 months.

A Bronx woman who had been receiving \$274 a month for Aid to Dependent Children while working and earning \$135 a week. Total overpayments since May 1966, when she was placed on the rolls, were \$17,509.

(See exhibit 11.)

MARYLAND

Mr. LONG. In 1971, Richard Smith, a welfare worker in Prince Georges County, Md., noticed three different applications for emergency welfare assistance submitted by women whose children included twins. The results of his investigation was the discovery that an organized ring had been cheating the county out of about \$40,000 in food stamps and welfare benefits.

The investigators learned that women applying for welfare exchanged wigs among themselves in order to change their appearance and often gave non-existent addresses when they applied for welfare help.

Mr. Smith said:

Most of our clients are still honest, but for someone who is criminally inclined and wants to pick up \$200, it (welfare fraud) is cheaper than bank robbery, it's easier to get away with, and it involves a lesser charge if you are caught.

At the root of the fraud in Prince Georges County is the so-called declaration—or simplified method—system of applying for welfare and food stamp benefits—especially as this system relates to emergency or immediate assistance. The aim of emergency assistance is to provide immediate help for those who need it, such as people who have been evicted from their homes, or who are disabled, or who have no money to feed their children.

Alerted by the recurrence of twins on applications for welfare, Mr. Smith decided to check the recent emergency applications in the county. He discovered that over a 12-day period, the department had received 12 different applications from people who brought notes from their landlords saying they had been evicted. Seven of the 12 cases involved women with twins.

Letters were sent to the 12 people at the addresses listed on the applications. All the letters came back stamped "addressee unknown." Mr. Smith alerted his supervisors, who instructed the welfare workers to check carefully all persons who applied for emergency aid. Several times, when women did apply for emergency benefits, and welfare workers explained that the names and birthdates of their children would have to be verified through hospital records, the women walked out of the office. Mr. Smith said that—

The welfare office will not detain or arrest an individual until it is absolutely certain it can prove fraud.

The scheme continued because the emergency applicants changed their tactics. So that they would not be recognized, Smith says the women wore different wigs which they exchanged among themselves. After a while, their stories were not always the same. Sometimes they had twins and sometimes they did not. Sometimes they said they needed emergency help because they or their husbands were disabled and other times because they were evicted. Usually, the welfare office would discover they had been defrauded only after the emergency help had been given.

In addition to the emergency payments, the welfare office also found that they were being cheated out of AFDC payments. Smith says:

When applying, some of the women gave real addresses and managed to keep an

cash subsequent check as well as the emergency checks. Welfare officials later discovered that these addresses were sometimes used several times under different names. As they got more sophisticated, so did they. We underestimated them completely.

As Smith admitted to a reporter:

If you wanted to come in here tomorrow, dress shabbily, say your name was Ralph Royster Doyster and show us you are out of work, you could get public assistance for 30 days.

(See exhibit 12)

LOUISIANA

Mr. LONG. Now, here is a case known personally to me. Here was a woman in Louisiana. She came in planning to go on welfare for herself and her children a fifth time and she succeeded in getting on welfare five times. But in the course of it she ran into one of the aides who had processed one of the first four applications with the result that this matter came to the attention of the office, and they got out a search warrant and learned the truth. She had five social security numbers, she had five driver's licences.

Her neighbor was on welfare two times but planned to go on three times. The neighbor had three driver's licences and three social security numbers.

ARKANSAS

Samuel Weems, prosecuting attorney for the 17th Judicial District for the State of Arkansas, in his testimony on January 21, 1972, before the Senate Finance Committee, described various situations that he had handled in Arkansas. In one example, an individual wrote a check for \$1,041 to pay back the value of food stamps obtained illegally. This particular individual had a bank account of over \$5,000. Another individual had a substantial bank account and had received some \$2,225 in food stamps when, in fact, he was employed by a local rice mill.

In another case, the AFDC mother told the welfare department that the father and "his" family had moved to Chicago. Mr. Weems' investigation revealed that the father was actually working in Little Rock. Mr. Weems has taken a hasty action against the father. If the judge declares him to be the legal father, a civil suit will be filed to recover the state funds as the father is employed.

In another case, Mr. Weems' investigation disclosed that the husband and wife in an AFDC case were living together. She had told welfare workers repeatedly

she had not seen the father and did not know where he was—yet he is employed in Little Rock, Ark. He has filed a civil suit against the father to obtain the \$875 paid to support the children and is examining the case to determine if criminal charges will be filed against the wife for obtaining money under false pretenses.

In another AFDC case of a mother with three illegitimate children, Mr. Weems' investigation revealed that a county judge in 1966 made a judicial determination as to whom was the legal father. The father was ordered to pay support; yet he never did. The State welfare department certified that \$5,026 had been paid for support. The father is in Little Rock and is employed. Mr. Weems had a warrant of arrest for child abandonment issued and has filed a civil suit to recover support payments made. I commend Mr. Weems' testimony to the entire Senate. It is quite enlightening.

Let me digress from my prepared remarks to say that in the last few days, Mr. Weems has forwarded to me a copy of a report of the grand jury in Lonoke County, Ark. The grand jury has looked into the welfare fraud in the county and has brought 25 indictments. More importantly, they have indicted Ivan Smith, chief attorney for the Arkansas Welfare Department, on 25 counts of accessory after the fact to the fraudulent offense of obtaining property under false pretenses. It was the grand jury's conclusion that by knowing the fraud existed and by not turning over that information to the lawful prosecuting officials of the State, Mr. Smith had in fact concealed the fraud and prevented its proper prosecution.

During his testimony before the Committee on Finance, Mr. Weems said the welfare system was shot through with fraud and I asked him if he could prove it. He said, "I guarantee it." The grand jury report is part of his proof.

In my opinion it describes a horrible situation, and the country should be made aware of the type of outrage that can come about under a system which promotes fraud and cheating, and then authorizes it to be hidden from the public prosecutors by disloyal servants of the government.

I ask unanimous consent that the report of the grand jury be printed at the end of my remarks.

The PRESIDING OFFICER. Without objection, it is so ordered.

(See exhibit 14.)

Mr. LONG. Mr. President, I very much commend Mr. Weems for the courageous and diligent job he has done in exposing welfare fraud and welfare cheating, and in obtaining the indictment of some of the establishment in the welfare cheating industry—I mean the people who work for Government pay, who deliberately cover up fraud and thieving in this program, which has the effect of victimizing the people intended to be benefited, because it diverts money intended for the poor to people who are not poor at all, who are just thieves, frauds, and cheats, and little short of burglars.

I think one of the most healthful things that has been done by this diligent district attorney, Mr. Weems, in Arkansas, was to indict a State official whose salary was paid for in large part by the Federal Government, for his corrupt activities in covering up fraud when it was exposed and pointed out to him, and for his part in firing an honest Government employee who cooperated with the district attorney in helping dispose the kind of corruption that was going on in the department, in which this so-called lawyer had an important task which he failed to discharge as required by his duties, as indicated by the indictment of the Roanoke County Grand Jury in Arkansas.

ALAMEDA COUNTY, CALIF.

One of the most bizarre incidents to come to my attention involved a refusal by welfare workers in Alameda County, Calif., to provide information to their own director regarding the number of county employees who were also receiving welfare aid. The director was simply trying to do his job and determine whether persons were on his welfare rolls who should not be there, but he had to go to court to fight an injunction, sought by his own employees, to prevent his obtaining from them the information about his own program. As it developed, one of the county employees receiving AFDC, according to the Oakland Tribune of May 15, 1970, was a full-time, senior social worker whose total income was almost \$14,000. She was placed on AFDC by another social worker so that the county would be liable for a lion's share of the \$300 a month it is costing to keep her son in a private boys' home.

Can you imagine that? Welfare workers putting each other on welfare and then refusing to divulge it to their supervisor even when specifically requested to do so. The whole sordid matter was doc-

umented in the hearing before the Committee on Finance on welfare reform in 1970.

COLORADO

My distinguished colleague on the Finance Committee, Senator HARRY F. BYRD, JR., of Virginia, rendered a great service when he pointed out on February 25 how easy it is to get on welfare in Colorado Springs.

A reporter from the Colorado Springs Sun set out to determine whether any dishonest person could secure welfare payments. As a result of her experience, she found that almost anyone can get on welfare. All she needs is a good imagination, a convincing personality and a cooperative social worker, which is easy enough to find.

The reporter used a false name, an address where she does not live and listed two children whom she does not have. When the social worker asked about her husband, she said he had deserted her unexpectedly. On the basis of nothing more substantial than her own declaration, which was purposely false, the reporter was told by the social worker that she would have little trouble, and would be receiving a check for \$175 in about 10 days. The worker then volunteered food stamps and rent. The reporter then went to the food stamp center, where for 75 cents she received \$42 worth of food stamps without any questions being asked.

The social worker scheduled a home visit with the reporter, but canceled it, and substituted a letter notifying her that her application had been approved. In addition, she even offered free Christmas presents for the reporter's nonchildren. About a week after completing the application for welfare, a check for \$175 arrived. This check was mailed to an address where she did not live, to help support two children she does not have. The check, food stamps, and cards were made out in her fictitious name. In my opinion, this is illustrative of the cheating that goes on every day under the welfare program. It is disgraceful.

ELEMENTS OF WELFARE REFORM

Any good welfare reform measure should remove from the rolls the vast number of recipients who have no business being there in the first place. If we do this, then, in my judgment, we can afford to do a better job of caring for those truly needy persons, for whom the welfare program was designed. We could

provide for them far more liberally with the additional funds by eliminating the ineligible and the cheaters. But I, for one, cannot agree that the way to solve the present welfare mess is to double the welfare caseload. Nor can I agree that the way to solve the present welfare mess is to disregard the corruption that has permeated the system. To the contrary. Having knowledge that the present welfare system—and, indeed, H.R. 1 itself—condones and even encourages cheating and malingering, we have the responsibility to try to correct the shortcomings by whatever means it takes to assure an honest administration of the program:

We owe that much to the taxpayers who pay for the welfare system. Equally important, we owe it to the recipients themselves who often fail to get their full entitlement of benefits because of the big payments going to the cheaters.

Frankly, those who decry the verification of need to establish eligibility for benefits, those who would prevent the search for cheaters, and those who would cloak the welfare system in secrecy under color of privacy, in reality do not represent the best interests of the truly needy. Rather, they would have us continue a program which rewards and encourages the dishonest, the cheat, and the malingerer—those who have brought discredit to the welfare system. They make it difficult for us—who want to help—to exercise greater compassion for the destitute, the infirm, and the orphaned.

I firmly believe that the American taxpayers whose own activities and incomes are closely scrutinized by the Federal Government through the tax process want to help their fellow Americans who, because of peculiar misfortunes, are unable to help themselves. But the American people do not want their hard-earned tax dollars squandered under a program which openly condones the sort of corruption I have described in this statement. We must go after the welfare cheat just as we go after the tax cheat. In this respect, there is no reason to make the American taxpayer a second-class citizen, while the welfare cheat is made a first-class citizen.

ANTICHEATING PROGRAM

To deal with this situation I have described, I propose to offer amendments in the Committee on Finance when we meet to mark up H.R. 1 which would establish an Office of Inspector General to oversee the operation of the welfare

system and to assure that public moneys voted for welfare go to the people who need it, and not to those who merely want it. I also plan to offer a number of amendments to strengthen the eligibility determination process and to provide for more orderly rules for verifying continued eligibility. In addition, I plan to offer amendments to penalize fraud and willful misrepresentations and to seek higher standards of performance among welfare workers.

It is my hope that these amendments will make it possible for us to assure that those who need our help will get a full measure of help. Coupled with a program of workfare rather than welfare, which I advocate, and about which I plan to say more at a later time, I do believe we can provide a system of aiding the poor and the needy of which the American people justly can be proud.

I yield to no man in my desire to help the deserving poor. But I cannot and I will not support welfare for the undeserving poor—those who cheat to get on the rolls.

For example, in Louisiana, the help provided for dependent children had to be reduced from 80 percent of need to 50 percent of need when the Supreme Court struck down the State's man-in-the-house rule. This meant the deserving poor were forced to suffer in order to share their welfare payments with the undeserving poor.

The entire program loses credibility and public support because the chisellers and cheaters are allowed to move in on the deserving poor in droves—like vultures feeding on the truly needy.

Mr. President, I ask unanimous consent to have exhibits 1 through 14 printed in the RECORD at this point.

There being no objection, the exhibits were ordered to be printed in the RECORD, as follows:

EXHIBIT 1

HEW NEWS RELEASE, JANUARY 3, 1972

HEW's Social and Rehabilitation Service today released a preliminary survey indicating that approximately 5 percent of the Nation's welfare families were ineligible for payment they received in April 1971.

The HEW analysis showed that 4.9 percent of the aged, blind, and disabled cases, and 5.6 percent of the AFDC families should not have been receiving benefits.

Most of the errors were identified as honest mistakes by State and local welfare agencies or by those who received the payments. More than half were agency errors. In many cases, backlogged agencies did not reduce

benefits promptly enough when a client reported an increase in outside income. Cases prosecuted for fraud amount to less than 1 percent of the total.

"The results of this survey make it all the more urgent that Congress enact the Administration's welfare reform legislation, which calls for a thorough management overhaul of the public assistance system," said Dr. Richard P. Nathan, HEW Deputy Under Secretary for Welfare Reform Planning.

He said that these survey results, although partial and preliminary document the basic structural inadequacy of present welfare administrative systems.

Nathan said, "Enactment of H.R. 1 would take a heavy administrative burden off the backs of States and localities, by transferring responsibility for determining eligibility and making payments to a new, uniform, and automated national system.

"At present," he noted, "over 80 percent of State and local welfare agencies are not automated, and as a result agencies are inundated with paperwork. Mistakes, delays and abuses are inevitable under these conditions."

Dr. Nathan also pointed out that the Nation's 1,152 State and local welfare administrations lack compatible record systems. This is due in part to the fact that 21 States operate decentralized welfare administrations. "Each welfare agency tends to be an island unto itself," he said, "and under these circumstances systems for checking on eligibility, avoiding duplicate payments, locating responsible parents and other key administrative controls are frequently inadequate."

Under the new system called for by H.R. 1, he pointed out, a single Federal agency using the most modern computer equipment, and related management tools would be able to ensure that the Nation's welfare program was carried out "with efficiency and integrity." Dr. Nathan likened such a new system to the administration of Social Security which, he said, "has enjoyed a high reputation for efficiency throughout the 35 years of its existence."

The HEW survey showed overpayments and underpayments in 24.3 percent of the AFDC cases and 17.8 percent of adult category cases.

Overpayments to adults averaged \$22.43 and underpayments \$14.23.

AFDC overpayments averaged \$44.92 per family and underpayments \$18.32.

These errors arose from three kinds of miscalculations:

Family living expenses were computed too high or too low;

Income deducted from living expenses was erroneously calculated; or

The maximum payments or percentage reduction in payment was incorrectly determined.

Errors by recipients were due to incorrect or incomplete information or not reporting changes in their circumstances. In most cases, there was no evidence of a deliberate

misrepresentation.

Officials pointed out that a State-by-State breakdown of results was not attempted, since the number of samples submitted by each State was too small to yield a statistically valid picture.

The April survey was part of a new HEW quality control effort, that went into effect in October 1970. The new system, designed to pinpoint errors and correct deficiencies more effectively than in the past, has not yet been fully implemented by at least 16 States.

"The fundamental problem," SRS Administrator John Twine said, "is that no quality control system can be universally enforced unless you can apply sanctions, where needed, such as withholding all or part of the Federal share of public assistance to States that fail to measure up. The only Federal sanction prescribed by law is the Hearing process, which is slow and cumbersome. We apply this only as a last resort because it could mean punishing welfare families, the old and disabled, for the failures of a basically unworkable system."

The major reason why the new quality control system isn't fully operating, Twine said, is because understaffed State welfare agencies, burdened with rising caseloads, have not been able to afford the cost of hiring the additional staff the system requires.

The quality control system is administered by State welfare agencies under HEW rules. Special staffs are assigned to carry out the independent eligibility investigations upon which the quality control system is based.

SRS is providing a 60-member staff working mostly out of its 10 regional offices to monitor State welfare agencies and help them improve their operations.

State quality control reviewers determine for each ineligible case the principal reason for ineligibility. These reasons fall into three groupings, as shown in Tables 3 and 6:

(1) Agency errors, including

(a) inadequate determinations of eligibility,

(b) failure to follow-up on known or indicated changes in circumstances and

(c) misinterpretations of policy and administrative errors of local staff;

(2) Change in family size or income that are not reported by recipients; and

(3) a combination of 1 and 2.

Federal regulations require the welfare agency to make an initial determination for eligibility, periodic redeterminations, and to conduct a prompt follow-up any time that eligibility status might be affected by changes in the family's makeup or a recipient's income. Recipients themselves are supposed to report any change in their circumstances.

Although the first period covered by the new quality control system was October 1970 through June 1971, the data collected were not complete enough to give a true national picture. To fill this gap, SRS asked States to submit a subsample of cases from their April 1971 caseload.

The analysis of this subsample in the attached tables has two important limitations, officials warned:

1. Only about half of the Nation's public assistance caseload is represented because many States were unable to review enough cases in April to provide a valid quota for a national subsample;
2. Some of the largest States are therefore not represented, including California, Colorado, Maryland, New Jersey, North Carolina, Texas and Virginia. Moreover, New York, Ohio, Pennsylvania, and Wisconsin submitted only a small fraction of the quota requested of them.

TABLE 1.—Eligibility status of families receiving AFDC, April 1, 1971

Eligibility status:	Percent
All families.....	100.0
Eligible families.....	94.4
Ineligible families.....	5.6

TABLE 2.—Overpayments and underpayments of eligible assistance families receiving AFDC, April 1971

PERCENT OF ELIGIBLE FAMILIES	
Payment status:	
All families ¹	100.0
Received correct amount of assistance.....	75.7
Received overpayment.....	14.6
Received underpayment.....	9.7
AMOUNT	
Average amount of overpayment to overpayment to overpaid families.....	\$44.92
Average amount of underpayment to underpaid families.....	\$18.32

¹ Does not include ineligible families.

TABLE 3.—Reasons for ineligibility, overpayment and underpayment of assistance to AFDC families, April 1971

PERCENT	
Error status:	
All families.....	100.0
Families with error (in eligibility or payment status).....	28.6
Families with agency error only.....	13.2
Families with client error only.....	12.0
Families with agency and client error.....	3.4
Families with no error (in eligibility or payment status).....	71.4
PERCENT OF ALL FAMILIES	
Eligibility factor causing error ¹ —Families with error in:	
Basic program requirements ²	3.0
Resources ³	0.8
Need—Income ⁴	11.4
Need—requirements ⁵	12.4
Other ⁶	1.0

¹ Only one factor is reported for a family. For families totally ineligible, the first error found contributing to the ineligibility is reported. For families with error in payment status the factor involving the largest amount of income or need is reported, although all of the errors contributing to the net error are taken into consideration.

² Includes errors in requirements for age, institutional status, disability or blindness, living with specified relative, and deprivation.

³ Includes errors in such resources as real estate (home and other), insurance, savings, investments, and disposal of property.

⁴ Includes errors in earnings, insurance benefits and pensions, support payments, contributions, other income, and the treatment of income according to the State's policy.

⁵ Includes errors in the basic budgetary allowance, special circumstances allowance, and in proper persons included in the client's budget.

⁶ Includes errors in computation and in State requirements not included elsewhere.

TABLE 4.—Eligibility Status of Adult Category Cases Receiving Assistance,¹ April 1971

Eligibility status:	Percent
All adult cases.....	100.0
Eligible cases.....	95.1
Ineligible cases.....	4.9

¹ Includes recipients of OAA, APTD, and AB.

TABLE 5.—Overpayments and underpayments of eligible Adult Category Cases Receiving Assistance, April 1971

PERCENT OF ELIGIBLE CASES	
Payment status:	
All eligible adult cases ¹	100.0
Received correct amount of assistance.....	87.2
Received overpayment.....	7.9
Received underpayment.....	4.9
AMOUNT	
Average amount of overpayment to overpaid cases.....	\$22.43
Average amount of underpayment to underpaid cases.....	\$14.23

¹ Does not include ineligible cases.

TABLE 6.—Reasons for Ineligibility, Overpayment and Underpayment of Assistance to Adult Category Cases, April 1971

PERCENT	
Error status:	
All adult cases.....	100.0
Cases with error (in eligibility or payment status).....	17.1
Cases with agency error only.....	9.6
Cases with client error only.....	5.8
Cases with agency and client error.....	1.7

Cases with no error (in eligibility or payment status)-----	82.9
PERCENT OF ALL CASES	
Eligibility factor causing error ¹ —Cases with error in:	
Basic program requirements ² -----	0.4
Resources ³ -----	2.5
Need—Income ⁴ -----	6.6
Need—requirements ⁵ -----	7.5
Other ⁶ -----	0.1

¹ Only one factor is reported for a case. For cases totally ineligible, the first error found contributing to the ineligibility is reported. For cases with error in payment status the factor involving the largest amount of income or need is reported, although all of the errors contributing to the net error are taken into consideration.

² Includes errors in requirements for age, institutional status, disability or blindness, living with specified relative, and deprivation.

³ Includes errors in such resources as real estate (home and other), insurance, savings, investments, and disposal of property.

⁴ Includes errors in earnings, insurance benefits and pensions, support payments, contributions, other income, and the treatment of income according to the State's policy.

⁵ Includes errors in the basic budgetary allowance, special circumstance allowance, and in proper persons included in the client's budget.

⁶ Includes errors in computation and in State requirements not included elsewhere.

EXHIBIT 2

WELFARE MYTHS VERSUS FACTS / MYTH

Welfare people are cheats.

FACT

Suspected incidents of fraud or misrepresentation among welfare recipients occur in less than four-tenths of one percent of the total welfare caseload in the Nation, according to all available evidence. Cases where fraud is established occur even less frequently.

Another 1 to 2 percent of welfare cases are technically ineligible because of a misunderstanding of the rules, agency mistakes, or changes in family circumstances not reported fast enough. These are human and technical errors; it is not cheating.

While the proportion of those who deliberately falsify information is very low, both the Federal and State governments seek to eliminate them from the welfare rolls as well as to remove all errors in determining eligibility. The overwhelming majority of recipients, like most other Americans, are not willfully misrepresenting their situations.

State agencies are required to check the eligibility of AFDC families at least once every six months; those with unemployed fathers, once every three months. The Federal Government also analyzes State records and makes on-site checks of a portion of each State's welfare cases.

Many publicized charges of cheating or ineligibility simply have not stood up under investigation.

EXHIBIT 3

REPORT OF FINDINGS OF SPECIAL REVIEW OF AID TO FAMILIES WITH DEPENDENT CHILDREN IN NEW YORK CITY

SUMMARY OF FINDINGS

The Federal-State eligibility review carried out a comprehensive redetermination of eligibility and amount of assistance payment in a statistical sample of 543 AFDC cases on the payroll of the N.Y.C.D.S.S. between November 1, 1968 and January 15, 1969. The existence of potential resources (i.e., resources not available through some form of recipient or agency action) was also examined.

ELIGIBILITY

The review determined that 89.2 percent of all families in the sample were eligible for AFDC, 9.4 were ineligible, and eligibility could not be determined in 1.4%. It was also found that 6.9% of the families, though eligible for AFDC, included one or more family members who were improperly included in the payment because they were not individually eligible.

The principal reasons for ineligibility were: (1) that the AFDC children were not deprived of parental support or care, as required for eligibility (6.4% of all sample cases), and (2) that the families' income or financial resources exceeded agency standards (3.0% of all sample cases). . . . Ineligibility was found to have continued for periods of more than six months in 29 of the 51 ineligible cases (5.3% of all sample cases).

OVERPAYMENTS AND UNDERPAYMENTS

Payments in excess of the correct amount under N.Y.C.D.S.S. need standards were found in 29.9% of the sample cases. Amounts of overpayment ranged from \$1.00 to more than \$200.00. The average amount was \$43.00. (The average payment in AFDC in N.Y.C. in January 1969 was \$244.00.) Overpayments occurred principally because amounts included as income available to the family were incorrect or because an error was made in computing basic requirements, most often shelter costs.

EXHIBIT 4

MARYLAND JURY INDICTS EIGHT IN WELFARE SWINDLE

BALTIMORE, Aug. 7.—Three persons were arrested Friday for allegedly engineering scheme which bilked the state welfare department of as much as \$40,000 in the past four years.

Benjamin Brown, an assistant state's attorney, said at least eight persons were named in 68 indictments handed down last Thursday and more indictments were expected next week.

The scheme involved persons applying for welfare payments under false names and addresses in Baltimore, Brown said, with on

individual getting more than \$2,300 a month and another \$1,700 monthly.

Arrested were Vernon Harris, 26, alias Anthony McCray; his brother, Percy Harris, 28, also known as Calvin Wilson, both of Baltimore; and Miss Flora Green, also known as Flora Hersey, of Hyattsville in Prince George's County.

Because the investigation is continuing, officials declined to say how the scheme came to light. The indictments by a special session of the grand jury capped a four-month investigation.

Brown, who noted the scheme did not appear to involve the collusion of state employes, said that after the recipient got on welfare rolls, his checks came to false addresses, where they were picked up by members of the ring and cashed.

Miss Green was named in nine indictments alleging she received checks totalling \$1,971 between November, 1970, and last month.

Vernon Harris was named in 29 different indictments which charged he received \$3,538 in welfare funds in a 15-month period; while his brother Percy was named in seven counts with accepting \$754.

EXHIBIT 5

[From the Washington Post, Nov. 12, 1971]
MANDEL SAYS HE'LL PURGE WELFARE ROLL
 (By Lawrence Meyer)

ANNAPOLIS, Nov. 11.—Gov. Marvin Mandel said today that he is intent upon purging ineligible recipients from Maryland's welfare rolls. He denied charges that his administration is attempting to discredit the state welfare program as a preliminary to cutting the 1973 welfare budget.

Although Mandel said he could not cite precise figures on the number of ineligible welfare recipients, he said, "We know there are a number on the rolls. We have evidence that there are a number on the rolls."

Mandel's comments on the state welfare program at his press conference here were his first since Lt. Gov. Blair Lee III said early this week, that "drastic action" would be taken to eliminate "crooks and cheats" among welfare recipients.

Lee's remarks, in an interview with two reporters, followed by several weeks the leak of a confidential report by the State Department of Budget and Fiscal Planning suggesting how Mandel might cut \$20 million from the state's welfare budget.

The Mandel administration was accused today of "attempting to condition the minds of Maryland citizens to the popular myths that welfare recipients are dishonest and cheaters," by Thomas J. S. Waxter Jr., president of the Maryland Conference of Social Welfare. The conference claims a membership of 1,000 persons, including social workers and private citizens interested in welfare programs.

Waxter said the administration "is mounting a capaign to cut the budget of the De-

partment of Employment and Social Services." As evidence, Waxter cited the budget bureau report and Lee's comments, which concerned a program under way since February by the Department of Employment and Social Services to strike ineligible welfare recipients.

Lee, who said he was using figures supplied by the state agency, estimates that at least \$15 million of the \$160 million in state and federal funds paid out for welfare assistance is going to persons who either are ineligible or who should be receiving reduced payments.

Don Nave, an assistant to Employment and Social Services Secretary Rita Davidson, said in an interview earlier this week that the department estimates the total over-payment at about \$8 million a year.

Lee, in a separate interview, said, "It isn't worth all the hair splitting. The point is to stop worrying about this kind of nonproductive argument and get on with the job of cleaning them up."

Virtually all of the money paid out in assistance to welfare clients is state and federal money, but control and direct supervision of the distribution of these funds is left to local jurisdictions.

About 232,000 of Maryland's 3.9 million residents, are expected to receive welfare assistance in Maryland during the current fiscal year, an increase of about 51,000 over fiscal 1971. In fiscal 1973, the department estimates, another 61,000 persons will be added to the welfare rolls.

About 66 per cent of the state's welfare recipients live in Baltimore.

Mrs. Davidson's department in July, 1970, instituted a new system for applying for welfare assistance. Discarding the face-to-face interviews that had been required, the department employed a 12-page form that welfare applicants could fill out and mail to their local office. There, a local welfare official reviewed the form to see if the applicant was eligible and if he or she was, welfare payments would be made. The amount was determined by a complicated formula that allows a maximum payment of \$200 a month to a family of four.

Following this initial application, welfare recipients are required—under threat of criminal prosecution—to report any change in their employment status or income. Local welfare workers also are expected to make periodic checks to see if recipients still qualify for welfare or if their payments should be reduced.

According to Mrs. Davidson and Nave, the state department, realizing that a problem existed, last February began a review of welfare recipients in Baltimore. Out of a sample of 10,000 cases, according to Nave, discrepancies were found in 1,900 cases. A careful review of 157 of these cases now has been completed, according to Nave, and the estimate that \$8 million in overpayments has been made is based on that review. Lee says the true figure is \$15 million.

Nave said the U.S. Department of Health, Education, and Welfare has set a standard of 3 per cent as the reasonable limit for overpayment and other discrepancies.

That is, an estimate that 3 per cent that can be tolerated, of all welfare dollars will be paid to people who should not get them is built into the program. The Maryland study shows a discrepancy of about 5 per cent.

Mrs. Davidson, Nave, Lee and Mandel all agree that a serious problem exists. That problem has two elements. One is "crooks and cheats," as Lee describes them, who though not eligible are fraudulently receiving welfare. Nave said that only 2 per cent of welfare recipients can be properly considered to be guilty of fraud.

The other element results largely from administrative problems, according to Mandel, Lee, Nave and Mrs. Davidson.

For example, Welfare recipients may report a change in their employment status or income, Nave said, but city welfare workers fail to process the report. As a result, the welfare check remains unchanged and the client, having reported the change in status, assumes that he is getting what is rightfully his.

Or, the welfare workers fail to make the periodic or "reconsideration" checks on clients that the state requires. Or, the welfare workers fail to process the reconsiderations when they are sent in by the welfare client.

Mrs. Davidson said Baltimore City has a backlog of 28,000 unprocessed reconsiderations. Past attempts to persuade city welfare workers to deal with this administrative problem have been unsuccessful, she said. Mandel said today that it is this "administrative failure" that is largely accountable for the overpayment problem.

Mandel said Mrs. Davidson had carried a message from him to Baltimore's welfare workers, "That if we don't get cooperation, drastic measures will have to be taken." He declined to say that the measures might be.

Mrs. Davidson said recently that she has reached agreement with the city welfare department and expects to make significant progress on the problem.

Maryland presently sets a standard of \$3,958 as the subsistence level, or amount of annual income needed to live, for a family of four. The present welfare payment of \$200 a month is only about 61 per cent of that standard. Mrs. Davidson, who sought unsuccessfully last year to increase the payments to 65 per cent of the standard, is asking for \$35.5 million in fiscal 1973 to cover the additional case load expected and to raise benefits.

Lee made it clear to reporters that no increase in benefits could be expected until the welfare rolls were "cleaned up." Mandel, citing the overpayments and a projected budget deficit in fiscal 1973, says the prospects are not "optimistic" for increasing benefits.

Mandel denies any connection between the leak of the budget bureau report, which

suggested lowering the subsistence standard and raising the eligibility requirements, and Lee's strong statements. "The fact that the budget bureau made a report is totally unrelated to the discussion of the question by the lieutenant governor," Mandel said today. "There is absolutely no relationship there."

"I don't think any of us would condone keeping in the system those who are not entitled to benefits," Mandel said, because the ineligible cost taxpayers unnecessary dollars and deprive the eligible of what is rightfully theirs.

With the state facing a budget deficit, some observers who believe that the state's welfare benefits already are too low—although Maryland was one of only seven states to increase benefits this year—fear that Mandel is beginning a campaign against welfare.

"I can only believe," Waxter said today, "that the governor finds it politically expedient on the state level to encourage popular prejudices against the welfare recipients when he is faced with the pressures of a rising case load in Maryland."

Lee denies that there is any campaign against welfare. "If we have to cut it back (the welfare budget)," he said earlier this week, "we don't need a campaign."

EXHIBIT 6

[From the Evening Star, Jan. 9, 1971]
 TWENTY-TWO PERCENT OF WELFARE RECIPIENTS DROPPED FROM NEVADA ROLLS

CARSON CITY, NEV.—Nevada has dropped 22 percent of its welfare recipients—about 3,000 men, women and children—on grounds they've been cheating the state to the tune of about \$1 million a year, according to Welfare Director George Miller.

Miller yesterday said the recipients, including 889 family units, were cut off relief rolls as they were discovered.

The fact that a door-to-door check of aid recipients in Nevada was being conducted was not disclosed until it was completed.

Miller said he believed Nevada is the first state to make such a check and that similar ones would turn up even more cheating in other states.

"The other states are in much worse boats, they just haven't found out about it yet. The only reason Nevada could is that it's small enough to take an inventory," Miller said.

Miller blamed the cheating mainly on a federal rule that allows applicants to get aid merely by declaring they meet all qualifications.

Most of those cut off failed to report other income sources, unemployment benefits or that there was a man living in the home, Miller said.

Most of those declared ineligible—658 families of the 889 families—came on welfare after the start of the declaration system in June 1969, he said. Payments to the now ineligible families have averaged \$87.20 a month.

The bulk of those found ineligible were in Nevada's two urban areas, Las Vegas and Reno. The rest of Nevada is mainly rural and it's hard to cheat in the rural areas because everyone knows everyone else and what their facts of life are," Miller said.

EXHIBIT 7

STATE OF NEW YORK RELEASE, DECEMBER 3, 1971

Governor Rockefeller today released the fourth monthly report from Social Services Commissioner George K. Wyman and Industrial Commissioner Louis L. Levine on the operation of the Governor's 1971 Welfare Reform program:

STATE OF NEW YORK,

DEPARTMENT OF LABOR,

Albany, N.Y., November 30, 1971.

The Honorable NELSON A. ROCKEFELLER,
Governor,
State of New York,
Albany, N.Y.

DEAR GOVERNOR ROCKEFELLER: This is the fourth monthly report on employment referrals and job placements under your welfare reform program. It is the second time a joint report on this program is being made by the Department of Social Services and the Department of Labor which share responsibility or implementation. Cooperative efforts by these departments to unify the reporting system have made substantial progress toward this end. The report on the December activity expected to reflect the result of this combined effort.

The October statistics show a decline in the number of referrals to the Division of Employment, reflecting the action taken in the first three months of the program which resulted in job placements and removal from the public assistance rolls and also New York City action on those who claim to be unemployable.

In October

2,229 public assistance recipients found employment. It brings to 11,142 the number who have taken jobs since the program went into effect on July 1.

3,733 were removed from the public assistance rolls for failure to comply with the work requirements, bringing the four-month total those for whom assistance was terminated to 15,833.

A more detailed report on our findings for October indicates that:

51,416 recipients were referred to the Division of Employment.

15,077 recipients, 29% of those referred, have failed to comply with the requirement that they report, accept work, job referrals, or training.

8,666 individuals, 58% of those who failed to comply with reporting requirements, have their cases reviewed by local welfare districts and a final determination of their eligibility has been made.

Of these cases which have been disposed of, 733, 43% have been dropped from the welfare rolls.

2,971, 34% have been reclassified as non-employable.

1,445, 17% were found to have been temporarily ill or with a valid reason for not reporting and have been re-referred to the Division of Employment.

517, 6%, applications denied or withdrawn. Of the 36,339 who did comply, 2,229 have been placed in jobs.

Of 51,416 of those referred, 3,733, approximately 7% were dropped from the rolls during the month of October.

Sincerely,

LOUIS L. LEVINE,

State Industrial Commissioner.

GEORGE K. WYMAN,

State Commissioner of Social Service.

EXHIBIT 8

STATE OF NEW YORK RELEASE JANUARY 7, 1972

Governor Rockefeller today released the fifth monthly report from Social Services Commissioner George K. Wyman and Industrial Commissioner Louis L. Levine on the operation of the Governor's 1971 Welfare program:

STATE OF NEW YORK,

DEPARTMENT OF SOCIAL SERVICES,

Albany, December 30, 1971.

Honorable NELSON A. ROCKEFELLER,
Governor, State of New York,
Albany, N.Y.

DEAR GOVERNOR ROCKEFELLER: This is the fifth monthly report on employment referrals and job placements under your welfare reform program. It continues to show noticeable progress in the realization of the welfare reform objectives of helping recipients to self-sufficiency and restoring public confidence by removing from the rolls those who are unwilling to comply with work reporting and counseling requirements.

November showed a 4.1% increase over October in the number of recipients placed in jobs, and a 16.1% increase in the number who were dropped from the welfare rolls for failure to comply with the requirement that they report, accept work, job referrals, or training.

It is important in analyzing the figures to note that the number of persons required to report to the State Employment Service in November totaled 50,532, approximately three percent of the 1.7 million recipients currently on public assistance rolls. We are continuing to screen this caseload to determine the number of additional persons considered employable by legislative definition.

We are pleased to report that the main field phase of a special study of this program has been completed, a joint undertaking by our departments, the United States Department of Labor and the United States Department of Health, Education, and Welfare, and analysis of the data collected is now underway. This study will yield information not otherwise available on the characteristics of employables required to report, particularly as related to job placement, failures to comply, and local social services agencies' dis-

position of such failures to comply.

In November:

2,320 public assistance recipients found employment, 4.1% more than October. It brings to 13,462 the number who have taken jobs since the program went into effect on July 1.

4,335 were removed from the public assistance rolls for failure to comply with the work requirements, 16.1% more than October. This brings the five-month total of those for whom assistance was terminated to 20,168.

A more detailed report on our findings for November indicates that:

50,532 recipients were referred to the Division of Employment.

15,528 recipients, 30% of those referred, have failed to comply with the requirement that they report, accept work, job referrals, or training.

11,268 individuals, 72.6% of those who failed to comply with reporting requirements, have had their cases reviewed by local welfare districts and a final determination of their eligibility has been made.

Of these cases which have been disposed of, 4,335, 38.5% have been dropped from the welfare rolls.

4,911, 43.5% have been reclassified as non-employable.

1,466, 13% were found to have been temporarily ill or with a valid reason for not reporting and have been re-referred to the Division of Employment.

556, 5% applications denied or withdrawn.

Of the 35,004 who did comply, 2,320 have been placed in jobs.

Of 50,532 of those referred, 4,335, approximately 9% were dropped from the rolls during the month of November.

Sincerely,

GEORGE K. WYMAN,
State Commissioner of Social Services,
LOUIS L. LEVINE,
State Industrial Commissioner.

EXHIBIT 9

[From the New York Times, Jan. 4, 1972]
SUGARMAN PLANS DRIVE TO CUT WELFARE BACKLOG—H.R.A. CHIEF SEEKS TO SAVE CITY \$2 MILLION MONTHLY BY CLEANUP PROJECT
(By Peter Kihss)

A drive to clear up a paper-work backlog in processing welfare cases, aiming to save the city \$2 million a month by earlier closings alone, was announced yesterday by Human Resources Administrator Jule M. Sugarman.

The plan has authorized the spending of \$355,000 for 52,685 hours of paid overtime to reduce a backlog of 161,724 transactions. Of these, 10,400 represent suspensions and terminations on which delay could cost up to \$24 million on an annual basis.

Mr. Sugarman said the extent of the backlog became known as a result of new management approaches and also the virtual completion of a separation of payment and case-work functions.

CENTER 45 DAYS BEHIND

The 13-week cleanup plan followed a report by the new office of management engineering under Deputy Administrator Arthur Spiegel that showed the Waverly Center, with a top backlog of 19,544 actions, 45 days behind in its work. The report said some centers had transactions awaiting action since last February.

A part of the backlog involves terminations required by state law effective last July 1 for employables who fail to pick up checks in person or to take jobs or training through state employment centers. Mr. Sugarman said, however, that such clients' checks go to the state centers where the so-called "no-shows" then cannot collect them.

A breakdown of the backlog, in addition to the 10,400 pending closings and suspensions, listed approximately 5,100 cases as involving suspected fraud. Other categories were 1,000 new applications, 6,500 reclassifications, 22,200 budget changes, 15,200 transfers (usually between centers), 1,000 changes of address, 45,450 "fling work" and 57,000 "others."

CHANGE-OVER A FACTOR

Mr. Sugarman said the savings from speeding closings would be augmented also by swifter recovery in identifying duplicate check frauds, which have been estimated as high as \$4 million a year.

The management staff report attributed the growth of the backlog in part to disruptions of former administrative processes during the two years of change-over to the separation system, some caused by "numerous widespread and localized work actions" by employes.

Another factor was described as the increase in case load while the Department of Social Services staff engaged in income maintenance had decreased. The number of caseworkers has gone from 9,500 to something over 5,000 in three years, although about 1,900 employes have been hired in other categories since last October.

The welfare case load has risen to 485,766 cases involving 1,228,274 persons through October, with a rise of 12,456 persons that month bringing the average growth since the city budget year started last July to 8,175 persons a month.

The upward spurt occurred despite the new "get-tough" state law changes, and followed an actual average monthly decrease of nine persons from the rolls during April, May and June.

EXHIBIT 10

[From the Washington Post, Jan. 7, 1972]
DISTRICT WELFARE SEEN OVERPAYING—STUDY SHOWS OTHERS ARE UNDERPAID
(By J. Y. Smith)

About 6,000 of the 100,000 welfare recipients in the District of Columbia may be ineligible for any of the benefits they are receiving.

About 17,000 of the 85,000 persons receiving benefits under Welfare's Aid for Fam-

les with Dependent Children program may receiving more than they are entitled to. Another 7,650 AFDC beneficiaries may be receiving less than they are entitled.

These are among the major findings of a study carried out by District welfare officials and submitted to the Department of Health, Education, and Welfare. The figures—the first of their kind to be made public here in recent years—are based on a "quality control" report covering the period from last April 1 to June 30.

"Quality control" is a process under which welfare families are selected at random and subjected to a full investigation of their circumstances. Based on the results of the investigations, officials make statistical projections to determine the probable margin of error in the entire case load.

The April-June study was submitted to HEW as part of a federal effort to determine the margin of error in the nation's welfare programs.

HEW released the results of the national survey Monday. They showed, according to statement, "that approximately 5 per cent of the nation's welfare families were ineligible for payment they received in April, 1971."

For AFDC families, who make up the largest category of welfare recipients in the country, 5.6 per cent (6.2 percent in D.C.) were totally ineligible for benefits, 14.6 per cent (20.6 per cent in D.C.) were receiving overpayments, and 9.7 per cent (9.2 per cent in D.C.) were receiving underpayments.

Joseph P. Yeldell, the new head of the District's department of human resources, commented that the HEW reports showed that the number of "frauds on welfare rolls" is extremely small. He said he would make every effort "to clean the rolls of these frauds" while ensuring that eligible clients receive all they are entitled to.

The D.C. Revenue Bill, passed by Congress the closing days of the last session, directed the city to hire 45 welfare investigators to cut down on the rising case loads and on fraud. Congress provided \$204,000 for this purpose.

Last Nov. 20, Superior Court Judge Paul McArdle sentenced Ethel Holden, 23, of 16th St. SE, to 18 months in jail after conviction on three charges of fraud.

Mrs. Holden was the first person convicted of welfare fraud here since 1968, according to Kenneth West, assistant D.C. corporation counsel. At that time, officials said about a dozen other cases were being reviewed that only a few involved violations flagrant enough likely to result in court action.

Congress also cut \$5 million from the sum District officials said they needed to maintain welfare payments at their present levels. The level is 75 per cent of the standard of living (\$3,816 a year in D.C.) as determined by the Department of Labor in February, 1970. For an AFDC family of four that pays more than 25 per cent of its income for

rent, this amounts to a monthly welfare payment of \$238.50.

Congress said payments could be maintained at the 75 per cent level if overpayments and frauds were eliminated.

At a meeting this week with Etta Horn, president of the City-Wide Welfare Rights Organization, Yeldell said that "frauds" here were "extremely small."

Mrs. Horn and a dozen members of her group, one of two principal welfare rights groups in the city, called on Yeldell to ask, among other things, how the 45 investigators would be used.

"We want no surveillance of our homes, no searches and seizures, nobody looking under the beds, no questions of the neighbors, no degrading questions, and no Gestapo tactics," Mrs. Horn said.

The city's other welfare rights group, which is the local affiliate of the National Welfare Rights Organization, has expressed similar concerns to Yeldell. He has promised there will be "no return to the day of investigators looking under beds." He said the U.S. Supreme Court had thrown out the rule that would deny an AFDC beneficiary any benefits if there were a man in the house.

Yeldell emphasized that he has not decided precisely how the investigators would be utilized or how they would operate. He said he would not make a decision on this without further consultation with Mrs. Horn's group and other interested parties.

Under the present quality control system, investigators made appointments with the families to be investigated. The Supreme Court has ruled that, with or without an appointment, a welfare recipient does not have to admit an investigator to the household.

Henry R. Ronson, who is in charge of quality control in the District, said that the average overpayment, based on the sampling submitted to HEW, was \$46 per month. The average underpayment was \$18 per month. For families who were not eligible for any benefits, the average payment was \$168 per month.

According to both Ronson and Yeldell, the major factors leading to error are mistakes in determining the number of people in a household and failure to take into account outside sources of income, such as part-time employment, child-support payments, or retirement benefits.

Most of these errors are caught within three months, Yeldell said, and many of them are reported by the clients themselves.

Last November, the most recent month for which figures are available, the District paid out \$6.5 million in welfare payments in 40,343 cases, representing 102,160 people. If that level were maintained, the annual welfare bill here would be \$78 million, not counting salaries and other administrative costs.

But Ronson and other officials point out that the case load has been rising at a rate of nearly 1,000 a month.

Ronson estimated that, despite quality control, as much as 10 per cent of the annual outlay may go to overpayments and outright frauds. But he emphasized that this was a high estimate. It would amount to \$7.8 million at the current rate of spending.

Comer Cople, Mayor Walter E. Washington's budget adviser, recently estimated that the loss due to fraud and other causes was less than \$5 million.

In his meeting with Mrs. Horn, Yeldell pledged that there would be no cutback in welfare payments despite the trimming of the budget by Congress.

Prior to passage of the city budget, Congress had threatened to cut \$8 million from the welfare request. Welfare officials reacted by saying such a cut would result in halving payments to recipients. Congressional critics of welfare told the city it could make up the difference by cutting out overpayments and ineligible recipients.

Congress later restored \$3 million of the amount cut. City welfare officials still argue that they do not have enough money allocated to maintain payments at existing levels, although they promise recipients that payments will not be cut.

They'll try to make it by cutting down on mistakes, and then seeking from Congress supplemental appropriations or the permission to reallocate appropriation within the city budget.

Under law, D.C. officials cannot transfer more than \$25,000 from one part of the budget to another without congressional approval.

On another matter, Yeldell told Mrs. Horn that he has not determined how to implement a congressional mandate concerning the rent allotments for welfare recipients.

The order, also part of the D.C. Revenue Bill, said that if a welfare client fails to pay his rent within 10 days of the due date, the landlord can ask Mayor Washington to withhold the rent from the welfare check and pay it directly to the landlord. Before the mayor can do this, the law said, the landlord must demonstrate that the premises in question meet all health and building code regulations.

Mrs. Horn characterized this regulation as "demeaning" and "unconstitutional."

Yeldell said one study showed it would cost \$500,000 and 50 employees to implement the provision.

"I don't have the money and I don't have the staff right now," he said.

Mrs. Horn replied that she hoped he would put the law into effect so that her group could challenge its constitutionality with the aid of the Urban Law Institute.

Yeldell said he agreed that the constitutionality of the statute should be tested in the courts.

EXHIBIT 11

[From the New York Times, Nov. 16, 1971]

WELFARE FRAUD: LAID TO LAXITY BY CITY

(By Alphonso A. Narvaez)

The state's Welfare Inspector General yesterday sharply criticized the city administration of the welfare program and said that frauds were made easier here by laxity and permissiveness on the part of Social Services Department personnel.

George F. Berlinger, who was appointed to the post in August by Governor Rockefeller, charged that frauds were encouraged by the attitude of some of our welfare officials who say, publicly, that these are not serious crimes and excuse violators because they are subject to 'strains and stresses.'

Mr. Berlinger told about 60 persons attending the 105th annual meeting of the Brooklyn Bureau of Community Services at the Bossert Hotel, 89 Montague Street, that "an attitude of tolerant laxness seems to pervade the city's welfare administration and this, I believe, leads to all sorts of abuses within the system."

Mr. Berlinger said his office had received more than 3,000 complaints of alleged frauds and abuses from persons who "are incensed that others are receiving funds improperly through deceit, fraud or as a result of administrative inefficiency."

He said that he was "shocked" at the number of frauds involving persons receiving Aid to Dependent Children allotments and the number of duplicate checks issued by the Department of Social Services.

Abuses alleged by Mr. Berlinger included:

A woman receiving \$241 a month for the last 18 months after having declared that her husband had deserted her. Investigation disclosed that the husband still lived at home, earned \$4.28 an hour and owned a 1971 Mercury. The family had received \$5,663 in Aid to Dependent Children payments.

A similar case involving an "absent husband" who is actually living with the family and earning \$132 a month. The family had received \$9,458 in Aid to Dependent Children payments over the last 38 months.

A Bronx woman who had been receiving a \$274 a month for Aid to Dependent Children while working and earning \$135 a week. Total overpayments since May, 1966, when she was placed on the rolls, were \$17,509.

A man who was receiving two checks from the same welfare center. The case was discovered when he went to a New York State employment office to pick up his checks and a clerk noted that there was two made out for the same person.

EXTENT OF FRAUD A SURPRISE

Mr. Berlinger said that when he took over the post of Inspector General, which was created by the state legislature to weed out corruption, fraud and inefficient administrative practices, he felt that the welfare program was not being administered properly.

"I knew there was fraud," he said, "but I didn't realize it was to this extent."

Robert F. Carroll, assistant administrator of the Human Resources Administration, which oversees the Department of Social Services, denied Mr. Berlinger's charges.

"The Inspector General has once more put forth a series of speculations and possibilities unsubstantiated by investigation serving only to cast doubt and suspicion on the job," Mr. Carroll said.

"During the six months since the creation of his office not a single fraud case has been referred to the District Attorney and only 19 substantiated cases were referred to the Department of Social Services, five of which were child abuse cases, having nothing to do with fraud."

EXHIBIT 12

From the Washington Post, Dec. 12, 1971]

WELFARE CHEATING RING UNCOVERED

(By Jim Mann)

One day last winter, Richard Smith, a quiet, unassuming welfare supervisor in Prince George's County, noticed something peculiar as he looked through the pile of papers on his desk.

That day there had been three different applications to the county's department of social services for "emergency" welfare assistance, submitted by women whose children included twins.

Knowing that twins are relatively rare, Smith grew suspicious and began to investigate.

The result, four months later, was the discovery that an organized ring has been cheating the county out of about \$40,000 in welfare and food stamp benefits.

The investigators learned that women applying for welfare exchanged wigs among themselves in order to change their appearance, and often gave non-existent addresses when they applied for welfare help.

At one point, Prince George's warned three neighboring Maryland counties to beware of one "Red Willis" and his brown Cadillac, said to be roving the area with a number of women who were schooled to apply for welfare.

Welfare officials across the state exchanged notes and photographs of people they suspected were submitting fake welfare applications.

Federal investigators from the Department of Agriculture quietly attempted to take pictures of people applying for food stamps.

And some measures taken in an effort to stop the fraud were met by sophisticated intermoves on the part of the welfare applicants.

"Most of our clients are still honest," Smith said in a recent interview. "But for someone who is criminally inclined and wants to pick up \$200, it (welfare fraud) is cheaper than robbery; it's easier to get away with, it involves a lesser charge if you're caught."

Smith and Prince Georges County are far from alone in their problems. Officials in many other jurisdictions across the country, including the District of Columbia and Baltimore, have had their own cases of food stamp fraud, sometimes with greater losses than Prince Georges.

But the Prince Georges episode illustrates the dilemma facing welfare officials generally as they attempt to guard against fraud while at the same time taking care of people who legitimately need help.

At the root of the fraud in Prince Georges County is the so-called "declaration" system of applying for welfare and food stamp benefits—especially as this system relates to "emergency" or immediate assistance.

(Food stamps are coupons sold for a price below their face value, to recipients who later use them like cash to buy food at a grocery store or supermarket.)

Basically, the declaration system means that a local welfare agency accepts a request for welfare benefits and distributes money or other aid without any prior investigation to determine if the applicant's claims are true.

The rationale is to avoid the invasions of privacy and atmosphere of suspicion that, civil libertarians have argued, have often pervaded welfare programs. There are no home visits, requests for birth certificates, or other checks.

SAVES HIGH COSTS

Supporters of the declaration system also argue that it saves the high costs of policing welfare programs and investigating every single application.

About half of the states operate under a declaration system for the largest and most common welfare program, known as aid for families with dependent children (AFDC). Those states include Maryland and the District of Columbia, but not Virginia, in which some but not all counties operate under a declaration system for AFDC payments.

Ordinarily, even under the declaration system, there is a delay between the time a person fills out a welfare application and the time he or she receives the benefits.

But it is possible in many places, including the District of Columbia, Maryland and parts of Virginia, to receive "emergency" aid—to fill out an application and then receive cash or food stamps on the same day.

The aim of emergency assistance is to provide immediate help for those who need it—people who have been evicted, or disabled, or who have no money to feed their children.

In Prince Georges, the emergency aid was at the heart of the fraud scheme uncovered by Smith.

Alerted by the recurrence of twins, Smith decided to check the recent emergency applications in the county. He discovered that over an eight-day period, the department had received 12 different applications from people who brought notes from their landlords saying they had been evicted.

Seven of the 12 cases involved women with twins.

Smith and other officials then sent out letters to these 12 people at the addresses listed on their applications. All the letters came back stamped "addressee unknown."

Smith wrote a memo to his superiors on Feb. 11 stating his conviction that there was "an organized kind of fraud, the twins

being added so that there are a large number of children who are preschool age (so we cannot call schools and easily verify existence)." In general, the more children an applicant has, the more welfare money she receives.

CAREFUL CHECK MADE

For the next several months, welfare workers were under instructions to check carefully all persons who applied for emergency aid.

Several times, when women did apply for emergency benefits, and welfare workers explained that the names and birth dates of their children would have to be verified through hospital records, the women walked out of the office.

(Smith says that the welfare office will not detain or arrest an individual until it is absolutely certain it can prove fraud.)

The workers noticed, Smith recalls, that the women applying for emergency welfare—the ones who walked out of the office when questioned—were "so much better dressed than anyone else, including the workers. They went first class."

But the scheme continued, because the emergency applicants changed their tactics. So that they wouldn't be recognized, Smith says, the women wore different wigs, which they exchanged among themselves.

After a while, their stories were not always the same, either. Sometimes they had twins and sometimes they didn't. Sometimes, they said they needed emergency help because they were evicted; sometimes they said they needed help because they or their husbands were disabled.

Usually the welfare office would discover it had been defrauded only after the emergency help had been given.

For example, one applicant brought a detailed statement of physical disability, complete with blood pressure, pulse rate and an illness that was described in technical medical terms.

Much later it turned out that the disability was similar—and the blood pressure and pulse rate were identical—to those on at least one other disability statement submitted under a different name.

In addition, the welfare office began to discover that it was being cheated out of other payments besides those initial emergency payments.

Ordinarily, so long as a woman applying for emergency aid also qualifies financially for regular monthly AFDC (welfare) checks, the county routinely begins mailing those checks the month after it gives emergency payment.

NONEXISTENT ADDRESSES

Smith said that sometimes, because the applications for emergency aid gave addresses that did not exist, the AFDC checks for the following months would be returned by the post office.

But sometimes, Smith says, those women gave real addresses and managed to keep and cash subsequent checks as well as the emer-

gency checks. Welfare officials later discovered that these addresses were sometimes used several times under several different names.

"We lost so much money to one address on Southern Avenue that we could really have improved the neighborhood," Smith says.

On a few occasions, too, the women would not apply for emergency assistance at all, but would apply for regular public assistance at the outset.

"As we would get more sophisticated, so would they," Smith says. "We underestimated them completely."

In mid-April, county officials got what they thought was a break. A woman applied for emergency assistance, and while she waited in the office, the welfare worker, checking carefully, discovered that she had given a phony address.

This time—in contrast with similar cases in the past—the woman did not get up and walk out. Instead, she calmly told welfare officials a lengthy story about how she had come to apply for welfare.

According to welfare officials, the woman said she had been picked up in the District of Columbia by a man named Red Willie who drove a brown Cadillac and taught women how to apply for welfare.

The woman also said that "Red Willie" claimed to be in league with welfare department staff members, according to welfare department officials.

How much if any of what the woman said was true, or whether there actually was a "Red Willie," has never been determined.

COLLUSION DENIED

Smith dismisses the idea that any welfare official was involved in the fraud scheme, and federal investigators, who have since conducted investigations in Prince George's, say there is absolutely no evidence of any collusion by officials.

Smith says he assumes some women were, in fact, told that a supervisor was cooperating, by someone who later took a portion of the welfare checks "for the supervisor" and kept it himself.

In any case a few days later after the Red Willie incident the Prince George's department of social services sent out an official letter to its counterparts in Montgomery, Anne Arundel and Baltimore counties and Baltimore city, warning them that Red Willie and his brown Cadillac might strike at their offices, too.

Such contact with welfare and food stamp officials in other counties was beginning to produce results. District of Columbia officials provided Prince George's with a full report, including names and photographs, of people suspected of welfare and food stamp fraud in the District. Baltimore City also reported it was having troubles strikingly similar to those in Prince George's.

FEDERAL PROBE PUSHED

In addition, federal food stamp investigators, under the direction of Department of Agriculture Inspector General Nathaniel

Kossack, noticed apparent irregularities in Washington-area food stamp programs and began their own investigation, in Prince George's County and other jurisdictions.

At one point, Smith says, Prince George's officials attempted to call a person suspected of participating in the fraud scheme into their office, so that federal officials could take pictures of that person receiving food stamps. It never happened, because the suspect would not come into the office, Smith says.

It was apparently not the only time during their Maryland investigation that federal investigators tried to take pictures of food stamp recipients.

Bonah Carter, director of social services for Caroline County on Maryland's Eastern Shore, says that pictures were taken in her county of a food stamp recipient suspected of fraud.

The federal investigators arranged to have local police photograph the recipient through a telescopic lens at a prearranged signal as the woman was leaving the county courthouse, Mrs. Carter says. The picture was taken, but Mrs. Carter says the suspect turned out to be a legitimate food stamp recipient.

Federal officials have refused to comment on the reported picture-taking. Kossack said he does not discuss his department's investigative techniques.

Meanwhile, in early May, the Prince George's department of social services began to examine every single public assistance case it had processed since the previous September—about 2,000 in all.

That study has turned up at least 45 different cases of fraud between September, 1970, and June, 1971. These 45 cases cost a total of "between \$20,000 and \$45,000—maybe more," Smith says, in welfare benefits. (Of those welfare costs, 50 per cent are paid by the federal government.)

Those laws generally were in the form of WDC checks of \$200 to \$300 per month. Smith says, but the study uncovered one man apparently participating in the fraud was receiving a check of \$700 per month.

Those dollar estimates include only the money lost in welfare benefits. Most of the people obtaining welfare assistance also obtained food stamps at the same time, Smith says. He estimated that the food stamp losses amounted to about 45 per cent of the welfare losses—roughly \$10,000 to \$20,000.

ADDITIONAL LOSSES

It is possible there were additional losses besides, Smith says that those people who were discovered to be using fake names and addresses also obtained Medicaid cards, enabling them to get medical care at public expense. But he says that his department does not know whether these cards were used. In June, Prince George's officials began contacting and questioning most people who received emergency assistance or who were otherwise suspected of being involved in the fraud scheme.

"The heat was really on," Smith says. Within weeks, applications with fake names and fake addresses stopped coming in.

No criminal charges have been filed in connection with the fraud in Prince George's.

Smith says the scattered instances of fraud "are continuing in Prince George's, but not on the scale that occurred earlier this year.

In an effort to further cut down on the possibility of fraud, Smith said, Prince George's County will begin within a week or two to check all Social Security numbers of welfare recipients against computerized records.

But this screening will not affect the emergency food program. The social security numbers will not be checked until after a person is given emergency assistance or emergency food stamps, Smith said, unless for some reason an official becomes suspicious of the emergency application.

As Smith admitted to a reporter: "If you wanted to come in here tomorrow dress shabbily, say your name was Ralph Roystor Doyster, and show us you are out of work, you could get public assistance for 90 days."

EXHIBIT 13

[From the Washington Post, Jan. 4, 1972]
FIVE PERCENT HELD INELIGIBLE FOR RELIEF
(By Vincent J. Burke)

A government survey indicated yesterday that erroneous welfare payments are going to one-fourth of the nation's welfare families and to one-sixth of the aged, blind and disabled on the rolls.

Officials said these errors may be costing the taxpayers half a billion dollars a year.

The Health, Education and Welfare Department said that of the 2.7 million welfare families with children it appeared that 14 per cent are being overpaid, 9 per cent are being underpaid and 5.6 per cent—or about 160,000 families—are ineligible for any payment.

Similar errors occur in payments to one-sixth of the 3.1 million aged, blind and disabled welfare recipients, the survey indicated. Of the 3.1 million, 4.9 per cent—or about 155,000 persons—appear to be ineligible for any payment.

HEW conducted the survey in 41 states. It said more than one half of the erroneous payments resulted from "honest mistakes" by state and local welfare offices. Most of the other wrong payments, it said, were due to honest mistakes by recipients. Fraud accounted for only a small fraction of the total, according to HEW.

If all of the errors could be corrected, officials said, there might be a net taxpayer savings of \$500 million in welfare costs, which are now running \$9.6 billion a year. But they told a news conference there was no hope of correcting the errors without a massive overhaul of welfare management.

The officials said the survey documented that the management of welfare—now handled by 1,152 state and local offices—is break-

ing down under a flood of excessive paperwork, complex rules and antiquated techniques. Unless this is changed, they said, taxpayers can have no confidence in the operation of public assistance.

The remedy, they said, is to jettison the existing "non-system of management and erect in its stead a national uniform automated system of income maintenance, such as that embodied in President Nixon's welfare reform bill."

This appraisal was given at a news conference by Dr. Richard P. Nathan, HEW deputy under secretary who is charged with planning all details of the proposed new federal welfare system, and John Twinn, administrator of HEW's social and rehabilitation service, which provides federal grants to help finance the existing state-run welfare systems.

EXHIBIT 14

SAM A. WEEMS,
PROSECUTING ATTORNEY,
SEVENTH JUDICIAL DISTRICT,
FEBRUARY 26, 1972.

Senator RUSSELL LONG,
Senate Office Building,
Washington, D.C.

DEAR SENATOR: I am enclosing a copy of a Grand Jury report just released by one of the counties in my district regarding welfare. Some of the points referred to in the report were mentioned in my testimony before your committee.

It is regrettable that action such as this has to be taken.

Sincerely yours,

SAM A. WEEMS.

GRAND JURY REPORT

(In the Circuit Court of Lonoke County, Ark.)

To: The Honorable William Lee, Circuit Judge within and for the 17th Judicial District of the State of Arkansas, of which Circuit Court, Lonoke County, is a part.

The Grand Jury selected and empaneled for the regular February 1972 terms of the Lonoke County Circuit Court, desires to submit the following as a full report upon the labors performed by said body upon the three days it has been in session.

During the past several months there has been a great deal of publicity arising from investigations made by the prosecuting attorney's office of the 17th Judicial District as to the welfare program of said Lonoke County.

It was felt by the Grand Jury that an investigation of this matter be conducted; and the prosecuting attorney of the 17th Judicial District in response to the Grand Jury's desire to inquire into the welfare question requested that this Grand Jury at the conclusion of its investigation submit a detailed report of its findings and document whether or not there was justification for prior investigations made by the prose-

cuting attorney's office. The following is the position of the Grand Jury:

The Grand Jury has subpoenaed and interviewed a number of witnesses and has studied heretofore subpoenaed welfare department files. Based upon the interviews with witnesses and a review of said files, the Grand Jury instructs the prosecuting attorney in and for the 17th Judicial District to file criminal informations charging twenty five individuals with obtaining property under false pretenses.

The most serious aspect of the above mentioned cases is the fact that officials of the Arkansas Welfare Department knew of these cases and did little, if anything, to correct the situation.

The findings of the Grand Jury are: that the local county welfare office is doing a good job. However, it is this Grand Jury's findings that there is a serious problem with the Lonoke County Welfare System that is caused by officials in the department in Little Rock.

The Grand Jury will cite the following examples of the breakdown of the welfare system.

1. Even though all of the cases cited above were known to officials in the Arkansas Welfare Department they expressly failed and concealed these cases from criminal prosecution. This Grand Jury determined that the officials of the department had never prior to this investigation referred a single case of any type fraud to the prosecuting attorney for action.

2. The Grand Jury after examining several witnesses concluded that a local employee, Johnnie Davis, referred the above cases to the prosecuting attorney's office. He thereupon subpoenaed the above said case files. This employee has now been discharged by the Welfare Department, even though she lacked some five months having worked twenty (20) years for the Arkansas Welfare Department.

It seems strange to this Grand Jury that her services were no longer needed when the above cases were revealed.

The proof is: (a) That she was given some two days' notice of her dismissal. (b) That her performance evaluation sheets made by her supervisors rate her as a satisfactory employee. (c) That on October 12, 1971, the Lonoke County Welfare Board met with Mr. Dalton Jennings, Commissioner of the Welfare Department and requested that Mrs. Davis not be discharged. At the time of the meetings the Commissioner was rude and abrupt with the local board. (d) On October 12, 1971, the entire Lonoke County Welfare Board signed the following letter that was sent to Mr. Dalton Jennings, Commissioner:

"After our meeting October 12, 1971, in regard to Mrs. Johnnie D. Davis, employee of Lonoke County Social Services Office, the Lonoke County Welfare Board has discussed the matter at length and are asking you to reconsider your decision and reinstate her

caseworker in our county. After hearing her case, we feel she has the welfare work heart and has proven her ability in public relations. We feel she will be on the job full time and carry her share of the work. Mrs. Davis is highly respected in our county and we have come to the conclusion the trouble is some animosity coming from the State Social Service Office. We think we are due the respect of this Commissioner of Arkansas State Social Service Office toward our people in our county."

It is the conclusion of the Grand Jury that is very clear that the Commissioner does not have any respect or consideration for the local board.

That on October 22, 1971, each of the seven duly elected county officials wrote a letter to the Commissioner requesting Mrs. Davis to be reinstated. The county officials stated: Mrs. Davis is highly respected in our county we have come to the conclusion the trouble is some animosity coming from the State Social Service Office.

There is no doubt to this Grand Jury that the true reason why Mrs. Davis was dismissed with only two days' notice is because she cooperated with the prosecuting attorney of this judicial district in seeking prosecution of the above mentioned cases.

This Grand Jury commends Mrs. Davis's courage in seeking to convert a very bad situation.

This Grand Jury further takes the position from the proof offered that officials from the State Welfare Department have deliberately hampered the prosecution of fraudulent cases and that said officials have in fact steadfastly refused to cooperate in any manner whatsoever with proper officials in the judicial branch of government.

Exhibits have been produced to the Grand Jury dated February 14, 1972 from the office of the Secretary of the Department of Health, Education and Welfare, wherein the following official federal position was stated: "Disclosure required under mandatory fraud referral procedures, HEW's regulations specifically require state welfare agencies to cooperate with law enforcement officials in developing procedures for referral of situations which the existence of welfare fraud is detected by the welfare agency itself. Under such procedures, of course, the State Welfare Agency has an affirmative obligation to disclose to law enforcement authorities all information it has concerning a welfare referral which is pertinent to the question of welfare fraud."

The Grand Jury also heard testimony from the U.S. Department of Agriculture's Food and Nutrition Director for Arkansas. The testimony was that this department also had a policy to prosecute fraud cases and to cooperate with local enforcement officials.

It is clear from the proof that the State Welfare Department has not followed this policy. In fact it is apparent to this Grand Jury that the Commissioner, Dalton Jennings, and his staff maintain a complicated

reporting system that insures a lack of cooperation with local enforcement officials and makes it difficult to determine who is responsible for the messy way the system is administered.

The Grand Jury can see no useful purposes in requiring the local office once it finds fraud to start the following chain of events: (1) local office finds fraud, reports it to the county supervisor who reports the fraud to the department's finance section (2) the finance section reports the fraud to the food stamp coordinator (3) the food stamp coordinator reports the fraud to the committee on the overpayments (4) the committee on overpayments refers the case to the department's 21 member legal staff (5) one form letter is then sent out and as a rule no further action is taken by the Arkansas Welfare Department and there is little or no communication as to this case with the local office.

It is also apparent to the Grand Jury from the statements made by the chief attorney of the Welfare Department that he has little control over the 20-full and part-time attorneys working under him as most of these attorneys are in fact employed by the Governor's office and are not accountable to the department's chief attorney.

This Grand Jury would be interested to know the following since there are 20 attorneys receiving from \$7,700 to \$9,100 each of taxpayer's money:

- (1) How many cases per month does each attorney file in court?
- (2) How much state funds does each attorney recover each month?
- (3) What is the actual case load of each attorney?

It is apparent that the Welfare attorneys do little to recover funds in Lonoke County and that the only concentrated effort made therefore to recover taxpayer's funds is being made by the prosecuting attorney of this district, and it is deplorable that the Welfare Department employees and the legal staff do not assist him in these efforts.

The Grand Jury also heard witnesses set forth the manner in which the Welfare Department develops programs. It is the position of this Grand Jury that our government must help those who cannot help themselves.

However, this Grand Jury does not approve of the present department policy of mostly handing out a meager check each month.

The Arkansas Welfare Department has an obligation to develop specific programs to help our citizens. Thus, this Grand Jury finds the Department has failed to meet its real obligations to the people of Arkansas.

It is the finding of the Grand Jury that responsibility for allowing criminal acts to go unreported is a serious matter. Arkansas law (Ark. Stat. 41-120) sets forth the offense of accessory after the fact. Thus, it is the law of the State of Arkansas that when any person who, after a full knowledge that a crime has been committed, conceals it from the magistrate, or harbors and protects the per-

son charged with or found guilty of the crime is an accessory guilty of the crime is an accessory after the fact of said crime.

The Grand Jury has determined that 25 specific acts of obtaining property under false pretense has been committed in Lonoke County.

From the testimony there is no doubt that several state welfare department employees knew of the specific acts. Yet the only employee to comply with Arkansas law has been dismissed by the department for complying with the law of this state.

The only issue to be determined is whether or not the conduct of the state department officials warrant a finding that by their silence they concealed the crime from the courts.

The Grand Jury finds a true bill against Ivan Smith, chief attorney of the Arkansas Welfare Department on 25 counts of being an accessory after the fact to the offense of obtaining property under false pretenses occurred by his actions and in fact concealed the offense from the proper courts.

The Grand Jury further finds that this pol-

icy was directed by the Commissioner, Dalton Jennings. However, the Grand Jury finds his actions and conduct toward the people of Lonoke County deplorable as no governmental agency should be above the law.

The Grand Jury realizes the seriousness of this report but the Grand Jury also realizes the terrible condition of the Welfare program as it presently exists and therefore the reason for this strong report and strong action.

It is the finding of this Grand Jury and recommended to the prosecuting attorney to show leniency if restitution is made to the State of Arkansas by the above stated twenty-five defendants as it is the conclusion of said Grand Jury that the present administration of the food stamp program encourages such activity.

LEON MINTON, Foreman.
C. A. GRIMSTEAD, Clerk.

Read to the Court in open Court before the entire Grand Jury this 23rd day of February, 1972.