

SUMMARY OF FINDINGS ON FINGER IMAGING IN CALIFORNIA

Findings on Fraud Detection

1. The Department of Social Services implemented the Statewide Fingerprint Imaging System (SFIS) without any indication that multiple-aid fraud was a significant problem throughout the state. *Source: California State Auditor Report 2001-15, page 13.*
2. Between March 1, 2000 and September 30, 2002, investigators using SFIS found only 45 cases of duplicate aid fraud out of a statewide caseload of almost 2 million Californians.

Total number of SFIS matches—3/1/00 to 9/30/02	25,202
Number of cases of verified fraud	45
Number of cases investigated and found not to be fraudulent	433
Number of items still under investigation	7,045
Number of matches attributed to administrative errors – no investigation needed	17,679

Source: California State Auditor Report 2001-15, page 34.

3. In 1997, Los Angeles County commissioned an independent evaluation of its finger-imaging system, AFIRM. This evaluation included a controlled study of 24,334 AFDC cases who were required to give their finger image. Of those cases, researchers studied a sample of 137 cases to measure the level of fraud.

Los Angeles County and others claim that 69 percent—or 94 cases—in this sample were found to be fraudulent. However, only 8 cases—or 6 percent of the sample—were actually *verified* as multiple-aid fraud, which is the only type of fraud that SFIS is able to detect. This evaluation does not prove that finger imaging is necessary to detect fraud, as it did not control for the detection of fraud through other anti-fraud measures and technologies. The study also over-represents the occurrence of fraud among people who fail to complete the finger-imaging requirement, since the sample excludes cases that temporarily left assistance but later returned.

Number of cases required to comply with AFIRM	24,334
Total cases terminated due to failure to comply with AFIRM	10,531
Number of cases that had not returned to aid within 42 days	6,750
Number of sample cases investigated for fraud	137
Verified cases multiple-aid fraud in investigated sample	8
“Phantom” cases found in investigated sample	9
“Highly probable” multiple-aid fraud cases in investigated sample	14
Fraud other than multiple-aid fraud cases in investigated sample	63
Cases in which no overpayment was found	10
Number of cases investigated and found not to be fraudulent	33

Source: Final Evaluation Report, AFDC AFIRM Evaluation Project, July 1997.

Findings on Costs of SFIS

1. California spent approximately \$31 million on SFIS between fiscal years 1995-96 and 2001-02. The state has estimated that it will spend \$11 million on SFIS in 2002-03, and the Governor has budgeted \$10.7 million for 2003-04. *Source: California State Auditor Report 2001-15, page 27.*

2. The Department may be substantially understating the cost of implementing and operating SFIS because it does not track the time and expense incurred by counties to operate SFIS. Riverside County, for example, estimated that they spent \$1.4 million to operate SFIS in FY 2000-01, while the Department estimated that all counties excluding Los Angeles spent a total of \$1.8 million on the system. *Source: California State Auditor Report 2001-015, page 29.*

Findings on Savings Estimates Based on Fraud Deterrence

1. Based on information from Los Angeles County's Finger Imaging System (AFIRM), the Department of Social Services estimates a savings this year of \$68.6 million in savings as a result of fraud deterred by SFIS. The Department estimates that the lost savings due to termination of the SFIS system would be significantly lower than the assumed savings (approximately \$30 million) due to an assumed gradual return of the deterred caseload. *Source: Analysis from the Hearing of the Senate Budget Subcommittee No. 3 on Health, Human Services, Labor, and Veterans Affairs, March 13, 2003, page 22.*
2. The Department has no justification for basing its estimates of state-wide savings on results from AFIRM. To compute its estimate of savings, the Department took AFIRM's reported deterrence rate of 6.67 percent for General Relief clients between June through December 1991 and multiplied it by 33 percent to arrive at the rate of deterrence it would assume for SFIS. As the auditors point out, the department had no data to support using any of these numbers to develop a statewide estimate. In addition, the Department cannot assume that conditions in Los Angeles County in 1991 currently hold true in other parts of the state. *Source: California State Auditor Report 2001-015, page 31.*
3. Neither the state nor Los Angeles County have documentation of AFIRM's reported deterrence rate of 6.67 percent, which is based on the behavior of General Relief clients more than ten years ago (and prior to strict work requirements put into place by welfare reform). *Source: California State Auditor Report 2001-015, page 30.* Without any documentation of this number, the Department cannot show to what degree AFIRM's reported deterrence rate included *eligible* people who were unable or unwilling to complete the finger-imaging requirement.
4. In 1997, New York commissioned an independent study of its finger imaging system to determine the cost-effectiveness of the program. In this study, the no-show rate for clients who were told they would be fingerprinted was one percent less than for the control group of clients who were told they would not be fingerprinted—the opposite of the expected result. Researchers determined a caseload reduction based on finger imaging of only 3.7 percent, which falls within the study's 5-percent margin of error. *Source: Automated Finger Imaging System Comprehensive Evaluation by Macro International and Maximus, Inc.*
5. In 1997, Texas commissioned an independent study of its finger imaging system to determine the cost-effectiveness of the program. Researchers at the University of Texas at Austin measured the impact of finger imaging in 10 district offices compared to 10 "nearest neighbor" control offices. They found no statistical evidence that any of the observed caseload decline in the two pilot counties occurred because of finger imaging. It also found that finger imaging yielded *no savings* in benefits payments. *Source: Lone Star Image System Evaluation Final Report, Center for the Study of Human Resources, University of Texas at Austin, August 1997, pages ix and xii.*

For more information on these findings, please contact Autumn Arnold, California Food Policy Advocates, at 415-777-4422, ext. 107 or via email at autumn@cfpa.net.