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## **\$69 million in California welfare money drawn out of state**

**Las Vegas tops the list with \$11.8 million spent at casinos or taken from ATMs, but transactions in Hawaii, Miami, Guam and elsewhere also raise questions. Officials say budget cuts hinder investigations.**

By Jack Dolan, Los Angeles Times

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Reporting from Sacramento

More than \$69 million in California welfare money, meant to help the needy pay their rent and clothe their children, has been spent or withdrawn outside the state in recent years, including millions in Las Vegas, hundreds of thousands in Hawaii and thousands on cruise ships sailing from Miami.

State-issued aid cards have been used at hotels, shops, restaurants, ATMs and other places in 49 other states, the U.S. Virgin Islands and Guam, according to data obtained by The Times from the California Department of Social Services. Las Vegas drew \$11.8 million of the cash benefits, far more than any other destination. The money was accessed from January 2007 through May 2010.

Welfare recipients must prove they can't afford life's necessities without government aid: A single parent with two children generally must earn less than \$14,436 a year to qualify for the cash assistance and becomes ineligible once his or her income exceeds about \$20,000, said Lizelda Lopez, spokeswoman for the Department of Social Services.

Round-trip flights from Los Angeles to Honolulu on Orbitz.com Sunday started at \$419 — more than 80% of the average monthly cash benefit for a single parent of two on CalWorks, the state's main aid program.

"How they can go somewhere like Hawaii and be legit on aid ... they can't," said Robert Hollenbeck, a fraud investigator for the Fresno County district attorney's office. "This is money for basic subsistence needs."

The \$387,908 accessed in Hawaii includes transactions at more than a thousand big-box stores, grocery stores, convenience shops and ATMs on all the major islands. At least \$234,000 was accessed on Oahu, \$70,626 on Maui, \$39,883 on Hawaii and \$22,170 on Kauai.

The list includes \$12,433 spent at the upscale Ala Moana shopping center, \$3,030 spent at a group of gift shops next to Jimmy Buffett's Beachcomber restaurant on Waikiki Beach and \$2,146 withdrawn from ATMs on the island of Lanai, home to a pair of Four Seasons resorts and little else.

"If it's on Lanai, that should trigger an investigation," said Jon Coupal, president of the Howard Jarvis Taxpayers Assn. "California taxpayers, who are struggling to keep their own jobs, are subsidizing other people's vacations. That's absurd."

Of the nearly \$12 million accessed in Las Vegas, more than \$1 million was spent or withdrawn at shops and

casino hotels on, or within a few blocks of, the 4.5-mile strip. The list includes \$8,968 at the Tropicana, \$7,995 at the Venetian and its Grand Canal Shoppes, and \$1,332 at Tix 4 Tonight, seller of discount admission for such acts as Cirque du Soleil.

Although many Las Vegas casinos block the use of welfare cards in ATMs on gambling floors, more than \$34,700 has been spent or withdrawn from the ATM at a 7-Eleven in the shadow of Steve Wynn's new Encore casino and a couple of blocks south of Circus Circus.

The store's owner, Rupee Chima, knows the California welfare cards well. He said the people using them don't look like high rollers. "They're not coming in with Rolexes," he said.

And it's possible, he noted, to pack a bunch of people in a car, drive four hours from Los Angeles and share a room at a down-market casino hotel for a relatively frugal vacation.

Californian Omar Mikhail, dining at Encore, said his parents paid their rent with welfare aid when they immigrated to the Bay Area from Afghanistan in the early 1980s. They would never have dreamed of driving to Las Vegas with their monthly check, he said.

"When I hear something like that, it's so disheartening," he said.

The data show addresses of stores and ATM locations where the cards have been used and the amounts of the transactions by year. They do not reveal the identities of the welfare recipients or show how many users visited a given retailer.

Of the \$1.5 million accessed in Florida, \$13,109 was spent or withdrawn in South Beach, most of that at bars and restaurants along trendy Lincoln Road. More than \$7,000 was withdrawn from ATMs a few hours north, at Walt Disney World.

The data also show \$16,010 withdrawn from 14 cruise ships sailing from ports around the world — Long Beach, Rio de Janeiro, Beijing. Eight sail primarily from Miami.

The out-of-state spending accounts for less than 1% of the \$10.8 billion spent by welfare recipients during the period covered, and advocates note that there are legitimate reasons to spend aid money outside of California. From the data provided, it cannot be determined whether any of the expenditures resulted from fraud.

"I think when somebody hears it's in a fancy hotel in Hawaii or Vegas, it's too easy to assume the [welfare recipient] is visiting that place and it wasn't somebody who stole their card," said Jessica Bartholow, a legislative advocate for the Western Center on Law and Poverty.

There is no rule preventing welfare recipients from leaving California, as long as they get clearance from their county case worker to be absent from the program's 32-hour-a-week job training requirement. County investigators, who state authorities say are responsible for rooting out fraud and abuse, typically don't question a recipient's whereabouts until transactions on a welfare card show that he or she has been gone for more than 30 days.

"If it's a one-time thing in Miami, we would never check that out," said John Haley, commander of the financial crimes division of the San Diego County district attorney's office, who said 24% of all new welfare applications in his jurisdiction contain some form of fraud. "We look for patterns of abuse."

In Los Angeles County, investigators hadn't been checking until a recipient was gone for three months, said Department of Public Social Services Director Philip Browning. The inability to do more was "really just a resource issue," he said.

Following questions from The Times, Browning said investigators would start inquiring once the data show that a recipient has been gone for more than 30 days.

Many recipients travel to other states in an emergency such as a death in the family, investigators say. But with government resources scarce, it's difficult to sort those cases from incidents of abuse.

An anti-fraud unit in Orange County, which won praise from state officials last year for saving the state millions, has since had to slash its budget and lay off 15 investigators, said Paul Bartlett, commander of the county district attorney's Bureau of Investigation.

Those cuts saved \$900,000 in operating expenses but allowed "an estimated \$9.6 million in suspected fraud payments out the door," according to an Orange County Grand Jury report released in May.

A state audit last year found that none of California's 58 counties was adequately following up on information that could help root out fraud, including monthly computer matches that list clients who are receiving duplicate aid from other states, those who are ineligible because they're in prison and others who have died.

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