

2011 SEP -1 PM 2:25

To: Office of the City Administrator  
Attn: Deanna J. Santana, City Administrator  
From: Police Department  
Date: September 13, 2011

Re: **A Report and Proposed Resolution Authorizing the City Administrator, on Behalf of the City of Oakland, to Accept and Appropriate Project Funds In An Amount Not to Exceed Two Hundred Thousand Dollars (\$200,000) Associated with the Ratification of One or More Cost Reimbursement Agreements with the U.S. Department of Agriculture (USDA), Office of the Inspector General (OIG), for the Period of October 1, 2011 through September 30, 2014, for Enactment of Fraud Investigative and Abatement Programs in the Police Department**

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## SUMMARY

This report and resolution authorizes the City Administrator, on behalf of the City of Oakland, to accept and appropriate project funds in an amount not to exceed \$200,000 from the U.S. Department of Agriculture (USDA), Office of the Inspector General (OIG), associated with the ratification of one or more Cost Reimbursement Agreements associated with fraud investigation and abatement programs with the police department. The funds will be used to offset sworn overtime and equipment costs to the Department's Alcohol Beverage Action Team (ABAT) Unit relative to the delivery of specialty law enforcement surveillance operations. The proposed timeframe associated with the ratification of the proposed Cost Reimbursement Agreement(s) is October 1, 2011 through September 30, 2014.

Our existing agreement will expire on September 30, 2011; however, it is anticipated that new agreements will be made as requested by the USDA throughout the upcoming contract period of October 1, 2011 through September 2014. Reimbursement agreements with the USDA are made on an operational basis.

## FISCAL IMPACT

Approval of the proposed resolution will authorize the acceptance and appropriation of project funds from the U.S. Department of Agriculture, Office of the Inspector General, for the Police Department's joint participation in multiple fraud investigative and abatement programs in an estimated amount not to exceed \$200,000. Funding will be appropriated to the U.S. Department of Agriculture Special Revenue Fund (2102); Special Operations Unit Division Org. (107710); Special Operations Division Program (PS13), in a Project Account to be determined. Proposed expense allocations are as follows:

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Description and Use of Funds	Amount
Sergeant of Police (Overtime) (\$54.41/hr x 1.5 x 150/hrs/yr x 3/yr)	<b>\$36,729</b>
Police Officers (Overtime) (\$47.16/hr x 1.5 x 150/hrs/yr x 3/yr x 4/persons)	<b>\$127,332</b>
Subtotal:	<b>\$164,061</b>
Surveillance Equipment and Supplies	<b>\$35,939</b>
<b>Grand Total:</b>	<b>\$200,000</b>

Central Services Overhead (CSO) charges associated with the \$164,061 for salary and wages equals \$22,378; based on a 13.64% calculation rate. The funding agency, however, specifically disallows indirect costs (CSO). Therefore, the Department requests a waiver for applicable Central Services Overhead charges.

**BACKGROUND**

Since early 2010, the Police Department’s Alcohol Beverage Action Team (ABAT) Unit has conducted joint, specialty law enforcement operations with the U.S. Department of Agriculture’s (USDA) Office of the Inspector General centered on Electronic Benefit Cards (EBT), the Supplemental Nutrition Assistance Program (SNAP), the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) and Infant Formula Fraud. These joint fraud task force operations commenced as a result of the discovery of a supply of food stamp and EBT cards during a routine ABAT Unit site visit of an alcohol retail establishment in Oakland. The discovery was referred to representatives of the USDA’s Office of the Inspector General for further investigation. Based upon the subsequent investigation of this matter, the USDA requested the ABAT Unit’s assistance in conducting ongoing joint investigations pertaining to possible food stamp, EBT, SNAP, WIC, and Infant Formula fraud at certain retail and alcohol establishments in Oakland.

## KEY ISSUES AND IMPACTS

Food stamp, EBT, SNAP, WIC, and infant formula fraud is widespread. For the last two years, the ABAT Unit has conducted joint investigatory operations with the USDA which targets these types of fraudulent activities. Retail and alcohol establishments which are identified and confirmed for conducting these types of illegal proceedings are invariably prosecuted, and their assets seized to offset illegally procured funds. Further, the Police Department reports these activities to the State of California, Alcoholic Beverage Control division, and requests that liquor licenses be suspended and/or revoked as a result of each proprietor's illegal actions. Residents of Oakland that are determined to have readily participated in the fraudulent activities are likewise reported to Alameda County's Department of Social Services for subsequent removal from the food stamp program, and/or other sanctions; at Alameda County's own internal discretion.

### Overview of Investigatory Operations

Over the last eighteen months, ABAT Unit personnel, in conjunction with USDA investigators, have initiated more than a dozen surveillance, EBT and SNAP fraud investigations throughout Oakland. We anticipate that many more will be conducted through the period ending September 30, 2014. Due to the fact that all current USDA-sponsored investigations are still in process, in order to maintain the integrity of the investigations, further information and statistical data – inclusive of arrest data – cannot be provided at this time. A comprehensive report regarding the nature and disposition of all USDA fraud investigations will be provided for the City Council upon conclusion of all requisite Police Department and USDA enforcement processes.

## SUSTAINABLE OPPORTUNITIES

### Economic

Reducing food stamp, EBT, SNAP, WIC, and infant formula fraud and identifying citizens who are participating in such fraud will have positive impacts on local and county resources.

### Environmental

There are no environmental issues associated with this report.

### Equity

Targeting retail and alcohol establishments involved in food stamp, EBT, SNAP, WIC and infant formula fraud will directly benefit legitimate businesses which continually strive to abide by local, state, and federal laws.

**DISABILITY AND SENIOR CITIZEN ACCESS**

There are no ADA or senior citizen access issues contained in this report.

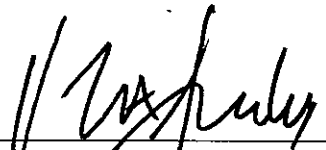
**RECOMMENDATION**

Staff recommends that the City Council adopt the resolution authorizing the City Administrator, on behalf of the City of Oakland, to accept and appropriate project funds in an amount not to exceed \$200,00 from the U.S. Department of Agriculture (USDA), Office of the Inspector General (OIG), associated with the ratification of one or more Cost Reimbursement Agreements associated with fraud investigation and abatement programs with the police department.

**ACTION REQUESTED BY THE CITY COUNCIL**

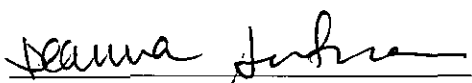
Staff recommends that the City Council approve the resolution.

Respectfully submitted,

  
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Anthony W. Batts  
Chief of Police

Prepared by: Sgt. Pedro Espinoza  
Alcohol Beverage Action Team Unit  
Special Operations Division  
Bureau of Field Operations

APPROVED AND FORWARDED TO  
THE PUBLIC SAFETY COMMITTEE:

  
\_\_\_\_\_  
Office of the City Administrator

Item: \_\_\_\_\_  
Public Safety Committee.  
September 13, 2011

# OAKLAND CITY COUNCIL

*A. Macarley*  
City Attorney

FILED  
OFFICE OF THE CITY CLERK  
OAKLAND

RESOLUTION No. \_\_\_\_\_ C.M.S.

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**RESOLUTION AUTHORIZING THE CITY ADMINISTRATOR, ON BEHALF OF THE CITY OF OAKLAND, TO ACCEPT AND APPROPRIATE PROJECT FUNDS IN AN AMOUNT NOT TO EXCEED TWO HUNDRED THOUSAND DOLLARS (\$200,000) ASSOCIATED WITH THE RATIFICATION OF ONE OR MORE COST REIMBURSEMENT AGREEMENTS WITH THE U.S. DEPARTMENT OF AGRICULTURE (USDA), OFFICE OF THE INSPECTOR GENERAL (OIG), FOR THE PERIOD OF OCTOBER 1, 2011 THROUGH SEPTEMBER 30, 2014, FOR ENACTMENT OF FRAUD INVESTIGATIVE AND ABATEMENT PROGRAMS IN THE POLICE DEPARTMENT**

**WHEREAS**, it is anticipated that project funds in an amount not to exceed two hundred thousand dollars (\$200,000) will be received from the U.S. Department of Agriculture, Office of the Inspector General, through the ratification of one or more Cost Reimbursement Agreements to the Police Department for the enactment of fraud investigation and abatement activities in Oakland; and

**WHEREAS**, one or more Cost Reimbursement Agreement(s) will be issued by the U.S. Department of Agriculture to the Police Department during the period of October 1, 2011 through September 30, 2014; and

**WHEREAS**, the proposed USDA project funds will be used to support joint law enforcement operations focused on food stamp, Electronic Benefit Cards (EBT), the Supplemental Nutrition Assistance Program (SNAP), the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), and Infant Formula Fraud; and

**WHEREAS**, USDA project funds are to be used to expand law enforcement efforts to offset sworn overtime and equipment costs directly relating to the delivery of specialty law enforcement operations; and

**WHEREAS**, the Police Department's primary goal through enactment of the proposed initiative is to work on a collaborative basis with the USDA to identify and abate fraudulent food stamp, EBT, SNAP, WIC, and infant formula activities in Oakland; and

**WHEREAS**, the proposed project does not allow for indirect costs (Central Services Overhead) charges in the amount of \$22,378, and the Department has requested a waiver of said charges; and

**WHEREAS**, the City Council previously authorized acceptance of similar project funds by Resolution No. 82773 C.M.S. dated May 18, 2010, and Resolution No. 83084 C.M.S. dated December 7, 2010; now, therefore be it

**RESOLVED:** That the City Council hereby authorizes the City Administrator, or his designee, to accept up to \$200,000 in project funds from the U.S. Department of Agriculture, Office of the Inspector General, and appropriate said funds to the Police Department; and be it

**FURTHER RESOLVED:** That the project funds shall be maintained in the U.S. Department of Agriculture Special Revenue Fund: 2102; Special Operations Unit Division Org.: 107710; Special Operations Division Program PS13; with a Project Number to be established; and be it

**FURTHER RESOLVED:** That Central Services Overhead costs of \$22,378 (13.64%) are hereby waived; and be it

**FURTHER RESOLVED:** That the City Administrator, or his designee, is authorized to complete all required negotiations, certifications, assurances and documentation required to accept, modify, extend and/or amend the project funds.

IN COUNCIL, OAKLAND, CALIFORNIA, \_\_\_\_\_, 20\_\_\_\_\_

PASSED BY THE FOLLOWING VOTE:

AYES- BROOKS, BRUNNER, DE LA FUENTE, KAPLAN, KERNIGHAN, NADEL, SCHAAF, and PRESIDENT REID

NOES-

ABSENT-

ABSTENTION-

ATTEST: \_\_\_\_\_  
LaTonda Simmons  
City Clerk and Clerk of the  
Council of the City of Oakland, California