



**COUNTY OF SAN LUIS OBISPO
BOARD OF SUPERVISORS
AGENDA ITEM TRANSMITTAL**

(1) DEPARTMENT Auditor - Controller - Treasurer -Tax Collector	(2) MEETING DATE 10/19/2021	(3) CONTACT/PHONE Mark Maier (805) 781-4267 Kari Lekvold (805) 781-4846	
(4) SUBJECT Submittal of the validation review report of the Department of Social Services' Status of Claims Against Households Food and Nutrition Services 209 Report for the quarter ended June 30, 2021. All Districts.			
(5) RECOMMENDED ACTION It is recommended that the Board receive, review, and file the validation review report for the Department of Social Services' Status of Claims Against Households Food and Nutrition Services 209 Report for the quarter ending June 30, 2021.			
(6) FUNDING SOURCE(S) N/A	(7) CURRENT YEAR FINANCIAL IMPACT \$0.00	(8) ANNUAL FINANCIAL IMPACT 0.00	(9) BUDGETED? Yes
(10) AGENDA PLACEMENT <input checked="" type="checkbox"/> Consent <input type="checkbox"/> Presentation <input type="checkbox"/> Hearing (Time Est. _____) <input type="checkbox"/> Board Business (Time Est. _____)			
(11) EXECUTED DOCUMENTS <input type="checkbox"/> Resolutions <input type="checkbox"/> Contracts <input type="checkbox"/> Ordinances <input checked="" type="checkbox"/> N/A			
(12) OUTLINE AGREEMENT REQUISITION NUMBER (OAR) N/A		(13) BUDGET ADJUSTMENT REQUIRED? BAR ID Number: N/A <input type="checkbox"/> 4/5th's Vote Required <input checked="" type="checkbox"/> N/A	
(14) LOCATION MAP N/A	(15) BUSINESS IMPACT STATEMENT? No	(16) AGENDA ITEM HISTORY <input type="checkbox"/> N/A Date <u>12/10/2019</u>	
(17) ADMINISTRATIVE OFFICE REVIEW Zachary A. Lute			
(18) SUPERVISOR DISTRICT(S) All Districts			



COUNTY OF SAN LUIS OBISPO

TO: Board of Supervisors

FROM: James W. Hamilton, CPA, Auditor – Controller – Treasurer – Tax Collector

DATE: 10/19/2021

SUBJECT: Submittal of the validation review report of the Department of Social Services' Status of Claims Against Households Food and Nutrition Services 209 Report for the quarter ended June 30, 2021. All Districts.

RECOMMENDATION

It is recommended that the Board receive, review, and file the validation review report for the Department of Social Services' Status of Claims Against Households Food and Nutrition Services 209 Report for the quarter ending June 30, 2021.

DISCUSSION

On a quarterly basis, the Department of Social Services is required to report on over-issuance claims establishment and collection activities in the CalFresh program to the California Department of Social Services (CDSS). The CDSS then submits a statewide report to the United States Department of Agriculture (USDA), Food and Nutrition Services (FNS). Every other year, the California Department of Social Services requires an external validation review of the most recent June report and prescribes the external validation requirements.

The objective of our review was to validate the accuracy of the claim amounts reported by the Department of Social Services for the quarter ending June 30, 2021. Our review determined the claim amounts reported to CDSS were accurate.

OTHER AGENCY INVOLVEMENT/IMPACT

Department of Social Services.

FINANCIAL CONSIDERATIONS

The Department of Social Services reported a Claims Against Households balance of \$2,594,425 as of June 30, 2021.

RESULTS

The validation report helps reduce County risk, maintain and improve internal controls and procedures for reporting requirements, and contributes to the County's vision of a well-governed community.

ATTACHMENTS

1 FY 2020-21 Department of Social Services FNS-209 Validation Report



COUNTY OF SAN LUIS OBISPO
AUDITOR - CONTROLLER • TREASURER - TAX COLLECTOR

**Status of Claims Against Households
Food and Nutrition Services 209 Report Validation
Quarter Ended June 30, 2021**

September 2021

James W. Hamilton, CPA
Auditor-Controller • Treasurer-Tax Collector



COUNTY OF SAN LUIS OBISPO
AUDITOR - CONTROLLER • TREASURER - TAX COLLECTOR
James W. Hamilton, CPA Auditor-Controller • Treasurer-Tax Collector

TO: DEVIN DRAKE, SOCIAL SERVICES DIRECTOR

FROM: JAMES W. HAMILTON, CPA, AUDITOR-CONTROLLER-TREASURER-TAX COLLECTOR

DATE: SEPTEMBER 21, 2021

SUBJECT: STATUS OF CLAIMS AGAINST HOUSEHOLDS FOOD AND NUTRITION SERVICES 209
REPORT VALIDATION FOR QUARTER ENDED JUNE 2021

Our office recently completed a validation review of the figures reported by the Department of Social Services (DSS) on the Food and Nutrition Service's Status of Claims Against Households 209 Report (FNS-209) for the quarter ended, June 30, 2021. The validation review did not result in any exceptions.

PURPOSE

The purpose of this review was to validate the accuracy of the figures reported on the FNS-209 report for the quarter ended June 30, 2021.

METHODOLOGY

We conducted our review in conformance with the *International Standards for the Professional Practice of Internal Auditing (Standards)*. The *Standards* require that the internal audit activity be independent and internal auditors be objective in performing their work. The *Standards* also require that internal auditors perform their engagements with proficiency and due professional care; that the internal audit function be subject to a program of quality assurance; and that the results of engagements are communicated.

We collected the information through interviews with DSS staff, review of DSS overpayment of claims recording and reporting processes, and through the review of DSS claims management systems' reports.

RESULTS

ACCOUNTABILITY TEST 1: QUARTERLY CLAIMS FIGURES

Federal and state regulations require that all amounts in FNS-209 form be reported accurately and be supported with internal accounting records. DSS provided quarterly reports and reconciliations for the Intentional Program Violation (IPV), Inadvertent Household Error (IHE) and Agency Administrative Error (AE) claims. Per the California Department of Social Services (CDSS) compliance requirements, we traced lines 3b through 20b of the June 30, 2021, report to Social Services' internal records.



We found no exceptions during the completion of the procedure performed.

See Attachment A for the comparison of the amounts reported on the FNS-209 report to the supporting internal accounting records.

ACCOUNTABILITY TEST 2: ENDING BALANCE CLAIMS FIGURES

Federal regulations require that the beginning and ending balances on the FNS-209 report be supported by automated claims management systems and/or paper records. Per CDSS' compliance requirements, we traced the June 30, 2021, ending balance on the FNS-209 report to the automated claims management systems and paper records used by Social Services.

We found no exceptions during the completion of the procedure performed.

See Attachment B for the summary comparison of the claims management system and the FNS-209 Report's Ending Balances.

PRIOR YEAR FINDING AND STATUS

Requirement: 7 CFR 273.18 (m) requires agencies maintain a system for monitoring receipt claims against households that maintains claim records and the corresponding receipt information. The system must also be able to produce summary reports and reconcile to supporting records.

Observation: Social Services' June 30, 2019, FNS-209 report's ending balances (Line 13) for Inadvertent Household Error and Administrative Error claims did not match to the automated claims management system's historical reports. The FNS-209 report's ending balance for the Inadvertent Household Error claims were 56 claims and \$26,602 (1%) less than the automated claims management system amounts. The FNS-209 report's ending balance for Agency Administrative Error claims were 68 claims and \$61,292 (9%) less than automated claims management system amounts.

Cause(s): The department's automated claims management system has several reporting constraints which hinder the efficient reconciliation of the system's ending balances to the FNS-209 reported ending balances. The system reports include claims that have not yet been verified by the department and exclude claims for clients who do not have current benefits to offset a claim.

Effect: The department is out of compliance with the CDSS reporting requirements.



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Recommendation: We recommend the department work with CDSS to address the automated claims management systems' reporting constraints and gain FNS-209 reporting compliance.

Current status: **Corrective action has been implemented. Ending balances were supported by automated claims management system and records.**

We would like to thank your staff for the cooperation and assistance we received during our review. If you have any questions regarding this report or the review that was conducted, please contact Kari Lekvold, Internal Auditor at (805) 781-4846.

Sincerely,

A handwritten signature in black ink, appearing to read "J. Hamilton".

James W. Hamilton, CPA
Auditor-Controller-Treasurer-Tax Collector

Attachments

Cc: Michelle Infantino, Department of Social Services Fiscal Department Administrator
Dora Rosales, Department of Social Services Accountant
David Barcellos, Department of Social Services Collections Officer

Attachment A - Accountability Test #1:
FNS-209 Lines 3b through 20b Validation

Intentional Program Violations (IPV) Claims								
		FNS-209		Automated Claims System/Paper Records		Variance		
Line Item		Number	Amount	Number	Amount	Number	Amount	
Claims Summary								
3a.	Beginning Balance	36	\$ 81,636.56	36	\$ 81,636.56	-	\$ -	
3b.	Balance Adjustments (+/-)	0	\$ 1,532.80	-	\$ 1,532.80	-	\$ -	
4.	Newly Established	0	\$ -	-	\$ -	-	\$ -	
5.	Transfers (+/-)	3	\$ 29,247.00	3	\$ 29,247.00	-	\$ -	
6.	Refunds (20a+20b)		\$ -		\$ -		\$ -	
7.	Total (3a+3b+4+5+6)	39	\$ 112,416.36	39	\$ 112,416.36	-	\$ -	
8.	Closed	1		1		-		
9.	Terminated	2	\$ 1,218.72	2	\$ 1,218.72	-	\$ -	
10.	Compromised	0	\$ -	-	\$ -	-	\$ -	
11a.	Collection (18a)	0	\$ 3,525.00	-	\$ 3,525.00	-	\$ -	
11b.	Collection Adj. (18b+18c)	0	\$ -	-	\$ -	-	\$ -	
12.	Total	3	\$ 4,743.72	3	\$ 4,743.72	-	\$ -	
13.	Ending Balance	36	\$ 107,672.64	36	\$ 107,672.64	-	\$ -	
Collection Summary								
14.	Cash, Check, M.O.		\$ 2,533.00		\$ 2,533.00		\$ -	
15.	Food Stamps		\$ -		\$ -		\$ -	
16.	Recoupment		\$ 992.00		\$ 992.00		\$ -	
17.	Offset		\$ -		\$ -		\$ -	
18a.	Total (14+15+16+17)		\$ 3,525.00		\$ 3,525.00		\$ -	
18b.	Cash Adjustments (+/-)		\$ -		\$ -		\$ -	
18c.	Non-Cash Adjustments		\$ -		\$ -		\$ -	
19.	Transfers (+/-)		\$ 1,085.00		\$ 1,085.00		\$ -	
20a.	Cash Refunds		\$ -		\$ -		\$ -	
20b.	Non-Cash Refunds		\$ -		\$ -		\$ -	
21.	Total (18a+18b+18c+19-20a-20b)		\$ 4,610.00		\$ 4,610.00		\$ -	

Attachment A - Accountability Test #1:
FNS-209 Lines 3b through 20b Validation

Inadvertent Household Error (IHE) Claims								
FNS-209			Automated Claims System/Paper Records			Variance		
Line Item	Number	Amount	Number	Amount	Number	Amount		
Claims Summary								
3a.	Beginning Balance	2,240	\$ 1,822,794.24	2,240	\$ 1,822,794.24	-	\$ -	
3b.	Balance Adjustments (+/-)	(4)	\$ (22,666.18)	(4)	\$ (22,666.18)	-	\$ -	
4.	Newly Established	66	\$ 78,919.41	66	\$ 78,919.41	-	\$ -	
5.	Transfers (+/-)	(3)	\$ (29,247.00)	(3)	\$ (29,247.00)	-	\$ -	
6.	Refunds (20a+20b)		\$ 1,341.13		\$ 1,341.13		\$ -	
7.	Total (3a+3b+4+5+6)	2,299	\$ 1,851,141.60	2,299	\$ 1,851,141.60	-	\$ -	
8.	Closed	101		101		-		
9.	Terminated	29	\$ 8,687.44	29	\$ 8,687.44	-	\$ -	
10.	Compromised	-	\$ -	-	\$ -	-	\$ -	
11a.	Collection (18a)	-	\$ 70,570.23	-	\$ 70,570.23	-	\$ -	
11b.	Collection Adj. (18b+18c)	-	\$ (398.00)	-	\$ (398.00)	-	\$ -	
12.	Total	130	\$ 78,859.67	130	\$ 78,859.67	-	\$ -	
13.	Ending Balance	2,169	\$ 1,772,281.93	2,169	\$ 1,772,281.93	-	\$ -	
Collection Summary								
14.	Cash, Check, M.O.		\$ 43,220.19		\$ 43,220.19		\$ -	
15.	Food Stamps		\$ 5,398.00		\$ 5,398.00		\$ -	
16.	Recoupment		\$ 21,952.04		\$ 21,952.04		\$ -	
17.	Offset		\$ -		\$ -		\$ -	
18a.	Total (14+15+16+17)		\$ 70,570.23		\$ 70,570.23		\$ -	
18b.	Cash Adjustments (+/-)		\$ (398.00)		\$ (398.00)		\$ -	
18c.	Non-Cash Adjustments		\$ -		\$ -		\$ -	
19.	Transfers (+/-)		\$ (1,085.00)		\$ (1,085.00)		\$ -	
20a.	Cash Refunds		\$ 1,341.13		\$ 1,341.13		\$ -	
20b.	Non-Cash Refunds		\$ -		\$ -		\$ -	
21.	Total (18a+18b+18c+19-20a-20b)		\$ 67,746.10		\$ 67,746.10		\$ -	

Attachment A - Accountability Test #1:
FNS-209 Lines 3b through 20b Validation

Agency Administrative Error (AE) Claims								
		FNS-209		Automated Claims System/Paper Records		Variance		
Line Item		Number	Amount	Number	Amount	Number	Amount	
Claims Summary								
3a.	Beginning Balance	1,030	\$ 725,770.46	1,030	\$ 725,770.46	-	\$ -	
3b.	Balance Adjustments (+/-)	(1)	\$ (12,067.32)	(1)	\$ (12,067.32)	-	\$ -	
4.	Newly Established	34	\$ 57,304.00	34	\$ 57,304.00	-	\$ -	
5.	Transfers (+/-)	-	\$ -	-	\$ -	-	\$ -	
6.	Refunds (20a+20b)		\$ 898.18		\$ 898.18		\$ -	
7.	Total (3a+3b+4+5+6)	1,063	\$ 771,905.32	1,063	\$ 771,905.32	-	\$ -	
8.	Closed	59		59		-		
9.	Terminated	12	\$ 14,148.80	12	\$ 14,148.80	-	\$ -	
10.	Compromised	14	\$ 13,234.36	14	\$ 13,234.36	-	\$ -	
11a.	Collection (18a)	-	\$ 30,052.19	-	\$ 30,052.19	-	\$ -	
11b.	Collection Adj. (18b+18c)	-	\$ -	-	\$ -	-	\$ -	
12.	Total	71	\$ 57,435.35	71	\$ 57,435.35	-	\$ -	
13.	Ending Balance	992	\$ 714,469.97	992	\$ 714,469.97	-	\$ -	
Collection Summary								
14.	Cash, Check, M.O.		\$ 17,052.85		\$ 17,052.85		\$ -	
15.	Food Stamps		\$ 5,352.34		\$ 5,352.34		\$ -	
16.	Recoupment		\$ 7,647.00		\$ 7,647.00		\$ -	
17.	Offset		\$ -		\$ -		\$ -	
18a.	Total (14+15+16+17)		\$ 30,052.19		\$ 30,052.19		\$ -	
18b.	Cash Adjustments (+/-)		\$ -		\$ -		\$ -	
18c.	Non-Cash Adjustments		\$ -		\$ -		\$ -	
19.	Transfers (+/-)		\$ -		\$ -		\$ -	
20a.	Cash Refunds		\$ 866.18		\$ 866.18		\$ -	
20b.	Non-Cash Refunds		\$ 32.00		\$ 32.00		\$ -	
21.	Total (18a+18b+18c+19-20a-20b)		\$ 29,154.01		\$ 29,154.01		\$ -	

Attachment B - Accountability Test #2:
Beginning/Ending Balances

Historical Claims Management Report and FNS-209 Report Comparison

Claims #	IPV (#)	IHE (#)	AE(#)	Total (#)
CalWIN Ending Balance report:	36	2,234	1,126	3,396
Less Unverified Claims:	-	(65)	(134)	(199)
Adjusted CalWIN Total*:	36	2,169	992	3,197
June 2021 FNS-209:	36	2,169	992	3,197
Difference:	-	-	-	-

Claims Amounts	IPV (\$)	IHE (\$)	AE (\$)	Total (\$)
CalWIN Ending Balance report:	107,672.64	1,781,974.96	750,731.71	2,640,379.31
Less Unverified Claims:	-	(9,693.03)	(36,261.74)	(45,954.77)
Adjusted CalWIN Total*:	\$ 107,672.64	\$ 1,772,281.93	\$ 714,469.97	\$ 2,594,424.54
June 2021 FNS-209:	\$ 107,672.64	\$ 1,772,281.93	\$ 714,469.97	\$ 2,594,424.54
Difference:	-	-	-	-

*CalWin Ending Balance Report adjusted for claims not yet verified from internal accounting records.