



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

(1) DEPARTMENT Auditor - Controller - Treasurer -Tax Collector	(2) MEETING DATE 12/10/2019	(3) CONTACT/PHONE Mark Maier (805) 781-4267 Kerry Bailey (805) 788-2979	
(4) SUBJECT Submittal of the validation report for the Department of Social Services' Status of Claims Against Households Food and Nutrition Services 209 Report for the quarter ended June 30, 2019. All Districts.			
(5) RECOMMENDED ACTION It is recommended that the Board receive, review, and file the validation report for the Department of Social Services' Status of Claims Against Households Food and Nutrition Services 209 Report.			
(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: <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 checked="" type="checkbox"/> N/A Date _____	
(17) ADMINISTRATIVE OFFICE REVIEW <i>Nikki J. Schmidt</i>			
(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: 12/10/2019

SUBJECT: Submittal of the validation report for the Department of Social Services' Status of Claims Against Households Food and Nutrition Services 209 Report for the quarter ended June 30, 2019. All Districts.

RECOMMENDATION

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

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).

The objective of our review was to validate the accuracy of the claim amounts reported by the Department of Social Services on the June 30, 2019 quarterly report.

Our review resulted in one finding related to the ending balances of claim amounts reported and is detailed in the attached report along with the Department of Social Services' corrective action memorandum to the finding.

OTHER AGENCY INVOLVEMENT/IMPACT

Department of Social Services

FINANCIAL CONSIDERATIONS

The Department of Social Services reported an over-issuance of claims balance of \$2,655,651 as of June 30, 2019.

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 Status of Claims Against Households Food and Nutrition Services 209 Report Validation



**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, 2019**

November 2019

**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

Lydia J. Corr, CPA Assistant Auditor-Controller • Treasurer-Tax Collector

November 22, 2019

Michelle Infantino, Fiscal Department Administrator
Department of Social Services
3433 S Higuera St.
San Luis Obispo, CA 93401

Dear Ms. Infantino:

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 Household 209 Report (FNS-209) for the quarter ended, June 30, 2019. The validation review resulted in one finding which DSS has addressed in the attached corrective action response memo.

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, 2019.

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 request that all amounts in FNS-209 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 CADSS' compliance requirements, we traced lines 3b through 20b of the June 30, 2019 report to Social Services' internal records.



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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 CADSS' compliance requirements, we traced the June 30, 2019 ending balance on the FNS-209 report to the automated claims management systems used by Social Services.

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

While no exceptions were found during the procedure performed for the Intentional Program Violation claim count and amount, exceptions were found in the ending balances for both the Inadvertent Household Error and Agency Administrative Errors claim counts and amounts. Details of the exceptions can be found in the following finding and recommendation.

FINDING AND RECOMMENDATION

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.



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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.

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

Response: See attached DSS corrective action memo.

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 Desiré Harris, Internal Auditor, at (805) 781-5099 or Mark Maier, Internal Auditor, at (805) 781-4267.

Sincerely,

A handwritten signature in dark ink, appearing to read "J. Hamilton", with a stylized flourish at the end.

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

Attachments

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

		Intentional Program Violations (IPV) Claims					
		FNS-209		Automated Claims System		Variance	
FNS 209 Report							
Line Item		Number	Amount	Number	Amount	Number	Amount
Claims Summary							
3a.	Beginning Balance	40	81,186.77	40	81,186.77	0	-
3b.	Balance Adjustments (+/-)	1	5,835.95	1	5,835.95	0	-
4.	Newly Established	0	-	-	-	0	-
5.	Transfers (+/-)	0	-	-	-	0	-
6.	Refunds (20a+20b)		-		-		-
7.	Total (3a+3b+4+5+6)	41	87,022.72	41	87,022.72	0	-
8.	Closed	3		3		0	
9.	Terminated	1	1,406.12	1	1,406.12	0	-
10.	Compromised	0	-	-	-	0	-
11a.	Collection (18a)	0	3,175.15	-	3,175.15	0	-
11b.	Collection Adj. (18b+18c)	0	-	-	-	0	-
12.	Total	4	4,581.27	4	4,581.27	0	-
13.	Ending Balance	37	82,441.45	37	82,441.45	0	-
Collection Summary							
14.	Cash, Check, M.O.		2,613.33		2,613.33		-
15.	Food Stamps		-		-		-
16.	Recoupment		561.82		561.82		-
17.	Offset		-		-		-
18a.	Total (14+15+16+17)		3,175.15		3,175.15		-
18b.	Cash Adjustments (+/-)		-		-		-
18c.	Non-Cash Adjustments		-		-		-
19.	Transfers (+/-)		-		-		-
20a.	Cash Refunds		-		-		-
20b.	Non-Cash Refunds		-		-		-
21.	Total (18a+18b+18c+19-20a-20b)		3,175.15		3,175.15		-

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

Inadvertent Household Error (IHE) Claims							
		FNS-209		Automated Claims System		Variance	
FNS 209 Report							
Line Item		Number	Amount	Number	Amount	Number	Amount
Claims Summary							
3a.	Beginning Balance	2,469	1,889,727.37	2,469	1,889,727.37	-	-
3b.	Balance Adjustments (+/-)	(6)	(13,011.02)	(6)	(13,011.02)	-	-
4.	Newly Established	176	107,336.00	176	107,336.00	-	-
5.	Transfers (+/-)	-	-	-	-	-	-
6.	Refunds (20a+20b)	-	-	-	-	-	-
7.	Total (3a+3b+4+5+6)	2,639	1,984,052.35	2,639	1,984,052.35	-	-
8.	Closed	167	-	167	-	-	-
9.	Terminated	17	8,239.46	17	8,239.46	-	-
10.	Compromised	-	-	-	-	-	-
11a.	Collection (18a)	-	95,475.94	-	95,475.94	-	-
11b.	Collection Adj. (18b+18c)	-	(298.88)	-	(298.88)	-	-
12.	Total	184	103,416.52	184	103,416.52	-	-
13.	Ending Balance	2,455	1,880,635.83	2,455	1,880,635.83	-	-
Collection Summary							
14.	Cash, Check, M.O.	-	65,510.54	-	65,510.54	-	-
15.	Food Stamps	-	8,464.40	-	8,464.40	-	-
16.	Recoupment	-	21,501.00	-	21,501.00	-	-
17.	Offset	-	-	-	-	-	-
18a.	Total (14+15+16+17)	-	95,475.94	-	95,475.94	-	-
18b.	Cash Adjustments (+/-)	-	(298.88)	-	(298.88)	-	-
18c.	Non-Cash Adjustments	-	-	-	-	-	-
19.	Transfers (+/-)	-	-	-	-	-	-
20a.	Cash Refunds	-	-	-	-	-	-
20b.	Non-Cash Refunds	-	-	-	-	-	-
21.	Total (18a+18b+18c+19-20a-20b)	-	95,177.06	-	95,177.06	-	-

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

Agency Administrative Error (AE) Claims							
		FNS-209		Automated Claims System		Variance	
FNS 209 Report							
Line Item		Number	Amount	Number	Amount	Number	Amount
Claims Summary							
3a.	Beginning Balance	1,068	716,402.70	1,068	716,402.70	-	-
3b.	Balance Adjustments (+/-)	2	(5,799.41)	2	(5,799.41)	-	-
4.	Newly Established	84	51,639.00	84	51,639.00	-	-
5.	Transfers (+/-)	-	-	-	-	-	-
6.	Refunds (20a+20b)		1,066.00		1,066.00		-
7.	Total (3a+3b+4+5+6)	1,154	763,308.29	1,154	763,308.29	-	-
8.	Closed	125		125		-	
9.	Terminated	19	4,467.13	19	4,467.13	-	-
10.	Compromised	11	9,748.97	11	9,748.97	-	-
11a.	Collection (18a)	-	56,976.11	-	56,976.11	-	-
11b.	Collection Adj. (18b+18c)	-	(458.00)	-	(458.00)	-	-
12.	Total	144	70,734.21	144	70,734.21	-	-
13.	Ending Balance	1,010	692,116.08	1,010	692,116.08	-	-
Collection Summary							
14.	Cash, Check, M.O.		44,460.83		44,460.83		-
15.	Food Stamps		5,735.87		5,735.87		-
16.	Recoupment		6,779.41		6,779.41		-
17.	Offset		-		-		-
18a.	Total (14+15+16+17)		56,976.11		56,976.11		-
18b.	Cash Adjustments (+/-)		(458.00)		(458.00)		-
18c.	Non-Cash Adjustments		-		-		-
19.	Transfers (+/-)		-		-		-
20a.	Cash Refunds		1,066.00		1,066.00		-
20b.	Non-Cash Refunds		-		-		-
21.	Total (18a+18b+18c+19-20a-20b)		55,452.11		55,452.11		-

Attachment B

Accountability Test #2: Ending Balance Claim Figures

Historical Claims Management Report and FNS-209 Comparison

Claims Count (#)	Intentional Program Violation (#)	Inadvertent Household Error (#)	Agency Administrative Error (#)	Total (#)
History report*:	37	2,511	1,078	3,626
June 2019 FNS-209:	37	2,455	1,010	3,502
Difference:	-	56	68	124
Percentage%:	0%	2%	7%	4%

Claims Amounts (\$)	Intentional Program Violation (\$)	Inadvertent Household Error (\$)	Agency Administrative Error (\$)	Total (\$)
History report*:	82,441.25	1,907,237.58	753,865.59	2,743,544.42
June 2019 FNS-209:	82,441.45	1,880,635.83	692,574.08	2,655,651.36
Difference:	\$ (0.20)	\$ 26,601.75	\$ 61,291.51	\$ 87,893.06
Percentage%:	0%	1%	9%	3%

*Social Services' historical CalWin Report with manual adjustments for claims not yet verified and non-CalWin claims that have no benefit offset.

Attachment B

Accountability Test #2: Ending Balance Claim Figures

Department of Social Services' CalWin Historical Report Reconciliation

CalWin Ending Balance Report June 30, 2019

Intentional Program Violation Claims

	<u>Amount</u>	<u>Claims Count</u>
CalWin Claims Total	\$ 82,126.25	36
Less: CalWin Claims Not Verified	-	-
Verified Claims Total	<u>82,126.25</u>	<u>36</u>
Non-CalWin Claims- VACS	315.00	1
Total Claims	<u>\$ 82,441.25</u>	<u>37</u>

Inadvertent Household Error Claims

	<u>Amount</u>	<u>Claims Count</u>
CalWin Claims Total	\$ 1,922,920.25	2,633
Less: CalWin Claims Not Verified	20,292.67	131
Verified Claims Total	<u>1,902,627.58</u>	<u>2,502</u>
Non-CalWin Claims- VACS	4,610.00	9
Total Claims	<u>\$ 1,907,237.58</u>	<u>2,511</u>

Agency Administrative Error Claims

	<u>Amount</u>	<u>Claims Count</u>
CalWin Claims Total	\$ 852,490.61	1,438
Less: CalWin Claims Not Verified	99,146.02	365
Verified Claims Total	<u>753,344.59</u>	<u>1,073</u>
Non-CalWin Claims- VACS	521.00	5
Total Claims	<u>\$ 753,865.59</u>	<u>1,078</u>

Attachment B

Accountability Test #2: Ending Balance Claim Figures

CalWin Summary Page Report- DSS Provided

REPORT ID: MRD124R
 RUN DATE: 07/02/2019
 RUN TIME: 04:14:47

COUNTY OF SAN LUIS OBISPO
 FOOD STAMPS OVERISSUANCE ACTIVITY - ENDING BALANCE (FNS 209)
 FOR PERIOD OF 04/01/2019 - 06/30/2019

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SUMMARY

	IP		IH		AE		TOTALS	
	NO CLMS	AMOUNTS	NO CLMS	AMOUNTS	NO CLMS	AMOUNTS	NO CLMS	AMOUNTS
TOTALS	36	\$82,126.25	2,633	\$1,922,920.25	1,438	\$852,490.61	4,107	\$2,857,537.11

Attachment B

Accountability Test #2: Ending Balance Claim Figures

VACS Summary Page Report- DSS Provided

County Of San Luis Obispo Department of Social Services								
All Non-CalWin CalFresh Debts in VACS								
Case Number	Last Name	First Name	Debt Number	BIC	Debt Type	Balance		Claim Count
IPV								
022729800			5167	SIU	IPV	\$ 315.00		1
Total Non-CalWin IPV Claims						\$ 315.00		1
IHE								
021690300			10687	236	IHE	\$ 326.00		1
022765109			4954	235	IHE	\$ 88.00		1
022821509			6500	235	IHE	\$ 269.00		1
023381309			8945	235	IHE	\$ 531.00		1
023744909			9101	235	IHE	\$ 659.00		1
023931509			9416	235	IHE	\$ 91.00		1
024070009			10317	235	IHE	\$ 90.00		1
B13919500			8490	235	IHE	\$ 2,487.00		1
B20839000			6702	235	IHE	\$ 69.00		1
Total Non-CalWin IHE Claims						\$ 4,610.00		9
ADM								
023117109			7229	240	ADM	\$ 125.00		1
023145809			6365	240	ADM	\$ 81.00		1
023387309			8552	240	ADM	\$ 127.00		1
023414909			7232	240	ADM	\$ 53.00		1
024352409			10189	24U	ADM	\$ 135.00		1
Total Non-CalWin ADM Claims						\$ 521.00		5



COUNTY OF SAN LUIS OBISPO
DEPARTMENT OF SOCIAL SERVICES
FISCAL DIVISION
Devin Drake *Director*

To: James Hamilton, Auditor-Controller-Treasure-Tax Collector-Public Administrator
From: Michelle Infantino, Department Administrator
Date: November 22, 2019
Subject: Corrective Action Plan for Food and Nutrition Services' 209 Report

The following document outlines the corrective action plan in response to the recent audit finding related to the department's quarterly Food and Nutrition Services' (FNS) 209 Report. To address the issue of Accountability Test #2, a corrective action has been established. The FNS 209 Report has always been reconciled to the county's financial system of record, SAP, using information obtained from the Ventura Automated Collection System. Additionally, a method of balancing must be established to ensure reconciliation to meet Accountability Test #2, which is to reconcile with the county's automated welfare system, CalWIN.

The FNS 209 Report has been balanced to the Intentional Program Violation (IPV) section of the Ending Balance FNS 209 Report from CalWIN, as all IPV claims have been verified for accuracy. Inadvertent Household Error & Administrative Error claims include both verified and non-verified debts in CalWin, which makes balancing time consuming. However, the step to separate the non-verified claims out of the report must be established to ensure balancing accuracy in the future.

The step detailed above will be basis for the CalWin Ending Balance Report. The report will have all claims from the CalWin Ending Balance Report, separated by verified and non-verified claims. This report will be included in the reconciliation process to ensure that the Accountability Test #2 is met in the future. Further, this step has been implemented and included in the current process, effective with the quarterly report being submitted at this time.

Sincerely,

Michelle Infantino

Department Administrator
Department of Social Services

County of San Luis Obispo Department of Social Services

3433 South Higuera Street, San Luis Obispo, CA 93401-7301 | P.O. BOX 8119, San Luis Obispo, CA 93403-8119
| (P) 1-800-834-3002 | (F) 805-781-1361 | slocounty.ca.gov/dss