



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

(1) DEPARTMENT Auditor – Controller – Treasurer – Tax Collector	(2) MEETING DATE 10/17/2023	(3) CONTACT/PHONE 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, 2023.			
(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, 2023.			
(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 type="checkbox"/> N/A Date <u>10/19/2021</u>	
(17) ADMINISTRATIVE OFFICE REVIEW Zachary A. Lute			
(18) SUPERVISOR DISTRICT(S)			



COUNTY OF SAN LUIS OBISPO

TO: Board of Supervisors

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

DATE: October 17, 2023

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, 2023.

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, 2023.

DISCUSSION

On a quarterly basis, the Department of Social Services (DSS) 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 DSS for the quarter ending June 30, 2023. Our review determined the claim amounts reported to CDSS exhibited substantial compliance with a few minor exceptions. While none of the exceptions were deemed significant, the department was still required to furnish a corrective action plan, as detailed within the attached report.

OTHER AGENCY INVOLVEMENT/IMPACT

Department of Social Services.

FINANCIAL CONSIDERATIONS

The Department of Social Services reported a Claims Against Households balance of \$2,441,169 as of June 30, 2023.

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 2022-23 Department of Social Services FNS-209 Validation Report

Attachment 1



COUNTY OF SAN LUIS OBISPO
Office of James W. Hamilton, CPA

Auditor-Controller • Treasurer-Tax Collector • Public Administrator

Michael Stevens, Deputy
Justin Cooley, Deputy

**Status of Claims Against Households
Food and Nutrition Services 209 Report Validation
Quarter Ended June 30, 2023**

September 2023

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 27, 2023

SUBJECT: STATUS OF CLAIMS AGAINST HOUSEHOLDS FOOD AND NUTRITION SERVICES 209
REPORT VALIDATION FOR QUARTER ENDED JUNE 2023

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, 2023. We found that the report exhibited substantial compliance with a few minor exceptions. None of the variances were considered significant but are included in this report for your awareness. DSS is required to provide a corrective action plan which is included below.

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, 2023.

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.

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, 2023, 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, 2023, ending balance on the FNS-209 report to the automated claims management systems and paper records used by Social Services.

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

Minor exceptions were found in the ending balances for both the Inadvertent Household Error and Agency Administrative Errors claim amounts. No exceptions were found for the Intentional Program Violation claims. Details of the exceptions can be found in the following section.

ACCOUNTABILITY TEST 2 RESULTS AND RECOMMENDATIONS

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, 2023, 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. Twelve of the 2,491 claims, or 0.0048% were reported incorrectly which impacted Accountability Test 2. The FNS-209 report's ending balance for the Inadvertent Household Error claims was \$4,056.32 or 0.23% more than the automated claims management system amounts. The FNS-209 report's ending balance for Agency



Administrative Error claims was \$36 or .01% 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. The system reports require manual adjustments by staff to exclude claims that have not yet been verified and claims for clients who do not have current benefits to offset a claim. Errors occurred during the manual adjustment and were not discovered during secondary review.

Effect: Minor discrepancies between the department's automated claims management system and FNS-209 report's ending balances for Inadvertent Household Error and Administrative Error claim amounts were identified.

Recommendation: We recommend the department work with CDSS to address the automated claims management systems' reporting constraints and perform a thorough secondary review to verify the accuracy of the report.

Response: We will be adding an additional column to the Ending Balance Spreadsheet to ensure that the Verified Amounts Column matches the CalWin Ending Balance Amounts Column. The process is extremely time consuming since it's so manual, but this automated step will help lessen the need to go through all these claims multiple times. We will do an "IF" format comparing the Verified Amount Column (this amount is entered when comparing the CalWin Report to the VACS Report) to the CalWin Report Amount of Claim report. The "IF" format will do as follows: if the Verified Amount Column is greater than zero, then the CalWin Report Amount Column is subtracted from Verified Amount Column. This will mostly be zero unless the wrong amount is entered into the Verified Amount Column.

Also, the supervisor's review of the FNS 209 Report will start to be more thorough to catch such errors in the future.



We will need to do this process one more time for the 4th Quarter 2023 FNS Report. The 1st Quarter 2024 FNS Report will only have a single system, CalSaws, that will assist in completing the FNS 209 Report.

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, please contact Desiré Harris, Internal Auditor at (805) 781-5099.

Sincerely,

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

[James Hamilton \(Sep 27, 2023 13:34 PDT\)](#)

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

Attachments

Cc: Atoosa Boyd, Fiscal Department Administrator
Tamara Cutajar, Accountant
David Barcellos, Collections Officer

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	Number	Amount
Claims Summary								
3a. Beginning Balance	1,770	\$ 1,709,035.48	1,770	\$ 1,709,035.48	-	\$ -	-	\$ -
3b. Balance Adjustments (+/-)	(3)	\$ (21,607.71)	(3)	\$ (21,607.71)	-	\$ -	-	\$ -
4. Newly Established	144	\$ 190,687.92	144	\$ 190,687.92	-	\$ -	-	\$ -
5. Transfers (+/-)	-	\$ -	-	\$ -	-	\$ -	-	\$ -
6. Refunds (20a+20b)		\$ 3,397.69		\$ 3,397.69		\$ -		\$ -
7. Total (3a+3b+4+5+6)	1,911	\$ 1,881,513.38	1,911	\$ 1,881,513.38	-	\$ -	-	\$ -
8. Closed	103		103		-		-	
9. Terminated	24	\$ 6,153.16	24	\$ 6,153.16	-	\$ -	-	\$ -
10. Compromised	-	\$ -	-	\$ -	-	\$ -	-	\$ -
11a. Collection (18a)		\$ 116,217.41		\$ 116,217.41		\$ -		\$ -
11b. Collection Adj. (18b+18c)		\$ -		\$ -		\$ -		\$ -
12. Total	127	\$ 122,370.57	127	\$ 122,370.57	-	\$ -	-	\$ -
13. Ending Balance (7-12)	1,784	\$ 1,759,142.81	1,784	\$ 1,759,142.81	-	\$ -	-	\$ -
Collection Summary								
14. Cash, Check, M.O.		\$ 79,057.78		\$ 79,057.78		\$ -		\$ -
15. Food Stamps		\$ 8,198.72		\$ 8,198.72		\$ -		\$ -
16. Recoupment		\$ 28,960.91		\$ 28,960.91		\$ -		\$ -
17. Offset		\$ -		\$ -		\$ -		\$ -
18a. Total (14+15+16+17)		\$ 116,217.41		\$ 116,217.41		\$ -		\$ -
18b. Cash Adjustments (+/-)		\$ -		\$ -		\$ -		\$ -
18c. Non-Cash Adjustments		\$ -		\$ -		\$ -		\$ -
19. Transfers (+/-)		\$ -		\$ -		\$ -		\$ -
20a. Cash Refunds		\$ 2,990.69		\$ 2,990.69		\$ -		\$ -
20b. Non-Cash Refunds		\$ 407.00		\$ 407.00		\$ -		\$ -
21. Total (18a+18b+18c+19-20a-20b)		\$ 112,819.72		\$ 112,819.72		\$ -		\$ -

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	34	\$ 85,786.16	34	\$ 85,786.16	-	\$ -		
3b. Balance Adjustments (+/-)	0	\$ 1,331.70	-	\$ 1,331.70	-	\$ -		
4. Newly Established	0	\$ -	-	\$ -	-	\$ -		
5. Transfers (+/-)	0	\$ -	-	\$ -	-	\$ -		
6. Refunds (20a+20b)		\$ -		\$ -		\$ -		
7. Total (3a+3b+4+5+6)	34	\$ 87,117.86	34	\$ 87,117.86	-	\$ -		
8. Closed	4		4		-			
9. Terminated	1	\$ 0.48	1	\$ 0.48	-	\$ -		
10. Compromised	0	\$ -	-	\$ -	-	\$ -		
11a. Collection (18a)		\$ 5,394.78		\$ 5,394.78		\$ -		
11b. Collection Adj. (18b+18c)		\$ -		\$ -		\$ -		
12. Total	5	\$ 5,395.26	5	\$ 5,395.26	-	\$ -		
13. Ending Balance (7-12)	29	\$ 81,722.60	29	\$ 81,722.60	-	\$ -		
Collection Summary								
14. Cash, Check, M.O.		\$ 3,452.49		\$ 3,452.49		\$ -		
15. Food Stamps		\$ -		\$ -		\$ -		
16. Recoupment		\$ 1,942.29		\$ 1,942.29		\$ -		
17. Offset		\$ -		\$ -		\$ -		
18a. Total (14+15+16+17)		\$ 5,394.78		\$ 5,394.78		\$ -		
18b. Cash Adjustments (+/-)		\$ -		\$ -		\$ -		
18c. Non-Cash Adjustments		\$ -		\$ -		\$ -		
19. Transfers (+/-)		\$ -		\$ -		\$ -		
20a. Cash Refunds		\$ -		\$ -		\$ -		
20b. Non-Cash Refunds		\$ -		\$ -		\$ -		
21. Total (18a+18b+18c+19-20a-20b)		\$ 5,394.78		\$ 5,394.78		\$ -		

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

State Agency Administrative Error (AE) Claims								
FNS-209			Automated Claims System/Paper Records			Variance		
Line Item	Number	Amount	Number	Amount	Number	Amount	Number	Amount
Claims Summary								
3a. Beginning Balance	687	\$ 600,906.34	687	\$ 600,906.34	-	\$ -	-	\$ -
3b. Balance Adjustments (+/-)	-	\$ (3,215.82)	-	\$ (3,215.82)	-	\$ -	-	\$ -
4. Newly Established	51	\$ 55,027.00	51	\$ 55,027.00	-	\$ -	-	\$ -
5. Transfers (+/-)	-	\$ -	-	\$ -	-	\$ -	-	\$ -
6. Refunds (20a+20b)		\$ 2,369.76		\$ 2,369.76		\$ -		\$ -
7. Total (3a+3b+4+5+6)	738	\$ 655,087.28	738	\$ 655,087.28	-	\$ -	-	\$ -
8. Closed	54		54		-		-	
9. Terminated	6	\$ 2,144.82	6	\$ 2,144.82	-	\$ -	-	\$ -
10. Compromised	15	\$ 10,822.78	15	\$ 10,822.78	-	\$ -	-	\$ -
11a. Collection (18a)		\$ 41,815.83		\$ 41,815.83		\$ -		\$ -
11b. Collection Adj. (18b+18c)		\$ -		\$ -		\$ -		\$ -
12. Total	60	\$ 54,783.43	60	\$ 54,783.43	-	\$ -	-	\$ -
13. Ending Balance (7-12)	678	\$ 600,303.85	678	\$ 600,303.85	-	\$ -	-	\$ -
Collection Summary								
14. Cash, Check, M.O.		\$ 35,151.91		\$ 35,151.91		\$ -		\$ -
15. Food Stamps		\$ 803.49		\$ 803.49		\$ -		\$ -
16. Recoupment		\$ 5,860.43		\$ 5,860.43		\$ -		\$ -
17. Offset		\$ -		\$ -		\$ -		\$ -
18a. Total (14+15+16+17)		\$ 41,815.83		\$ 41,815.83		\$ -		\$ -
18b. Cash Adjustments (+/-)		\$ -		\$ -		\$ -		\$ -
18c. Non-Cash Adjustments		\$ -		\$ -		\$ -		\$ -
19. Transfers (+/-)		\$ -		\$ -		\$ -		\$ -
20a. Cash Refunds		\$ 2,369.76		\$ 2,369.76		\$ -		\$ -
20b. Non-Cash Refunds		\$ -		\$ -		\$ -		\$ -
21. Total (18a+18b+18c+19-20a-20b)		\$ 39,446.07		\$ 39,446.07		\$ -		\$ -

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:	29	1,874	838	2,741
Less Unverified Claims:	-	(90)	(160)	(250)
Adjusted CalWIN Total*:	29	1,784	678	2,491
June 2023 FNS-209:	29	1,784	678	2,491
Difference:	-	-	-	-
Percentage%:	0%	0%	0%	0%

Claims Amounts	IPV (\$)	IHE (\$)	AE (\$)	Total (\$)
CalWIN Ending Balance report:	81,722.60	1,770,140.77	649,438.59	2,501,301.96
Less Unverified Claims:		(15,054.28)	(49,098.74)	(64,153.02)
Adjusted CalWIN Total*:	\$ 81,722.60	\$ 1,755,086.49	\$ 600,339.85	\$ 2,437,148.94
June 2023 FNS-209:	\$ 81,722.60	\$ 1,759,142.81	\$ 600,303.85	\$ 2,441,169.26
Difference:	-	(4,056.32)	36.00	(4,020.32)
Percentage%:	0%	-0.23%	0.01%	-0.16%

*CalWin Ending Balance Report adjusted for unverified claims and claim amounts from internal accounting records.