County of Ventura
AUDITOR-CONTROLLER
MEMORANDUM

To: Barry L. Zimmerman, Director, Human Services Agency **Date:** September 9, 2013

From: Jeffery S. Burgh, Assistant Auditor-Controller

Subject: **AUDIT OF THE GENERAL RELIEF PROGRAM**

We have completed our audit of the administration of the General Relief ("GR") Program by the Human Services Agency ("HSA"). Our overall audit objective was to evaluate whether HSA efficiently and effectively managed the administration of GR Program benefits. Except as disclosed in the attached report, the audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing* promulgated by The Institute of Internal Auditors. Our findings are summarized below with details provided in the attached report.

EXECUTIVE SUMMARY

Overall, we found that HSA efficiently and effectively managed the administration of GR Program benefits. Specifically, we noted that formalized policies and procedures had been established and certain GR Program metrics were being tracked. GR Program eligibility appeared to be determined properly, approved in a timely manner, and supported by adequate documentation. In addition, controls related to the disbursement of GR aid appeared to be adequate, and continued participation in the GR Program was regularly re-evaluated and re-verified.

However, we noted that GR Program administration could be improved by:

- Pursuing additional collection methods to help recoup the $7 million in outstanding GR loans as of June 30, 2012.
- Initiating more timely collection actions when clients are discontinued from the GR Program.
- Ensuring that the GR accounts receivable database is complete.
- Updating the GR Manual and pertinent documents to ensure appropriate calculation of GR aid.
- Conducting supervisory reviews of GR case file documentation to ensure completion of required forms.
- Complying with time requirements for notifying clients of changes to GR benefits.
- Establishing criteria to evaluate goals and objectives related to the success of the GR Program.

HSA management initiated corrective action to address our findings. Corrective action is planned to be completed by March 2014.

We appreciate the cooperation and assistance extended by you and your staff during this audit.

Attachment

cc: Honorable Peter C. Foy, Chair, Board of Supervisors
Honorable Steve Bennett, Vice Chair, Board of Supervisors
Honorable Linda Parks, Board of Supervisors
Honorable Kathy I. Long, Board of Supervisors
Honorable John C. Zaragoza, Board of Supervisors
Michael Powers, County Executive Officer

County of Ventura

Office of the Auditor-Controller

AUDIT OF THE GENERAL RELIEF PROGRAM

September 9, 2013

Jeffery S. Burgh
Assistant Auditor-Controller

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AUDIT OF THE GENERAL RELIEF PROGRAM

BACKGROUND

Section 17000 of the California Welfare and Institutions Code requires all counties to provide indigent aid to lawful residents of the county. Accordingly, the County of Ventura ("County") formally adopted the General Relief ("GR") Resolution on April 17, 1956, setting forth the rules and regulations for the County's GR Program, which is administered by the Human Services Agency ("HSA").

The benefits of this County-funded program are administered in the form of loans to individuals who have no dependent children and who are not supported by independent means, relatives, or other public or private resources. To be eligible, an applicant's household income must not exceed the maximum aid amount, real property value must not exceed $1,000, and available cash must not exceed $100.

The maximum individual GR benefit is currently $310 per month, which may be reduced based on housing needs and living situations. Checks are made payable directly to the client's landlord, although checks may also be made payable to clients to cover personal incidental expenses when rent does not exceed the maximum monthly benefit.

Recipients of aid are required to: agree to repay funds when able; apply for Supplemental Security Income ("SSI") from the Social Security Administration if eligible; and assign lien rights to the County for any real property currently owned or acquired in the future. After a client is discontinued from the GR Program, the County recoups funds through either:

1) personal payments (e.g., after a GR participant secures employment); or
2) garnishment of SSI for the time when the client was on GR while SSI eligibility was pending approval.[1]

GR caseloads and disbursements have steadily declined over the past 3 years as illustrated below:

Fiscal Year	Monthly Average GR Caseload	GR Benefits Disbursed	GR Repayments Received (all sources)
FY 2010-11	453	$1,849,494	$308,201
FY 2011-12	412	$1,589,577	$195,252
FY 2012-13	356	$1,339,076	$219,889

As of June 30, 2012, the total outstanding GR loan amount was approximately $7 million. For those accounts with outstanding balances, we estimated that the average GR participant received aid of $2,400 over an 11-month period.

[1] At the point a GR client is approved for SSI, GR benefits are to be discontinued immediately.

SCOPE

Our overall objective was to evaluate HSA's procedures for the efficient and effective administration of the GR Program. Specially, we:

- evaluated the adequacy of HSA's oversight of the GR Program;
- assessed the efficiency and effectiveness of the qualification process for GR applicants;
- determined whether controls related to the disbursement of GR benefits were adequate;
- determined whether post benefit disbursement activities adequately satisfied GR Program requirements; and
- evaluated whether tracking and recovery activities for the repayment of GR loans were adequate.

Except as discussed in the following paragraph, the audit was performed in conformance with the *International Standards for the Professional Practice of Internal Auditing* promulgated by The Institute of Internal Auditors ("*IIA Standards*"). For our audit, we used documents and records for the period October 1965 through June 2013.

In connection with our audit, certain disclosures are necessary pursuant to *IIA Standards*. Specifically, *IIA Standards* state: "If independence or objectivity is impaired in fact or appearance, the details of the impairment must be disclosed to appropriate parties. The nature of the disclosure will depend upon the impairment." In the temporary absence of an appointed or elected Auditor-Controller, the County Executive Officer ("CEO") has designated the Assistant Auditor-Controller as acting department head with an associated assignment pay premium. This necessarily impairs *IIA Standards* regarding independence because the Assistant Auditor-Controller currently receives the acting department head assignment pay premium as approved by the CEO and because the department under audit is subject to CEO oversight. However, as the integrity of our audit findings have not been subject to inappropriate influence by the CEO, the reader of this report can rely on the information contained herein.

FINDINGS

Overall, we found that HSA efficiently and effectively managed the administration of GR Program benefits. Specifically, we noted that HSA developed a GR policy and procedure manual ("GR Manual" or "Manual"), which included guidance on the GR application process, eligibility criteria, and client responsibilities. HSA tracked certain GR Program metrics, including the number of applications received, the number of GR Program participants, the number of participants per city, and the average monthly caseload. Further, we noted that eligibility appeared to be determined properly and approved in a timely manner for clients who were granted GR aid. Client participation in required activities, such as job searches and medical appointments, was regularly re-evaluated and re-verified for continued compliance with program requirements. We also concluded that controls related to the disbursement of GR aid appeared to be adequate, including adequate accountability over check stock and proper signatories on checks.

However, our audit disclosed areas where the GR Program could be improved. Specifically, HSA could pursue additional collection techniques to improve the rate of personal repayments of outstanding GR loans, such as: suggesting minimum monthly repayment amounts on client invoices; considering small claims court actions; or using the services of a collection agency. We estimated that nearly 80 percent of the $7 million in outstanding loans that were eligible for collection as of June 30, 2012, had been outstanding for over 1 year. As time passes, collection efforts generally become more difficult. Collection rates could also be improved by consistently initiating timely collection notices after discontinuance of GR aid and by ensuring that the GR accounts receivable database is complete.

Language in the GR Manual needed clarification to properly reflect policy for determining GR benefit levels. Although our audit tests indicated that monthly benefits were often granted in excess of established rates, HSA asserted that the benefits were properly calculated based on a policy nuance not reflected in the Manual. Case file documentation could also be improved by adding information to pertinent documents that clearly identifies the client's living situation, a critical element in determining benefit levels.

Implementing supervisory reviews during the qualification process could better ensure that client signatures are obtained when required. HSA also needed to ensure that notices of actions affecting client benefits are mailed in a timely manner. Further, establishing measurable criteria related to program goals and objectives would provide a meaningful basis for evaluating the success of the GR Program.

Following are details of the areas where improvements were needed. HSA management initiated corrective action during the audit as noted.

1. **Collection Process.** Opportunities were available for HSA to enhance collection processes in seeking repayment of GR disbursements. Specifically, improvements could be made by implementing additional collection techniques, such as suggesting a minimum monthly repayment amount, and by ensuring that collection actions are initiated in a timely manner. Attention was also needed to address a variance between the GR accounts receivable database and collection data provided to the State of California ("State"), which could call into question the integrity of GR accounting records.

   A. **Outstanding Balances.** HSA could pursue additional collection methods to help recoup the significant amount of GR disbursements that qualified for collection (i.e., upon the client's discontinuation from the GR Program). As of June 30, 2012, over $7 million (92%) remained uncollected of the $7.6 million disbursed to the 3,100 GR participants with outstanding balances that qualified for collection. Monthly client claim statements (i.e., client invoices) currently include the client's previous balance, total payments and credits, total current charges, and the current balance. However, as the current balance exceeded $1,000 for approximately two-thirds of the clients, the amount due could appear overwhelming for these clients. This could be mitigated by adding a field to the claim statement to suggest a minimum monthly repayment, perhaps based on a percentage of the principal balance. Further proactive collection efforts could also include considering small claims court actions for potential garnishment of wages for those clients who obtained employment, and employing the services of a collection agency.

   Management Action. HSA management stated:

   "While acknowledging that $7 million is a significant amount of money, it should be recognized that the total outstanding balance reflected in this report is for all GR payments made since 1987. We recognize that our best approach in getting reimbursed from former GR clients is through SSI Interim Assistance Reimbursement since approximately 75% of funds recouped are through SSI reimbursement. As such, we have begun refocusing our efforts on assisting GR clients in getting approved for SSI as soon as possible as the primary way to improve our collection rate.

"Additionally, it should be noted that based on the indigent population the GR program is serving, there are inherent challenges and limitations in recouping money from them through direct payments. In surveying other counties, many have also reported that their only source of reimbursement is from SSI. Still other counties e.g., Fresno and Sonoma issue their GR payments as a grant instead of a loan.

"Based on the above recommendation, HSA will assess the feasibility of adding a minimum payment amount to the claim statements that we send to clients on a monthly basis. We will also survey other counties throughout California for best practices regarding the collection of GR loans.

"Implementation: November 2013

"Although we acknowledge that additional collections efforts may be implemented, we believe that pursuing small claims actions as a means to recoup the GR loan would be costly for Ventura County overall. We will explore other collections efforts based on input we receive from other counties."

B. **Timeliness of Collection Actions.** HSA needed to ensure that collection notices sent to clients discontinued from the GR Program were initiated in a timely manner. Specifically, our review of 15 discontinued participants noted that 5 (33%) were not listed on the report used to track outstanding balances and to send monthly claim statements at the time of our audit testing. These five participants had been discontinued from the GR Program ranging from over 1 month to 5 months with no collection actions yet initiated on the accounts. Good business practices dictate that collection action be initiated within a reasonable period, usually within 30 days of the debt being eligible for collection, to increase the likelihood of repayment.

Management Action. HSA management stated:

"Our current process is to pull a report out of CalWIN on a monthly basis that identifies cases that were discontinued in the previous month and then set up the loan and begin sending the client statements. The report is pulled the first week of the month in order to ensure the loans are set up and statements begin going out to the client within 30 days from their case being discontinued. In our review, we have discovered that the CalWIN report was missing data which, may have contributed to the delay in initiating the collection action. In an effort to improve this process, we have identified the data that is missing and will be meeting with our Reporting Team to make the necessary corrections and ensure all collection actions are initiated within 30 days from the date of discontinuance.

"Implementation Date: November 2013."

C. **Collection Variance.** Attention was needed to address an unexplained variance in personal payment collection amounts required to be reported to the State. Specifically, we determined that a $35,000 collection variance existed between data compiled from HSA's internal GR accounts receivable database from January 1998 through February 2012 compared to the monthly Caseload and Expenditure Statistical Reports ("GR 237") submitted to the State for the same period. The GR 237 report contains statistical information on caseload figures, revenue data, and expenditure data for the GR Program, which is compiled into a Statewide report presenting county activity throughout California. HSA stated that the variance could have occurred during the implementation of the current accounts receivable system ("GRIP") in 2005. As the collections reported in GRIP exceed the GR 237 report, GR accounts receivable could be understated. Such a variance can raise concerns regarding HSA's internal tracking for collections and accuracy of amounts reported to the State.

Management Action. HSA management stated:

"The GRIP database was initially used as a means to track GR payments and cost recovery from clients prior to having the implementation of the CalWIN, in April 2006. The GRIP database was being maintained and updated manually. However, we have determined the manual maintenance of the GRIP database can lead to variances due to entry errors. Therefore utilization of the GRIP database is neither necessary nor cost effective. As a result of a recent review, we have recognized that there is no longer a need to continue maintaining the GRIP database system. We have already begun solely using the more reliable reports out of CalWIN to complete the Expenditure Statistical Report (GR 237) State report.

"Implementation date: March 2013"

2. **Determination of GR Benefits.** Clarifying details in the GR Manual and case file documents were needed to assist in supporting the determination of GR benefit amounts. Specifically, we identified inconsistencies in how "shared housing" was defined in the Manual and how the definition was being applied in practice. We also found that case file documents, particularly the *Property Owner-Manager Statement*, could more clearly identify the housing situation, as this attribute was foundational to determining the benefit amount.

   A. **GR Manual Criteria.** The GR Manual needed to more clearly define "shared housing" for purposes of determining benefit amounts. Manual Section 25.6.2 stated that benefit amounts were to be based on three factors:

      1) the living situation (e.g., unshared shelter, or shared with one or more persons);
      2) the number of persons in the GR household; and
      3) the amount actually paid for housing.

   Manual Section 25.5 identified shared housing as "housing with unrelated persons or with persons who are not legally responsible for the household" and further stated: "To be eligible for the maximum unshared grant, the recipient must reside in a living unit with a permanent kitchen and bathroom which are not shared with any other residents." Our sample of 15 GR clients who were granted the maximum monthly benefit of $310 indicated overpayments for 12 (80%) clients according to the Manual. All of the exceptions appeared to be clients living in a form of shared housing and did not meet the requirements for the maximum benefit, resulting in estimated annual overpayments of over $9,000 for our limited sample alone. However, HSA management asserted that, in practice, the number of persons considered for determining shared housing includes only GR participants, although this definition of shared housing was not specified in the Manual. Therefore, revision to the Manual was necessary to properly reflect GR policy.

Management Action. HSA management stated: "During the audit, we discovered that there was a discrepancy between our GR manual and best practices regarding the definition of shared housing. The GR manual was subsequently updated in June 2013, to more clearly define how the benefits are to be calculated. The updates include defining what 'shared housing' means, as well as clarifying when shared housing rules are to be applied."

B. **Identification of Living Situations.** As the GR applicant's living situation was fundamental to the determination of the GR benefit amount, the *Property Owner-Manager Statement* (or "Landlord Statement") could better identify the applicant's living situation. The Landlord Statement is completed by the owner or manager of the property where the GR applicant would reside and lists certain relevant characteristics of the GR applicant's living situation, including:

1) all persons living in the residence, regardless of whether receiving assistance; and
2) type of shelter, whether apartment, room and meals, room, hotel/motel room, or other.

However, the Landlord Statement did not include information about whether the applicant would be residing in a living unit with permanent kitchen and bathroom facilities that are not shared with any other resident. The kitchen/bathroom feature distinguished whether the applicant was potentially eligible for the maximum unshared grant of $310 per month, or a lesser prorated portion of the maximum unshared grant depending on the number of persons sharing the housing.

Management Action. HSA management stated: "The GR manual was updated in June 2013, to more clearly define how benefits are calculated to clarify 'shared housing' rules. Specifically, the requirement to have a separate kitchen and/or bathroom facility has been removed, as this criterion was not being used to determine a shared housing situation."

3. **Unsigned Statement of Facts.** Applicant signatures were not always obtained on the GR Statement of Facts. The Statement of Facts form is obtained from the GR applicant during the qualification process to aid in the accurate assessment of eligibility and is required to be signed under penalty of perjury. However, 2 (13%) of the 15 applications we tested disclosed that the applicants did not sign the certification portion on the Statement of Facts. Lack of client signatures could limit HSA's potential legal recourse in the event of false statements. Further occurrences of unsigned forms could be mitigated by periodic supervisory review of client data prior to initial approval for the GR Program.[2]

Management Action. HSA management stated:

"Our business process is to have the GR worker review the forms with the client to ensure they are accurate and complete and contain the requisite client signatures. A reminder to staff will be sent to reinforce the need to have these forms signed. Additionally, we will be conducting focused reviews periodically to ensure all forms are completed correctly.

"Implementation: Scheduled Review Date: December 2013"

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[2] Although HSA management stated that a case review system was implemented in April 2012, this system relies on random case review after benefits have been approved, rather than occasional supervisory review of eligibility determinations before granting benefits.

4. **Timeliness of Notices of Action.** Notice of Action ("NOA") forms were not always sent timely to GR participants. According to the GR Manual, HSA shall provide a 7-day advance notice for all approvals, withdrawals, denials, decreases, and discontinuances of GR aid. However, our audit disclosed that 1 (7%) out of 15 notices reviewed was mailed just 2 days prior to discontinuance of aid. A discontinuance or denial of GR aid typically occurs when the client does not provide necessary information required for eligibility or does not fulfill GR contract terms, such as attending evaluation meetings. A deviation from the time requirement does not allow due time for the client to remedy or appeal negative actions.

   Management Action. HSA management stated:

   "A reminder will be sent out to staff. In addition, we will be conducting focused reviews periodically to ensure Notices of Action are sent within the required timeframes.

   "Implementation: Scheduled Review Date: December 2013"

5. **Goals and Objectives.** Criteria for evaluating goals and objectives related to the GR Program had not been established. The purpose of the GR Program is to "aid indigent adults who are legal residents of Ventura County and who have no other means of support," the goal of which is to promote self-sufficiency. Although HSA tracks certain data such as average caseload and number of program participants, outcome metrics to evaluate GR Program success in promoting self-sufficiency have not been identified or developed. For example, outcome metrics could include the number of employable clients who found employment and the number of unemployable clients who found stable housing. Formalizing a set of meaningful goals and objectives allows for increased management oversight and provides HSA with additional understanding into the effectiveness of the GR Program.

   Management Action. HSA management stated:

   "HSA has identified the following outcomes for the GR Program:

   1.) Sustainable Housing - We will identify the number of participants who obtained permanent housing.
   2.) Sustained Income - The number of GR participants who obtained employment. As well as, the number who were approved for SSI benefits.
   3.) Medical Home - The number of individuals that have health insurance, and are receiving mental health or substance abuse services.

   "Further development of the above outcomes will be refined to ensure we are capturing the most effective measures for the GR Program.

   "Implementation Date for GR Program Metrics: January 2014"

AUDITOR'S EVALUATION OF MANAGEMENT ACTION

We believe that management actions taken or planned were responsive to the audit findings. Management planned to complete corrective actions by March 2014.