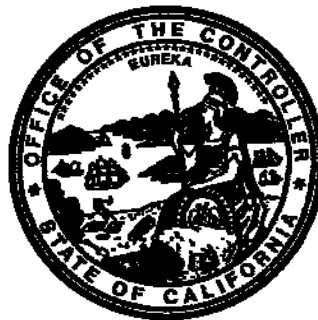


SAN DIEGO COUNTY HEALTH AND HUMAN SERVICES AGENCY

Audit Report

CASH ASSISTANCE PROGRAM FOR IMMIGRANTS (CAPI)

July 1, 2006, through June 30, 2007



JOHN CHIANG
California State Controller

July 2009



JOHN CHIANG
California State Controller

July 31, 2009

Nick Macchione, Director
Health and Human Services Agency
San Diego County
1700 Pacific Highway, Rm 207, MS-P501
San Diego, CA 92101

Dear Mr. Macchione:

The State Controller's Office audited San Diego County Health and Human Services Agency's costs claimed for the active Cash Assistance Program for Immigrants (CAPI) beneficiaries for the period July 1, 2006, through June 30, 2007.

The county claimed and was paid \$1,959,657 for CAPI benefits. Our audit disclosed that the county received but did not report an additional \$14,489 of overpayments it recovered during the review period. Subsequently, the county has taken action to offset the reimbursement claims for fiscal year (FY) 2007-08 and FY 2008-09 for the additional amount recovered.

If you have any questions, please contact Les Lombardo, Chief, Special Audits Bureau, at (916) 323-1770.

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD
Chief, Division of Audits

JVB/wm:sk

Attachment

cc: Jim Siler, Corrective Action Manager
San Diego County Health and Human Services Agency
The Honorable Tracy Sandoval
Assistant Chief Financial Officer/Auditor and Controller
San Diego County
Sharon Nieman, External Audit Coordinator
California Department of Social Services

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Audit Report

Summary

The State Controller's Office (SCO) audited the Cash Assistance Program for Immigrants (CAPI) benefits paid and claimed by the San Diego County Health and Human Services Agency for the period of July 1, 2006, through June 30, 2007.

The county claimed and was paid \$1,959,657 for CAPI benefits. Our audit disclosed that the county received but did not report an additional \$14,489 of overpayments it recovered during the review period. Subsequently, the county has taken action to offset the reimbursement claims for fiscal years 2007-08 and 2008-09 for the additional amount recovered.

Background

Prior to the Federal Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (P.L. 104-193), non-citizens along with citizens were eligible to receive the SSI/SSP benefits. P.L. 104-193 eliminated SSI/SSP eligibility for most non-citizens.

In order to allow non-citizens to continue receiving public assistance, California lawmakers enacted Assembly Bill (AB) 2779, Chapter 329. The new law established a 100% state-funded Cash Assistance Program for Immigrants (CAPI) by adding sections 18937 through 18944 to the Welfare and Institutions Code effective October 1, 1998. These statutes provide that the California Department of Social Services (CDSS) must establish a county or county consortia-administered program to provide cash assistance to aged, blind, and disabled legal immigrants who meet the SSI/SSP immigration status requirements in effect on August 21, 1996, and all other SSI/SSP eligibility requirements in effect.

On July 22, 1999, AB 1111 and Senate Bill (SB) 708 were signed into law. These bills extended and expanded the CAPI program. AB 1111 extended the program indefinitely and exempted the sponsor's source of income for immigrants who are victims of abuse by their sponsor or sponsor's spouse. Furthermore, this bill established a time-limited CAPI eligibility for new entrants, those who entered the United States on or after August 22, 1996, but do not have a sponsor, or have a sponsor who does not meet the sponsor restrictions for new entrants, but meet all CAPI eligibility requirements. New entrants were eligible for benefits from October 1, 1999, through September 30, 2000. Subsequently, the time-limited CAPI was extended for another year. AB 429 (Chapter 111, Statutes of 2001) eliminated the sunset date for time-limited CAPI eligibility.

For immigrants eligible for time-limited CAPI benefits, SB 708 changed the sponsor deeming period to five years regardless of which Affidavit of Support the sponsor signed. The five-year sponsor deeming process starts from the date the sponsor executed the affidavit or the date of the immigrant's arrival in the United States, whichever is later. AB 429 extended the sponsor deeming to a ten-year period for CAPI applicants who entered the United States on or after August 22, 1996, who do not meet sponsor restrictions as defined for Aid Code 6M, as shown below.

CDSS requires each participating county to provide monthly and quarterly reports for CAPI caseloads and payments. CDSS requires that CAPI cases be identified and reported under the following Aid Codes:

- **1A:** Non-citizens who entered the United States prior to August 22, 1996, meet the federal definition of Qualified Alien, and who are age 65 or older.
- **6K:** Non-citizens who entered the United States prior to August 22, 1996, and meet the previous federal Permanent Residence Under Color of Law requirements, but not the Qualified Alien requirements.
- **6M:** Sponsored immigrants who entered the United States on or after August 22, 1996, and the sponsor is deceased or disabled, or the immigrant is a victim of abuse either by the sponsor or sponsor's spouse.
- **6T:** Previously time-limited, but now extended, CAPI. Non-citizens who entered the United States on or after August 22, 1996, who do not meet the sponsor restrictions in the definition of Aid Code 6M and who meet either the federal definition of Qualified Alien or the previous federal definition of Permanent Resident Under Color of Law.

Federal and State regulations that govern the SSI/SSP program govern CAPI eligibility. Payment amounts to recipients are \$10 less than the corresponding SSI/SSP payment standards. Once eligible, the law provides for periodic redeterminations.

CDSS has established eligibility and assistance standards for the CAPI program. Participating counties and consortia administer the program. On a monthly basis, counties submit invoices to CDSS to seek reimbursement for the monthly payments to beneficiaries.

Objectives, Scope, and Methodology

We conducted the audit to determine if the funds disbursed by the State and expended by the county for the CAPI program were in accordance with the policies and procedures prescribed by the CDSS. We reviewed the cash payments awarded to active beneficiaries for the period of July 1, 2006, through June 30, 2007. Eligibility, redetermination, and cash payments were reviewed from eligibility inception. Our scope included, but was not limited to, determining whether cash benefits claimed were supported by appropriate county records and were reasonable.

We conducted this performance audit pursuant to our audit authority under Government Code section 12410 and in accordance with generally accepted governmental auditing standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We limited our audit scope to planning and performing audit procedures necessary to obtain reasonable assurance that benefits paid and claimed were in accordance with CDSS program guidelines. Accordingly, we examined transactions, on a test basis, to determine whether the costs claimed were supported.

We restricted our review of the internal controls to gaining an understanding of the CAPI transaction flow and claim preparation process as necessary to develop appropriate auditing procedures.

We asked the county's representative to submit a written representation letter regarding the county's accounting procedures, financial records, and CAPI claiming procedures as recommended by GAGAS. However, the county did not submit a management representation letter.

Conclusion

The San Diego County Health and Human Services Agency claimed and was paid \$1,959,657 for CAPI benefits. Our audit disclosed that the county received but did not report an additional \$14,489 of overpayments it recovered during the review period. Subsequently, the county has taken action to offset the reimbursement claims for fiscal years 2007-08 and 2008-09 for the additional amount recovered, as discussed in the Finding and Recommendation section of this report.

Views of Responsible Official

We issued a draft audit report on April 30, 2009. Mr. James Lardy, Fiscal Officer, Health and Human Services Agency, responded by letter dated May 20, 2009 (Attachment), partially agreeing with the finding. This final audit report includes the county's response.

Restricted Use

This report is solely for the information and use of the San Diego County Health and Human Services Agency, the San Diego County Auditor and Controller, the California Department of Social Services, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

Original signed by

JEFFREY V. BROWNFIELD
Chief, Division of Audits

July 31, 2009

Finding and Recommendation

FINDING— Unreported recovery of overpayments

For the audit period, the county recovered, but did not report, \$14,489 in benefit overpayments. During our fieldwork, the county provided records to substantiate \$40,942 of recovered payments. Of those, \$35,293 were reported to the California Department of Social Services (CDSS) during fiscal year (FY) 2006-07. Thus, our draft audit stated that \$5,649 in recovered payments were not reported to CDSS.

Subsequent to the issuance of the draft report, the county noted that recovered payments totaled \$49,782, not \$40,942 as originally stated. This difference of \$8,840 also increases the amount of total unreported payment recoveries (to CDSS) to \$14,489 (\$5,649 + \$8,840).

In response to our draft report, the county provided documentation explaining that \$12,665 (of the \$14,489 in recoveries) were subsequently reported in FY 2007-08. An additional \$1,804 in recoveries were returned to the beneficiaries. Thus, all but \$20 of the unreported recoveries have been reported. The unreported \$20 will be reflected in the May 2009 CA 800 claim filed with CDSS.

The County states in its response that the State allows counties to adjust assistance claims within 18 months of filing the claim with CDSS. That is correct. However, this does not alleviate the county's responsibility for properly indicating the amount of recovered benefits on a timely basis. If amounts need to be subsequently adjusted, the county has 18 months after filing a claim to adjust the claim.

All County Letter #00-73 requires counties or consortia to track and report overpayment data for the CAPI program.

Recommendation

Effective as of July 1, 2008, the county has a process for identifying recoveries of program overpayments. We recommend that the county exercise due care to ensure that all future overpayments are properly tracked and accurately reported to the CDSS.

County's Response

The San Diego County Health and Human Services Agency has received the draft Audit Report for the Cash Assistance Program for Immigrants (CAPI). We concur with the conclusion that San Diego County Health and Human Services Agency claimed and was paid \$1,959,657.00 for CAPI benefits. The finding of "Unreported Recovery of Overpayments" is explained as follows:

- HHSA received the sum of \$40,942.00 in CAPI overpayment collections for FY 06/07 from the Office of Revenue and Recovery. HHSA collected an **additional** \$8,840.00 for FY 06/07 for a combined total collection of \$49,782.00. The auditors failed to include the amount collected by HHSA for the CAPI overpayment.

- HHSA reported in CA800 CAPI, Line 8 (Recoveries of Aid) the amount of \$26,453.00 collections from the Office of Revenue and Recovery plus an additional collection of \$8,840.00 from HHSA for total recoveries of aid for CAPI overpayment of \$35,293.00 in FY 06/07.
- HHSA reported the remaining balance of the CAPI overpayment collections in the following fiscal year. For July 2007, we reported \$12,535.00 and for October 2007 \$130.00 for a combined total of \$12,665.00.
- A total of \$1,685 (\$1,672 from the trust fund and \$13 excess repayment) was refunded to the client.
- \$120 was returned to the Office of Revenue and Recovery per their instructions.
- \$20 is an unapplied amount which will be reported in the May 2009 CA800 CAPI claim.

Below is a recap of the CAPI overpayment collections from the Office of Revenue and Recovery and HHSA:

RECAP OF CAPI COLLECTIONS
FY 0607

Collections form [<i>sic</i>] Office of Revenue and Recovery reported in CA 800 FY 0607	\$26,453.00
Collections by HHSA reported in CA 800 FY 06/07	\$8,840.00
Collections from Office of Revenue and Recovery reported in CA 800 FY 07/08	\$12,665.00
Refunded to client from trust fund	\$1,672.00
Refund to client in May 2009 for excess repayment	\$13.00
Returned to Office of Revenue and Recovery	\$120.00
Unapplied to be reported in May 2009 CA800 CAPI claim	\$20.00
Total (Variance of \$1.00 due rounding off)	\$49,783.00

HHSA failed to report the balance of the overpayment collections in FY 06/07 due to employees learning the new statewide eligibility system, CalWIN (California Welfare Information Network). CalWIN was implemented in the County of San Diego in June 2006. This was explained to the CAPI auditors as to why Fiscal was behind in processing overpayment collections in CalWIN.

The State allows counties to adjust the assistance claim within 18 months and HHSA is currently processing CAPI overpayments timely. CalWIN system tracks and accurately generates reports that capture all CAPI overpayments reported to CDSS. HHSA also created an Access database for any CAPI overpayment collections that are not recorded in CalWIN (if the overpayment occurred prior to June 2006).

HHSA Fiscal developed procedures to record and report CAPI overpayment collections to CDSS on timely basis. See attached procedures.

CAPI OVERPAYMENT PROCESS**Effective July 08**

1. Review collection transmittal for CAPI overpayments received from Office of Revenue and Recovery. Ensure that all overpayment collections are processed timely in a CalWIN or recorded in the access database timely.
2. Process also all CAPI Overpayment Collections received by Fiscal from the Family Resource Center.
3. Check CalWIN Benefit Recovery to verify if there is a CalWIN claim established by the CAPI Human Services Specialist.
4. If there is a CalWIN CAPI claim, record the collections in the Benefit Recovery Module See attached CalWIN Process on how to record payment.
5. Reconcile the recording of CAPI overpayment with the daily report MRF002.
6. Transfer funds to Oracle Financial System GL Module via a Miscellaneous Transfer Batch using the correct **Project, Org, Task, Expenditure and Award** on a monthly basis.
7. If there are CAPI overpayments that are not established in CalWIN, notify the last worker of record to create a claim in CalWIN. If the CAPI overpayment occurred prior to June 2006 then record the overpayment collections in Closed Cases Repayment Accounting System. Give the total of CAPI overpayment collections for the month for those cases not recorded in CalWIN to the CAPI Assistance Claim accountant.
8. CAPI Claim accountant will prepare the CA 800 CAPI using the MRD036R which includes the total overpayment collections recorded in CalWIN. Manually add any collections that are not in CalWIN to Line 8 Recoveries of Aid.

SCO's Comments

The county agrees that it claimed and was paid \$1,959,657 for the CAPI benefits. We agreed with the county that it recovered \$49,782, instead of \$40,942 (a difference of \$8,840), in overpaid benefits.

During our fieldwork, the county provided records to substantiate only \$40,942 in recovered benefits. We were not aware of the additional \$8,840, as it was recorded within a different set of accounting records.

Following the review period, the county took action to reduce CAPI claims to reflect the recovered amounts. We have also revised the recommendation, as effective July 2008, the county implemented the CAPI Overpayment Recovery Process to reduce the future claims in a timely manner.

**Attachment—
County’s Response to
Draft Audit Report**



County of San Diego

HEALTH AND HUMAN SERVICES AGENCY

NICK MACCHIONE, FACHE
DIRECTOR

TERRY HOGAN
FINANCE DIRECTOR

1700 PACIFIC HIGHWAY, SAN DIEGO, CALIFORNIA 92101-2417
(619) 515-6555 Fax (619) 515-6556

May 20, 2009

Mr. Les Lombardo, Chief, Special Audits Bureau
State Controller's Office
Division of Audits

SUBJECT: FY06/07 Cash Assistance Program for Immigrants (CAPI) Audit Response and
Comments

Dear Mr. Lombardo:

The San Diego County Health and Human Services Agency has received the draft Audit Report for the Cash Assistance Program for Immigrants (CAPI). We concur with the conclusion that San Diego County Health and Human Services Agency claimed and was paid \$1,959,657.00 for CAPI benefits. The finding of "Unreported Recovery of Overpayments" is explained as follows:

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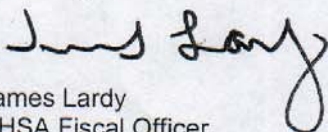
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HHSA Fiscal developed procedures to record and report CAPI overpayment collections to CDSS on timely basis. See attached procedures.

If you have any questions, please call Emelita Lontoc, Senior Accountant at 619-338-2620.

Sincerely,



James Lardy
HHSA Fiscal Officer
Health & Human Services Agency
Financial Services and Support Division

JL/el

Attachment

**HEALTH & HUMAN SERVICES AGENCY
FINANCIAL SERVICES AND SUPPORT DIVISION
FISCAL SERVICES DIVISION**

**CAPI OVERPAYMENT PROCESS
Effective July 08**

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**State Controller's Office
Division of Audits
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<http://www.sco.ca.gov>