



U.S. Department of Agriculture  
Office of Inspector General  
Western Region  
Audit Report

FOOD STAMP EMPLOYMENT AND  
TRAINING PROGRAM — CALIFORNIA



Report No.  
27099-23-SF  
February 2004



UNITED STATES DEPARTMENT OF AGRICULTURE

OFFICE OF INSPECTOR GENERAL

Western Region - Audit

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TEL: 415-744-2851 FAX: 415-744-2871



DATE: February 19, 2004

REPLY TO

ATTN OF: 27099-23-SF

SUBJECT: Food Stamp Employment and Training Program – California

TO: Allen Ng  
Regional Administrator  
Western Region  
Food and Nutrition Service

ATTN: Kathleen Burks  
Director of Financial Management

This report presents the results of our audit of the Food Stamp Employment and Training (E&T) Program costs in California. We reviewed claims by the State office and two county offices (Los Angeles and San Francisco). The claims at these three sites totaled \$26,198,713. We found that the E&T claims were generally accurate and allowable, except for an unallowable cost at San Francisco County of \$8,400.

## **BACKGROUND**

In 1985, the Food Security Act<sup>1</sup> created E&T to help Food Stamp Program recipients gain skills, training, or experience that will increase their ability to obtain regular employment. In 1996, as part of the welfare reform, the Personal Responsibility and Work Opportunity Reconciliation Act<sup>2</sup> provided additional guidance to E&T by requiring that able-bodied adults without dependents be limited to 3 months of food stamp benefits in a 36-month period unless they meet certain work requirements.

Funding for E&T is provided to States from Federal grant funds (100 percent funds), Federal matching funds (50 percent funds), and participant reimbursement funds to support travel to work sites and other necessary expenses.<sup>3</sup> Quarterly, States are required to submit Financial Status Reports to claim reimbursement for program costs. In California, E&T is administered by California Department of Social Services (CDSS) and is implemented locally by the 51 participating COs.<sup>4</sup> COs are reimbursed through

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<sup>1</sup> Public Law 99-198 dated December 23, 1985.

<sup>2</sup> Public Law 104-193 dated August 22, 1996.

<sup>3</sup> The 100-percent grant funds are allocated among the States. If a State exceeds all of its 100-percent grant, FNS will match dollar for dollar the amount that the State spends on its own funds.

<sup>4</sup> The seven remaining counties in California elected not to participate in the program.

the State by submitting a County Expense Claim.<sup>5</sup> In FY<sup>6</sup> 2002, CDSS used less than 1 percent of available E&T funds for program administration. Participating COs used the remaining 99 percent to implement E&T through contracts with vendors that provide work experience, education, and training activities for E&T participants.

## **OBJECTIVE**

The objective of this audit was to determine the accuracy and allowability of California's E&T claims.

## **SCOPE**

We selected California because its FY 2002 claims of \$48,612,160 amounted to over 80 percent of all E&T claims in Food Nutrition Service's Western Region. Our review included E&T expenditures claimed by CDSS and 2 out of 51 COs (Los Angeles and San Francisco), which were judgmentally selected based on the high dollars expended in FY 2002. Combined, these three sites claimed \$26,198,713,<sup>7</sup> or nearly 53.9 percent of total E&T funds reimbursed in California. Of this amount, we judgmentally sampled nearly \$5 million, selecting large or unusual costs claimed by vendors that provided services to E&T participants. We also reviewed cost allocation methodologies used at the three locations.

We performed fieldwork from July 2003 to November 2003 at Food Nutrition Service Western Regional Office (FNSWRO) in San Francisco; CDSS in Sacramento; the San Francisco County Department of Human Services; and the Los Angeles County Department of Public Social Services.

This audit was performed in accordance with generally accepted government auditing standards.

## **METHODOLOGY**

To accomplish our objectives, we performed the following procedures:

- We reviewed applicable laws, regulations, policies, and procedures governing the E&T program, including Office of Management and Budget (OMB) Circulars to familiarize ourselves with the requirements of the program.

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<sup>5</sup> The County Expense Claim (DFA 325) is a State form used by the counties to summarize costs from all Federal, State and county programs.

<sup>6</sup> The Federal fiscal year (FY) is from October through September.

<sup>7</sup> Los Angeles County - \$19,261,598; San Francisco County - \$6,616,428; and CDSS - \$320,687.

- We reviewed Government Accounting Office (GAO) reports and contacted other Office of Inspector General (OIG) Regional Offices to better understand past E&T audit issues.
- At the FNSWRO, we obtained Financial Status Reports to determine E&T costs that were claimed by CDSS during our scope period. We also interviewed FNSWRO staff regarding the results of a recent E&T Management Evaluation of San Francisco County and obtained information about allowable program costs.
- At CDSS, we reviewed a sample of E&T costs to determine if there were any discrepancies. We also reviewed and analyzed CDSS' system of processing and incorporating CO E&T claims into the quarterly Financial Status Report to determine if controls were adequate.
- At the COs, we sampled E&T direct costs to determine if the costs were accurate and allowable. We also interviewed CO accounting personnel and reviewed time study procedures to determine if CO methods of allocating costs to E&T were reasonable.

## **FINDING**

San Francisco County claimed an unallowable contract cost as an E&T expenditure. According to officials, the staff inadvertently claimed the cost because it was included with a group of other contracts issued to provide employment services. As a result, FNS overreimbursed CDSS by \$8,400 (See exhibit A).

OMB Circular A-87<sup>8</sup> requires that “to be allowable under Federal awards, costs must...be necessary and reasonable for proper and efficient performance and administration of Federal awards.”

During our review of the county's quarterly expenses, we questioned a \$20,000<sup>9</sup> contract payment to the Central American Resource Center (CARC), a non-profit organization that provides medical services to immigrants in the San Francisco area. We were unable to determine how this payment was related to the E&T program. When we questioned county officials, they agreed that it was not related. The county had mistakenly included the \$16,800 unallowable cost in its Expense Claim (Federal matching was \$8,400) with a group of other contract costs that were coded for employment services. Supervisory spot checks of the claims did not detect the error.

<sup>8</sup> Cost Principles for State, Local, and Indian Tribal Governments, Attachment A (C.1.a) revised May 4, 1995, as further amended August 29, 1997.

<sup>9</sup> For the quarter ending June 2002, San Francisco County determined that 16 percent of all General Relief recipients did not receive Food Stamps and, therefore, subtracted 16 percent from all charges to E&T. Therefore, the original \$20,000 charge was reduced to \$16,800 ( $\$20,000 - \$3,200 = \$16,800$ ). This amount was charged to the E&T 50-percent fund for a total overcharge of \$8,400 ( $\$16,800 \times .50 = \$8,400$ ).

We determined that the county has since improved its accounting system. A supplemental code was added to the system that further identifies the program to be charged. Beginning in July 2002, the county also initiated a policy to review all direct charges to E&T. These improvements should prevent future unallowable claims.

**Recommendation No. 1:**

Recover \$8,400 from CDSS for an unallowable contract cost claimed by San Francisco County.

**FNS Response:**

FNS concurred with the finding and recommendation and will present the State of California a bill to recover \$8,400.

**OIG Position:**

We agree with FNS' proposed corrective action. To achieve management decision, the agency needs to provide us with documentation that the State has been billed for the appropriate amount and support that the amount has been entered as a receivable on FNS' accounting records.

**CONCLUSION AND REQUIRED AGENCY ACTION:**

Your February 18, 2004, response to the draft report has been included as exhibit B of this report. We agree with your proposed corrective action but are unable to reach management decision for Recommendation No. 1 for the reasons cited above.

In accordance with Departmental Regulation 1720-1, please furnish a reply within 60 days describing the corrective action taken or planned and the timeframes for implementation of those recommendations for which management decision has not been reached. Please note that the regulation requires a management decision to be reached on all recommendations within a maximum of 6 months from report issuance and final action to be taken within 1 year of the management decision. Follow your internal agency procedures in forwarding final action correspondence to the Office of the Chief Financial Officer.

We appreciate the assistance and cooperation of your staff during our audit.

/s/

SAM W. CURRIE  
Regional Inspector General  
for Audit

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## EXHIBIT A - SUMMARY OF MONETARY RESULTS

RECOMMENDATION NUMBER	DESCRIPTION	AMOUNT	CATEGORY
1	Unallowable Expenditure Charged to E&T	<b>\$8,400</b>	Questioned Costs – Recovery Recommended
<b>TOTAL MONETARY RESULTS</b>		<b>\$8,400</b>	

## EXHIBIT B - FNS' WRITTEN RESPONSE TO THE DRAFT REPORT



United States Department of Agriculture  
Food and Nutrition Service  
Western Region  
Western Region

Reply to  
Attn of: 27099-23-SF

FEB 18 2004

Subject: Food Stamp Employment and Training Program

To:  
Sam W. Currie  
Regional Inspector General for Audit  
Office of Inspector General

We are responding to your January 28, 2004, memorandum, requesting our written response to the draft report.

We concur with the finding that Food and Nutrition Service (FNS) was overcharged \$8,400 by San Francisco County.

Upon receipt of the official report we will present the State of California with a bill to recoup the \$8,400.

If you have any questions, please call Tony Sommer of our financial management staff at (415) 705-1332, extension 222.

A handwritten signature in black ink, appearing to read "Allen NG".

ALLEN NG  
Regional Administrator

Attachments

cc: Dennis Stewart, RD, FSP, WRO