



CDSS

WILL LIGHTBOURNE
DIRECTOR

STATE OF CALIFORNIA—HEALTH AND HUMAN SERVICES AGENCY
DEPARTMENT OF SOCIAL SERVICES
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EDMUND G. BROWN JR.
GOVERNOR

August 22, 2014

COUNTY FISCAL LETTER (CFL) NO. 14/15-13

TO: PERFORMANCE MEASUREMENT COUNTY (PMC) WELFARE DIRECTORS

SUBJECT: FNS-209 REPORT VALIDATION

REFERENCE: CFL NO 11/12-14, DATED AUGUST 26, 2011;
CFL NO. 07/08-54, DATED JUNE 06, 2008;
ALL COUNTY LETTER (ACL) NO. 07-26, DATED JULY 18, 2007

This letter is to inform the 19 PMCs that validation of the FNS-209 April through June 2014 quarter is due to the California Department of Social Services by September 26, 2014. In January 2006, the United States Department of Agriculture (USDA) conducted a review of the FNS-209 report that is completed by the counties on over-issuance claims establishment and collection activities in the CalFresh program. As a result of the review, USDA raised concerns about the accuracy of the information contained in these reports.

The USDA had previously requested three validations by counties of the FNS-209 report. The first review was the April through June 2007 quarter; the second was the April through June 2008 quarter and the third was the April through June 2011 quarter. The first review showed that most counties were unable to validate the FNS-209. The second review had much better results; however, some counties continued to have problems validating the report. The third review uncovered some issues with one or more of the accountability tests.

In a continuing effort to ensure program integrity, the USDA is requiring that all data contained in the FNS-209 report for the April through June 2014 quarter be verified for accuracy by all PMCs. The USDA is requiring that the counties use the two accountability tests described in Attachment A (FNS-209 Validation Review Methodology) and provide a formal validation letter signed by the auditor which includes when the audit was completed and identifies any issues if applicable. The validation must be performed by either the county's auditor controller, an internal auditor within the Social Services Agency or an independent certified public accountant.

CFL 14/15-13
Page Two

Attachment B outlines the USDA guidelines that are to be used in performing the validation, along with instructions for completing the FNS-209 report. Each county must also maintain documentation that describes how the information on the FNS-209 report was validated. Furthermore, any concerns that are identified require a Corrective Action Plan (CAP) included in the submission of the formal validation letter.

If the validation process finds monetary errors in the FNS-209 report, the county must submit a one-time adjustment on the next quarterly report to correct the errors. The nature of the adjustments should be outlined in the remarks section, or included as an attachment.

Attachment C is a listing of the 19 PMCs. The results of this validation by the 19 PMCs are to be submitted in a formal validation letter to the following address no later than September 26, 2014:

California Department of Social Services
Fund Accounting and Reporting Bureau
Attn: Lisa Kwon
744 P Street, MS 9-4-76
Sacramento, CA 95814

If you have any questions regarding these instructions, please contact Ms. Cheley Swart, Manager of the Federal Reporting Section, at (916) 657-3131 or by e-mail at Cheley.Swart@dss.ca.gov.

Sincerely,

Original Document Signed By:

DIANNE OKAMOTO, Chief
Fiscal Systems and Accounting Branch

Attachments

c: County Welfare Directors Association
Andrew Risenberg, USDA

ACCOUNTABILITY TEST 1 (FNS-209 Information):

PURPOSE: To verify that the information reported on the FNS-209 Report is accurate and can be supported with internal accounting records (i.e., traced to individual cases).

PROCEDURE: Run system-generated case level reports supporting the data on lines 3b through 20b of the FNS-209 for the quarter ending June 2014. Ideally, these would be system-generated individual monthly reports (April, May, and June 2014, with combined totals) that show establishment and collection data by type of claim at the individual case level. The data should be broken down by type of claim: Intentional Program Violation (IPV), Inadvertent Household Error (IHE), and State Agency Administrative Error (AE), by client (case number and last name) and by dollar amount, with summary totals for each line item (lines 3b through 20b) for the quarter ending June 2014.

For each line, compare the system-generated report totals to the amounts reported on each line of the June 2014 FNS-209. The comparison should demonstrate a direct data relationship between actual CalFresh case records (the system-generated report) and the data reported on the FNS-209. If the number of claims and dollar amounts agree, the data reported on the FNS-209 can be traced to individual cases. If there are differences between the data from the system-generated report and the data reported on the June 2014 FNS-209, the discrepancies should be researched and corrected/adjusted.

SUPPORTING DOCUMENTATION: Provide an Excel spreadsheet (or similar documentation) showing the comparison of each line item (lines 3b through 20b). Provide a narrative describing the results of the comparison and any corrective action. Maintain the system-generated reports by line item as these may be requested by the California Department of Social Services (CDSS) or the federal Food and Nutrition Services (FNS) if additional documentation is needed.

ACCOUNTABILITY TEST 2 (FNS-209 Balances):

PURPOSE: To verify that the beginning/ending balances on the FNS-209 Report are supported by automated claims management systems and paper records (i.e., traced to individual cases).

PROCEDURE: Run a system-generated case level report that will support **either** the beginning balance (line 3a) or ending balance (line 13) of the June 2014 FNS-209. If necessary, the report may be a combination of system-generated and manual reports. The report would be a complete history of **all** claims in your system (simply verifying that the current month's FNS-209 beginning balance matches the ending balance reported on the previous month's FNS-209 **is not** sufficient). The data should be broken down by type of claim (IPV, IHE, and AE), by client (case number and last name) and by dollar amount.

Compare the totals from the system-generated history report as of June 2014 to the corresponding beginning/ending balance reported on the FNS-209 for the quarter ending June 2014. The comparison should demonstrate a direct data relationship between actual CalFresh case records (the system-generated history report) and the data reported on the FNS-209. If the number of claims and dollar amounts agree, the data reported on the FNS-209 can be traced to individual cases. If the comparison shows any differences, (ex: case numbers or amounts from the history report that are not reflected on the June 2014 FNS-209), the discrepancies should be researched and corrected/adjusted.

SUPPORTING DOCUMENTATION: Provide the **summary page** from your case level history report that shows the **total** number and **total** dollar amount of claims by type of claim (IPV, IHE, and AE). Also provide the below tables showing the comparison of the history report and the FNS-209 (number of claims and dollar amount of claims). Include a narrative describing the results and if corrective action is required.

Claims #	IPV (#)	IHE (#)	AE (#)	Total (#)
History report:				
June 2014 FNS-209:				
Difference:				

Claim amounts \$	IPV (\$)	IHE (\$)	AE (\$)	Total (\$)
History report:				
June 2014 FNS-209:				
Difference:				



May 8, 2014
SNAP 10-4-4-CA
SNAP-3-CA

United States
Department of
Agriculture

Food and
Nutrition
Service

Western Region

90 Seventh St.
Suite 10-100
San Francisco, CA
94103

Ms. Maria Hernandez, Chief
Program Integrity Branch
Department of Social Services
744 P Street
Sacramento, CA 96251

Dear Ms. Hernandez:

This letter is an addendum to our September 23rd, 2013 letter regarding the Federal Fiscal Year (FFY) 2014 Supplemental Nutrition Assistance Program (SNAP) Management Evaluation (ME) target areas. This letter identified Recipient Claims Management as the top "At Risk" area for FFY 2014. Due to the enhanced emphasis on SNAP Program Integrity, the establishment and collection of recipient claims, along with the accurate reporting of claims, are important aspects in assuring the integrity of SNAP.

The FNS-209 report (Status of Claims against Households) serves as an indicator of recipient claims management, to include whether or not states actively establish, pursue and collect debts that are owed to the federal government. In response to FNS' longstanding concerns with the validity of California's FNS-209 report, California Department of Social Services (CDSS) instructed the State's 19 Performance Measurement Counties (PMC) to conduct validation reviews of their FNS-209 reports using a review methodology provided by FNS. The PMCs have conducted three rounds of validation reviews since FFY 2007. Each of the three reviews identified serious concerns with the accuracy of some of the counties' FNS-209 reports. While the counties did implement corrective action to correct these deficiencies, subsequent reviews did uncover significant issues with one or more of the accountability tests described under All County Letter (ACL) 07-26, County Fiscal Letter (CFL) 07/08-54, and most recently CFL 11/12-14.

Because of FNS' increased emphasis on SNAP Program Integrity, and since it has been three years since the last PMC FNS-209 validation review, we believe it is appropriate to conduct a fourth round of PMC FNS-209 Validation Reviews as a follow up to previous reviews and to determine if all outstanding problems have been resolved. So that the reviews focus specifically on the data reported on the FNS-209, the methodology to be used for the fourth round of reviews (attached) is limited to two accountability tests:

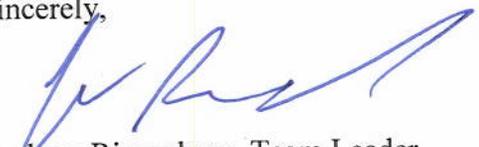
1. Assurance that the information reported on the FNS-209 Report is accurate and can be supported with internal accounting records.

2. Assurance that the beginning and ending balances on the FNS-209 are supported by the automated claims management systems and paper records.

FNS will also want assurances that any areas of concern that are identified are followed-up with a Corrective Action Plan (CAP). Please include timeframes for the completion of the corrective actions, along with CDSS' plans for monitoring the CAPs. For the FFY 2014 reviews, we ask that CDSS instruct the PMCs to validate their FNS-209 reports for the quarter ending June 2014. We also ask that copies of the individual PMC Validation Review results be sent to this office by September 30, 2014.

If you have any questions, please contact me at andrew.riesenberg@fns.usda.gov or Paul Arce at Paul.Arce@fns.usda.gov.

Sincerely,



Andrew Riesenberg, Team Leader
Supplemental Nutrition Assistance Program
Western Region

Attachment

cc: Sabrina Sassman, CDSS Fraud Bureau
Lee Macias, CDSS Fraud Bureau
Cheley Swart, CDSS Fund Accounting and Reporting Bureau
Lisa Kwon, CDSS Fund Accounting and Reporting Bureau
Walter Zaumseil, Team Leader, POQCS I, SNAP, WRO
Ed Mars, Program Specialist, POQCS I, SNAP, WRO

FNS-209, THE STATUS OF CLAIMS AGAINST HOUSEHOLDS

Instructions

WHAT IS IT?

A quarterly report which documents State agency (SA) activities relating to recipient claims during the report quarter and the status of claims from previous quarters.

WHY IS THE 209 NEEDED?

- Determine the number and amount of established claims
- Determine the amount of collections on claims
- Determine the outstanding balance of claims

WHEN IS IT DUE?

The FNS-209 is due to FNS by the 30th day following the end of the report quarter. The report quarters are based on the Federal Fiscal Year (FFY) which ends on December 31, March 31, June 30, and September 30.

Note: California has a waiver extending the due date by 20 days. In order for the Fund Accounting and Reporting Bureau (FARB) to meet this extended due date, the counties must submit their reports to FARB by the 30 day due date.

Therefore, the county must **submit their FNS-209 to FARB no later than:**

- January 30
- April 30
- July 30
- October 30

HOW IS IT COMPLETED?

THE EASY PART:

- Line 1a: Enter your county name
- Line 1b: Enter county number
- Line 2a: Enter the FFY quarter
 - 1 - ends in December
 - 2 - ends in March
 - 3 - ends in June
 - 4 - ends in September
- Line 2b: Enter FFY

CLAIMS SUMMARY:

All entries must be in the proper category

- Intentional Program Violation (IPV), aka Fraud
- Inadvertent Household Error (IHE)
- State Agency Administrative Error (SAE)

Note: Use (+) or (-) signs, as appropriate, for lines 3b, 5, 7, 11b, 12, 18b, 18c, 19, 21, 23, 25, & 28.

Line 3a, Beginning Balance

Report the number and total value of all active and suspended claims as shown on the ending balance (line 13) of the previous quarter's report. No adjustments are ever allowed to line 3a. In order to correct an inaccurate Beginning Balance, adjustments must be made to either Line 3b, Balance Adjustment or Line 9, Terminated.

Line 3b, Balance Adjustments

- Report corrections to Line 4, Newly Established, of the previous report
- Report amount of voluntary payment to reactivate a previously terminated claim (line 9 of previous report)
- Report amount of voluntary payment to reactivate a previously compromised claim (Line 10 of previous report)

Example Line 3b, Adjustment

- In quarter 1, an IHE claim is established for \$100. In quarter 2, a court determines it should be an IPV claim and for \$150.
- In quarter 2, an adjustment is made for +\$50 on line 3b of IPV. The transfer from IHE to IPV is reported in quarter 2 as -\$100 IHE and \$100 IPV on Line 5, Transfer.

Example Line 3b, Adjustments

- A household moves from Orange County to Arizona. The household had a balance of \$75 to pay on an IHE claim that Orange County will no longer try to collect.
- Report a decrease of \$75 to line 3b under IHE.
- A client voluntarily makes a payment of \$50 against a previously terminated IHE \$100 claim.
- Report the \$50 payment as an increase on Line 3b, IHE Adjustments. The amount is also reported in the appropriate line item of the Collections Summary. Provide comments in line 29.
- In quarter 2, a fair hearing determines that an IHE claim for \$80, established in quarter 1, should never have been established.

- -1 (number) and -\$80 (amount) are reported on line 3b under IHE in quarter 2. Any refund given should be reported on either Line 20a, Cash Refunds or Line 20b, Non-Cash Refunds, as appropriate.

Line 4, Newly Established

- Report number and amounts of claims established during the report quarter.
- A claim is considered established for tracking purposes as of the date of the initial demand letter or written notification.
- Do not report claims which have been transferred from another county or State. These claims are not Newly Established and must be reported on Line 3b, Balance Adjustments.

Line 5, Transfers (+) or (-)

- Report claims (balance due amount and number) that are changed from one category to another solely because of a hearing or court determination.
- Report claims changed to IPV because a household member signed either a waiver of right to an administrative disqualification hearing or a consent agreement.
- Do not report inter-county or inter-state transfers on line 5.

Note: Net effect of transfers is always 0

Example Line 5, Transfer

- A household's over-issuance was referred for investigation. The over-issuance was originally established in quarter 1 as an IHE claim for \$100. In quarter 2, during the disqualification hearing, an IPV was found to be committed.
- Report 1 and \$100 on Line 5, under IPV.
- Report -1 and -\$100 on Line 5, under IHE.

Line 6, Refunds and Line 7, Total

- On Line 6 (Refunds) report sum of Line 20a (Cash Refunds) and Line 20b (Non-Cash Refunds) of current report.
- On Line 7 (Total) report sum of lines 3a, 3b, 4, 5, and 6.

Line 8, Closed

- Report the number of claims paid in full in report quarter.
- Report the number of claims compromised to zero in report quarter.
 - A claim is compromised down to zero when the entire claim or remaining balance of the claim is "forgiven" due to the household's inability to pay the claim over a three year period.
- Report previously terminated claims, but reactivated by a voluntary payment in report quarter.
- Report previously compromised claims, but reactivated by a voluntary payment in report quarter.

- Do not report terminated claims on this line.
- Do not report claims written off (in county's accounting system) on this line.

Example Line 8, Closed

- A household makes \$40 voluntary cash payments on a \$200 IHE claim that is five years old and was terminated.
- This household is reactivating a previously terminated claim. Enter \$40 on Line 3b, Adjustments, enter 1 on Line 8, Closed and \$40 on Line 14, Cash Collections.

Line 9, Terminated

- Report the number and amount (balance due) of claims that have been determined uncollectible in accordance with section 273.18(e)(8) of the Federal recipient claims regulations.

Note: In no instance would a negative amount ever be reported in this line.

Example Line 9, Terminated

- An IHE claim with a balance of \$100 has been determined as uncollectable.
- Report 1 and \$100 on Line 9, Terminated under IHE.

Line 10, Compromised

- Report the number of claims and the cumulative amount by which those claims have been reduced in accordance with section 273.18(e)(7) of the Federal recipient claims regulations.
- Enter the amount by which a claim is compromised, not the remaining balance of the claim.
- Certain bankruptcies may result in the discharge of a portion of a claim. The amount of the claim discharged in a court of law would be considered a compromise and would be reported on line 10 as such.
- Report claims considered "paid in full" when client completes required public service work.

Note: In no instance would a negative amount be reported on line 10

Example Line 10, Compromised

- A household paid \$175 of a \$225 SAE claim. They negotiated with the eligibility worker to have the balance forgiven.
- The claim has been compromised to zero. Report 1 and \$50 on line 10 and report 1 on Line 8, Closed.
- In quarter 1, a judge orders a client to do 100 hours of public service work to pay off a \$500 IPV claim. He completes the 100 hours in quarter 2.
- In quarter 1, enter 1 and \$500 in IPV, Line 4, Newly Established. In quarter 2, enter 1 and \$500 in IPV, Line 10, Compromised. Report the claim as "closed" on line 8. Write remarks in line 29.

Lines 11a and 11b, Collection and Adjustments

- Line 11a (Collection) is taken directly from Line 18a (Total).
- Line 11b (Collections Adjustment) is compiled by adding Line 18b (Cash Adjustment) and Line 18c (Non-Cash Adjustment).

Line 12, Total

- For the number columns, sum of Line 8 (Closed) and Line 9 (Terminated).
- For the amount columns, sum of Line 9 (Terminated), Line 10 (Compromised), Line 11a (Collection), and Line 11b (Collection Adjustment).
- Be sure that (+) and (-) signs are used appropriately.

Line 13, Ending Balance

- Compute by subtracting the subtotal on Line 12, Total from the subtotal on Line 7, Total in the claims summary. This provides the outstanding balance of active and suspended claims.
- The Ending Balance becomes the Beginning Balance (Line 3a) for the next quarter's report (**must match exactly**).

Line 14, Cash, Check, Money Orders

- Record the total amount of payments received in the form of cash, check, or money order during the quarter.
- All Treasury Offset Program (TOP) payments and collections are also included in this line.
- Breakout amount of TOP collections in Remarks, Line 29.
- Do not reduce line 14 for cash refunds.

Example Line 14, Cash, Checks, Money Orders

- A former client's \$50 tax refund is collected to pay on a \$200 IPV claim.
- Report \$50 on line 14. Amount is also included in addendum under IPV TOP collections.

Line 15, Food Stamps

- Note: The term "Food Stamps" on the FNS-209 is used to describe payments in the form of EBT benefit account deductions. Therefore,
 - Record the total amount of payments received in EBT deductions during the quarter.
 - Record payments made from deductions taken from the household's EBT benefit account subsequent to issuance.
 - Do not reduce line 15 for non-cash refunds.

Line 16, Recoupment

- Record the total amount of payments received in the form of allotment reduction during the quarter.
- Do not record collections made through offsetting restoration of lost benefits or deductions taken from household's EBT benefit account subsequent to issuance.

Example Line 16, Recoupment

- In month 1 of quarter 2, it's determined a client is entitled to \$100 in benefits. However, \$10 in benefits are recouped against a \$150 IHE claim. In month 2 of quarter 2, the client is again entitled to \$100 in benefits. The client chooses to make a check payment for the \$140 claim balance. How are the transactions reported in quarter 2?
- In quarter 2, \$10 is reported on Line 16, Recoupment under IHE. \$140 is reported on Line 14, Cash, Check, M.O. Report 1 on Line 8, Closed under IHE.

Line 17, Offset

- Report the total amount of payments made by offsetting restored benefits against outstanding claim balances.
- The offset of outstanding State Agency Error claims against restored benefits has been prohibited in California since 1996 as a result of the *Lopez v. Espy* case.
- Do not report TOP or State offset collections on this line.

Example Line 17, Offset

- A household is entitled to \$50 of restored benefits. The household has a two year old \$100 claim. The county collects the \$50 in restored benefits as payment.
- \$50 is reported on line 17 as an offset collection.

Line 18a, Total

Mathematically derived from entries on Line 14 (Cash, Checks, Money Orders), Line 15 (Food Stamps), Line 16 (Recoupment), Line 17 (Offset).

Line 18b, Cash Adjustments

- Record the total amount of any amendments or corrections related to Line 14, Cash, Checks, Money Orders of a previous report.
- Report the amount of checks recorded as collections in a previous report which have been returned due to insufficient funds
- Report TOP reversal amounts.
- Note: if the claim was previously closed, the State should also show an increase (of 1) in the Number column of line 3b, but nothing in the Amount column of 3b.
- Do not report cash adjustments caused by a transfer (line 19) or a refund (line 20a).
- Make notes in Line 29, Remarks.

Example Line 18b, Cash Adjustments (+) or (-)

- At the end of quarter 1, a county receives a check for \$50 to pay on an IHE claim. In quarter 2, it is discovered the check is bad. How do you report for quarter 1 and 2?
- Enter \$50 on Line 14 in quarter 1. Enter -\$50 on Line 18b in quarter 2.

Line 18c, Non-Cash Adjustments

- Record the total amount of any amendments or corrections related to lines 15 through 17 of a previous report.
- Note: Non-cash collections are collection via EBT benefits, allotment reductions, or offsets to restored benefits.
- Do not report non-cash adjustments for a transfer due to a court determination or hearing (use Line 19, Transfers).
- Make notes in Line 29, Remarks.

Line 19, Transfers (+) or (-)

- Record the payments reported on previous reports collected from claims which were reported as transfers on line 5 (due to an administrative/court disqualification hearing) in the current FNS-209 report.
- A corresponding entry must be on Line 5, Transfers.
- Make notes in Line 29, Remarks.

Line 20a, Cash Refunds

- Enter the value of refunds paid in cash to households who overpaid claims (reported as cash collections on line 14 of previous report).
- Include any cash refunds provided due to TOP over-collections.
- Make notes in Line 29, Remarks.
- Do not include amounts Treasury reversed (TOP reversals) -- these are reported on Line 18b, Cash Adjustment.
- Under no instance would this line be negative.

Note: Because refunds reported on Line 20a, Cash Refunds and Line 20b, Non-Cash Refunds are brought up to Line 6, Refunds, (which increase balance of claims) do not make any adjustment on line 3b.

Example Line 20a, Cash Refunds

- A household pays \$40 cash to close an SAE claim in month 1 of quarter 1. In month 2 of quarter 1, it is discovered that there was only a balance of \$20 due. The household was given a \$20 refund. How is this reported on quarter 1 report?
- This household has paid their claim in full, but overpaid it. Since the refund happened in the same quarter, the refund is not reflected on the report - only the closed case. Therefore, enter 1 on Line 8, Closed and \$20 on Line 14, Cash Collections.

Line 20b, Non-Cash Refunds

- Report the amount of refunds paid in EBT benefits to households who overpaid claims (reported as collections on lines 15 through 17) in previous report.
- Report any non-cash refunds made as a result of a claim overpaid due to benefits that were incorrectly offset.
- Make notes in Line 29, Remarks.

- Under no instance would this line be negative.

Line 21, Total

Mathematically derived from entries on Line 18a (Total), Line 18b (Cash Adjustments), Line 18c (Non-Cash Adjustments), Line 19 (Transfers), Line 20a (Cash Refunds), and Line 20b, (Non-Cash Refunds).

Lines 22-26

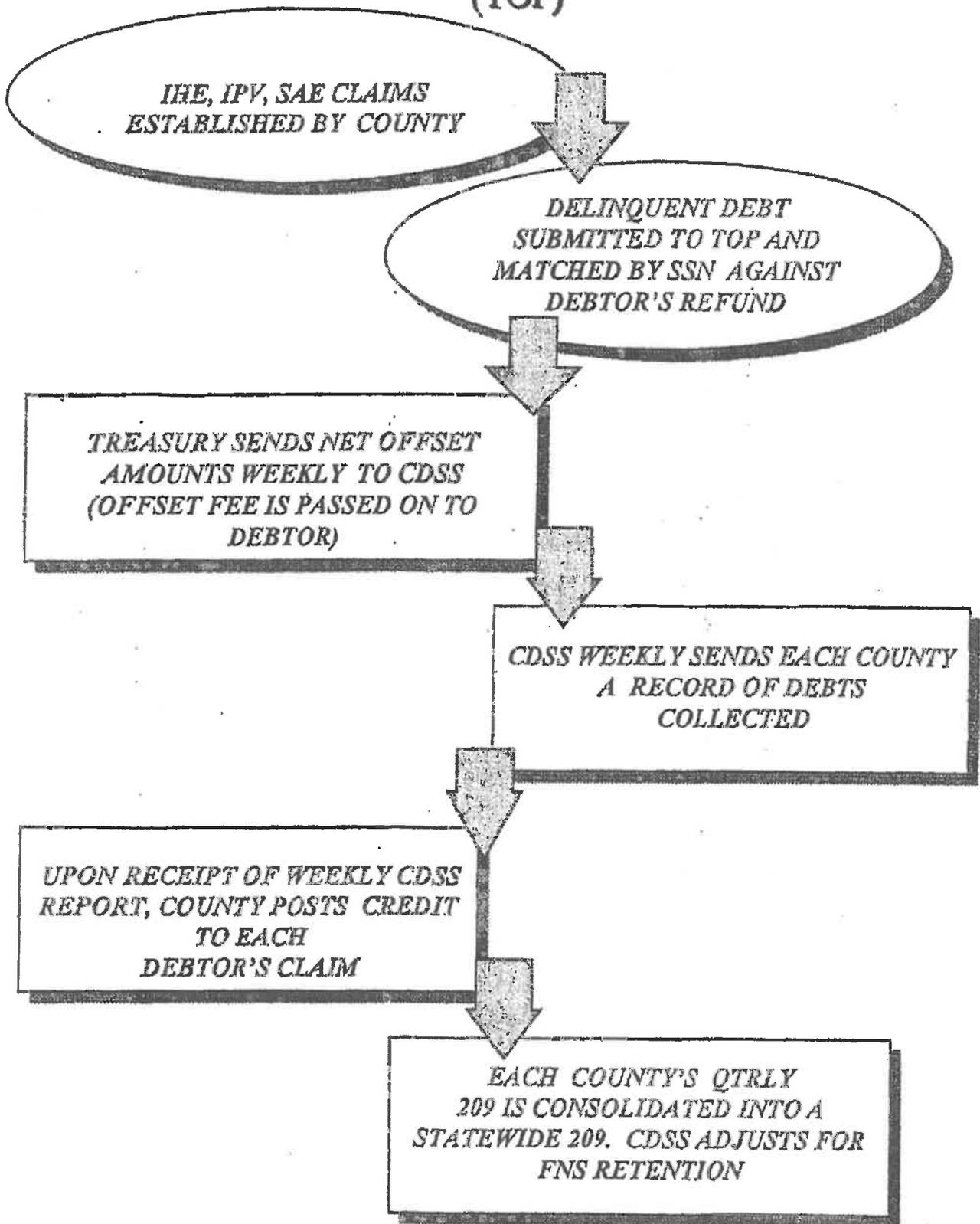
These lines are for Fund Accounting and Reporting Bureau only. Counties do not need to make any entries on these lines.

Line 29, Remarks

Remarks and/or attachments must be included if there are entries on the following lines:

- Line 3b, Balance Adjustments
- Line 5, Transfers (+) or (-)
- Line 18b, Cash Adjustments (+) or (-)
- Line 18c, Non-Cash Adjustments (+) or (-)
- Line 19, Transfers (+) or (-)
- Line 20a, Cash Refunds
- Line 20b, Non-Cash Refunds

OVERVIEW OF THE TREASURY OFFSET PROGRAM (TOP)



FNS -209 ADDENDUM

Purpose: This addendum is due with each Quarter's FNS-209 report, breaking out TOP collections, salary offsets (garnishments), and refund activity which comprise part of the total claims activity reported on the FNS-209. Please include data on the following:

- A. TOP Cycle numbers involved in the report period (reported to States weekly)
- B. Total # of IPV offsets
- C. Total # of IHE offsets
- D. Total # of AE offsets
- E. Total # of all offsets (B+C+D)
- F. Total \$ of IPV offsets
- G. Total \$ of IHE offsets
- H. Total \$ of AE offsets
- I. Total \$ of TOP offsets (F+G+H)
- J. Total # of refunds made due to TOP
- K. Total \$ of refunds made due to TOP

Rev. 6/00

LISTING OF 19 PERFORMANCE MEASUREMENT COUNTIES

1. Alameda
2. Contra Costa
3. Fresno
4. Kern
5. Los Angeles
6. Merced
7. Monterey
8. Orange
9. Riverside
10. Sacramento
11. San Bernardino
12. San Diego
13. San Francisco
14. San Joaquin
15. Santa Clara
16. Solano
17. Stanislaus
18. Tulare
19. Ventura