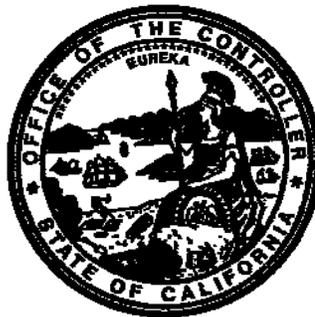


**SANTA CLARA COUNTY  
DEPARTMENT OF EMPLOYMENT  
AND BENEFIT SERVICES**

Audit Report

**CASH ASSISTANCE PROGRAM  
FOR IMMIGRANTS (CAPI)**

*July 1, 2006, through June 30, 2007*



**JOHN CHIANG**  
California State Controller

December 2009



**JOHN CHIANG**  
*California State Controller*

December 11, 1009

Will Lightbourne, Director  
Department of Employment and Benefit Services  
Santa Clara County  
333 W. Julian Street  
San Jose, CA 95110

Dear Mr. Lightbourne:

The State Controller's Office audited Santa Clara County Department of Employment and Benefit Services' costs claimed for the active Cash Assistance Program for Immigrants (CAPI) beneficiaries for the period of July 1, 2006, through June 30, 2007.

The county claimed and was paid \$6.5 million for the CAPI Program for FY 2006-07. In total, the county provided cash assistance to 1,132 beneficiaries. As of June 30, 2007, the county reported net unrecovered overpayments of \$1,017,913. The reported overpayments and recoveries agreed with the county records; however, our review of individual cases revealed that approximately \$600,000 (58%) of the reported overpayments could have been avoided had the county exercised due care in determining eligibilities and conducting redeterminations.

Furthermore, for FY 2005-06 and FY 2006-07, the county did not reduce the CAPI claim by the \$62,895 it received for overpaid benefits. These repayments were erroneously posted to other programs. Consequently, these recoveries were not reported as CAPI recoveries.

We issued our draft report for this audit on July 10, 2009. We received the county's response concerning our draft report on August 3, 2009 (letter dated July 31, 2009). The county acknowledged the audit results. This final report includes the county's response and our comments to the response.

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/sk

Attachment

cc: Sandra Dalida, Chief Financial Officer  
Department of Employment and Benefit Services  
Santa Clara County  
Tomas Dolcini, Application and Decision Support Manager  
CalWIN Division – Program Bureau  
Department of Employment and Benefit Services  
Santa Clara County  
Sharon Nieman, External Audit Coordinator  
Administration Division  
California Department of Social Services  
The Honorable David G. Elledge, Controller-Treasurer  
Santa Clara County

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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 Santa Clara County Department of Employment and Benefit Services for the period July 1, 2006, through June 30, 2007.

The county claimed and was paid \$6.5 million for the CAPI Program for FY 2006-07. In total, the county provided cash assistance to 1,132 beneficiaries. As of June 30, 2007, the county reported net unrecovered overpayments of \$1,017,913. The reported overpayments and recoveries agreed with the county records; however, our review of individual cases revealed that approximately \$600,000 (58%) of the reported overpayments could have been avoided had the county exercised due care in determining eligibilities and conducting redeterminations.

Furthermore, for FY 2005-06 and FY 2006-07, the county did not reduce the CAPI claim by \$62,895 it received for overpaid benefits. These repayments were erroneously posted to other programs. Consequently, these recoveries were not reported as CAPI recoveries.

## 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 county or county consortia-administered programs 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, Assembly Bill (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 for deeming eligibility, 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 who do not have a sponsor, or have a sponsor who does not meet the sponsor restrictions for new entrants, but meet all other 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.

The CDSS requires each participating county to provide monthly and quarterly reports for CAPI caseloads and payments. The 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 Residence 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 a beneficiary becomes eligible for CAPI, the law provides for periodic redeterminations.

The 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.

We conducted this audit pursuant to our audit authority under Government Code section 12410 and in accordance with generally accepted governmental auditing standards. 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.

## **Conclusion**

The Santa Clara County Department of Employment and Benefit Services claimed and was paid \$6.5 million for the CAPI Program for FY 2006-07. In total, the county provided cash assistance to 1,132 beneficiaries. As of June 30, 2007, the county reported net unrecovered overpayments of \$1,017,913. The reported overpayments and recoveries agreed with the county records; however, our review of individual cases revealed that approximately \$600,000 (58%) of the reported overpayments could have been avoided had the county exercised due care in determining eligibilities and conducting redeterminations.

Furthermore, for FY 2005-06 and FY 2006-07, the county did not reduce the CAPI claim by the \$62,895 it received for overpaid benefits. These repayments were erroneously posted to other programs. Consequently, these recoveries were not reported as CAPI recoveries.

## **Views of Responsible Official**

We issued a draft report on July 10, 2009. Will Lightbourne, Social Services Agency Director, responded by letter dated July 31, 2009 (Attachment), partially agreeing with the findings and recommendations. This final report includes the county's response.

**Restricted Use**

This report is solely for the information and use of the Santa Clara County Department of Employment and Benefit Services, the Santa Clara County Auditor-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

December 11, 2009

# Findings and Recommendations

## **FINDING 1— Avoidable cash assistance**

As of June 30, 2007, the county reported net unrecovered overpayments of \$1,017,913. This amount represents \$506,865 of unrecovered overpayments as of the beginning of the fiscal year and \$511,048 of additional overpayments identified during the current fiscal year. The reported overpayments and recoveries agreed with the county records; however, our review of individual cases revealed that approximately \$600,000 (58%) of the reported overpayments could have been avoided had the county exercised due care in determining eligibilities and redeterminations.

To determine if the individual beneficiary overpayments were valid, we judgmentally selected the records of 30 overpaid beneficiaries, totaling \$146,412 in overpayments. Individual overpayments exceeding \$3,000 were selected. For fiscal year (FY) 2006-07, the county reported \$511,048 in overpayments. The amount of overpayments examined represents approximately 30% ( $\$146,412 \div \$511,048$ ) of the total reported overpayments. Our review of the overpayments revealed the following:

- 12 beneficiaries received a total of \$53,112 in cash assistance while being out of the U.S. Cash assistance for these individuals continued for more than six months despite the beneficiary being ineligible to receive payments.
- Two beneficiaries received \$6,838 in cash assistance despite being ineligible as the beneficiaries had become naturalized citizens. Despite being ineligible, the cash assistance continued for at least six months.
- A surviving spouse was provided \$3,732 in cash assistance after the death of the beneficiary. Until the annual redetermination, the county was unaware that the beneficiary had died.
- A beneficiary received \$9,714 in assistance while concurrently receiving SSI/SSP benefits. The county could not determine the cause of overpayments, as such transactions are extremely unusual since automated system controls are in place to prevent concurrent benefit payments.
- A beneficiary received \$4,702 because the sponsors' resources were not properly deemed and considered in determining the monthly assistance.
- A beneficiary received \$7,552 in cash assistance despite having ample resources that were not reported.

A beneficiary is required to provide to the county factual and timely information that may affect his or her eligibility, but unless the beneficiary does so, the county has no means to validate eligibility. Redeterminations occur annually, and months may pass between when a beneficiary becomes ineligible, and when the beneficiary actually reports information to the county that establishes ineligibility to continue receiving benefits.

The county took action to terminate benefits and seek repayments for overpaid benefits. Although it is not required, had the county performed more frequent redeterminations and accurately conducted eligibility, \$85,650, of the overpayments examined could have been avoided. This amount represents 58% ( $\$85,650 \div \$146,412$ ) of the individual overpayments examined. Although we did not select a statistically valid sample, it is possible that a significant portion, possibly up to \$600,000, of the entire overpayments could have been avoided if more timely redeterminations were made.

All County Letter (ACL) 99-106 states:

Assembly Bill 2779 (Chapter 329, Statutes of 1998) required periodic redeterminations of the CAPI eligibility. Currently, emergency regulations, Manual of Policy and Procedures (MPP) Section 49-070, only require a recipient's eligibility to be redetermined within 12 months of the recipient's initial benefit payment date and within each succeeding 12 month period. . . .

The California Department of Social Services' (CDSS) manual (Eligibility and Assistance Standards (EAS) Cash Assistance Program for Immigrants (CAPI), Manual Letter No. EAS-03-09, Section 49-001.1) states:

The cash Assistance Program for Immigrants (CAPI) provides cash assistance to aged, blind, and disabled legal immigrants who are not citizens. . . .

Section 49-001.2 states:

Federal and state laws and regulations governing the SSI/SSP program as used in Welfare and Institution Code Section 18940 and in Section 49-013 of these regulations, means generally those laws and regulations pertaining to eligibility. . . .

Section 49-013.3 states:

The case record for persons found eligible as specified in MPP Section 49-0101 must include:

.32 The information regarding the recipients property, income, and living arrangements used by the county or consortium in determining eligibility. Such information must be recorded on a dated Statement of Facts form which must be signed by the recipient or his or her authorized representative under penalty of perjury.

.33 Verification of this information under the guidelines established by the Social Security Administration (SSA) for its administration of the SSI/SSP program as set forth in SSAs Program Operations Manual System (POMS). The county or consortium may verify other information if necessary to insure a correct eligibility determination.

Section 49-015.2 states, upon receiving a CAPI application, counties, or their designee if they are part of the CAPI consortium of counties, have the following responsibilities:

.23 Correctly determining eligibility and payment amount.

Section 49-010, states:

A person is not eligible for CAPI if he or she:

.24 Is outside of the United States for an entire calendar month.

.241A person who is outside of the United States for at least 30 consecutive days is considered to remain outside the United States until he or she has been back in the United States for at least 30 consecutive days.

Section 49-030-1.1 states:

To be eligible for CAPI, an individual must be ineligible for SSI/SSP. . . .

Section 49-037.1 states:

Sponsor-deeming rules apply regardless of whether or not the sponsor actually provides the non-citizen with any support. Sponsor deeming rules include counting the income and resources of the sponsor as belonging to the non-citizen. . . .

Section 49-040.21 states:

. . .resources means cash or other liquid assets or any real or personal property that an individual (or spouse, if any) owns and could convert to cash to be used for his or her support and maintenance.

Furthermore, paragraph .23 states:

(b) Liquid resources are cash or other property which can be converted to cash within 20 days, excluding certain nonwork days as explained in 20CFR 416.120 (d). Examples of resources that are ordinarily liquid are stocks, bonds, mutual fund shares, promissory notes, mortgages, life insurance policies. . . .

Current CAPI guidelines provide for at least an annual redetermination of eligibility based on information provided by beneficiaries, sometimes months after a change in eligibility status. Although a beneficiary is required to provide necessary information prior to and during the redetermination process, unless the beneficiary voluntarily provides factual information that may affect their eligibility to receive benefits, the county has no means of knowing or verifying accurate eligibility information.

The CAPI benefits are entirely funded via the State's General Fund. As ineligibilities were not identified in a timely manner, the county may have provided approximately \$600,000 in benefits that could have been avoided, resulting in state funds being inappropriately spent.

### Recommendation

The county has a process in place to determine eligibility and to conduct redeterminations. However, we recommend that the county establish guidelines that allow case workers to correctly determine eligibility and benefits more often.

We also recommend that the CDSS consider frequent, rather than annual redeterminations. Doing so would allow counties to detect and recover overpayments in a timely manner.

### County's Response

**In reference to the statement below as indicated in the Audit letter, Audit Report's Summary and in the Findings 1,** the accuracy concerning this statement is perceived as if the County Agency caused the overpayment error:

“The reported overpayments and recoveries agreed with the county records; however, our review of individual cases revealed that approximately \$600,00 (58%) of the reported overpayments could have been avoided had the county exercised due care in determining eligibilities and redeterminations.”

The recipients provide updated information during the redetermination process and are asked questions concerning changes that may affect eligibility. They are advised verbally and in written form during the initial Intake application and at each redetermination of their responsibility to report within ten (10 days) any information that may affect eligibility. Unless the recipient actually reports timely, the County has no means to validate eligibility other than what has been reported.

The County follows the state regulations that require a recipient's eligibility to be redetermined within 12 months of the recipient's initial benefit payment date and within each succeeding 12 month period.

The County has written established guidelines in the County CAPI Handbook, which allows the case workers to process Redeterminations more frequently than normal if unexpected changes in income, property or other unforeseen circumstances occur which may potentially affect the eligibility or grant level of the client. However, this can only be effective and accomplished if the county is made aware of the change. The applicants and recipients are provided complete explanations in writing regarding:

- ❖ Ineligibility factors
- ❖ Underpayments and overpayments
- ❖ Their responsibility to report any changes within ten (10) calendar days.

As a result of increased caseloads, resource challenges, and budget constraints,<sup>1</sup> [sic] the Agency may not have the ability to increase compliance other than what is already in effect in this area.

SCO's Comment

The finding remains unchanged.

The county understands the audit results. We agree and, as previously noted, the beneficiaries' have the responsibility to report the information affecting eligibility not only during annual redetermination, but also as changes occur. Unless the recipients convey such information in a timely manner, the county has no means to validate eligibility other than what has been reported.

While we understand that increased case loads, resource challenges, and budget constraints may inhibit the county from more frequent redeterminations, we believe that significant overpayments that continued for an extended period could have been avoided had the county more aggressively enforced the existing controls and procedures.

**FINDING 2—  
Unreported  
recoveries**

For FY 2006-07, the county did not reduce the CAPI claim by the \$3,720 it received for overpaid benefits. We compared the reported overpayments with the county records. Our review revealed that the recoveries identified and recorded as CAPI—whether from SSA, beneficiary-issued cash or checks, or EBT payments—were correctly reported on CAPI reimbursement Claim Form CA800. However, we noted instances in which recoveries were not identified and recorded as CAPI transactions. These recoveries were erroneously posted to other programs. Consequently, these recoveries were not reported as CAPI recoveries.

Effective with the current fiscal year, the county implemented procedures to correctly identify and record recoveries. The county's program staff acknowledged that there may be recoveries for previous fiscal years that erroneously remained recorded for other programs and upon issuance of the draft audit report, took action to identify additional unreported recoveries of \$59,174.71 (\$62,894.71 less \$3,720, as noted above, determined for FY 2006-07) for the period July 1, 2005, through June 30, 2007. The county reported these recoveries to CDSS in its June 2009 CA 800 Report, Summary Report of Assistance Expenditures for the Cash Assistance Program for Immigrants.

While we are unable to approximate the unrecorded recoveries for FY 2004-05 and previous fiscal years, it is possible that at least \$3,000 per quarter may have been recovered but not recorded and reported for the CAPI Program. The county has begun reviewing prior accounting records to identify and determine the unrecorded recoveries. The county will reduce future CAPI claims to reflect previously unrecorded and unreported recoveries.

Pursuant to ACL 00-73, counties or consortias are required to track and report overpayment data for the CAPI program.

Recommendation

We recommend that the county exercise due care to ensure that future recoveries are correctly identified, recorded, and reported for the CAPI program.

County's Response

The County adjusted prior years' recovery of overpayments for the period of July 1, 2005 through June 30, 2007, totaling \$62,894.71. The adjustments were included in the June 2009 CA 800 Report.

Effective July 1, 2007, recovery of CAPI overpayments in the form of cash have been captured and recorded in the Agency's collection system, VACS, and recovery of CAPI overpayments in the form of recoupments from current benefits or EBT debits to offset prior overpayments are captured and recorded in CalWIN. The recovery of CAPI overpayments from both systems have been and will continue to be consolidated on the CA 800 and SOC 808 reports.

SCO's Comment

The county agrees with the finding. As recommended, upon issuance of the draft report, the county took action to identify additional \$62,894.71 of unreported recoveries for the period of July 1, 2005, through June 30, 2007. We have revised the finding to note the additional unreported recoveries.

We recommend the county continue its efforts in identifying unreported recoveries for FY 2004-05 and previous fiscal years.

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

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# County of Santa Clara

Social Services Agency  
CalWIN Division - Program Bureau



333 West Julian Street  
San Jose, California 95110-2335

July 31, 2009

Les Lombardo, Chief, Special Audits Bureau  
State Controller's office, Division of Audits  
P.O. Box 942850  
Sacramento, CA 94250-5874

**Re: Cash Assistance Program for Immigrants (CAPI) Audit**

Dear Mr. Lombardo,

This is in response to your letter dated July 10, 2009, Audit by the State Controller's Office (SCO), regarding costs claimed for the active Cash Assistance Program for Immigrants (CAPI) beneficiaries for the period of July 1, 2006, through June 30, 2007.

### **FINDING 1- Avoidable Cash Assistance**

**SCO's Recommendation:** The county has a process in place to determine eligibility and redeterminations. However, we recommend that the county establish guidelines that allow the case workers to correctly determine eligibility and benefits.

We also recommend that the CDSS consider frequent, rather than annual redeterminations. Doing so would allow counties to detect and recover overpayments in a timely manner.

### **County Response:**

**In reference to the statement below as indicated in the Audit letter, Audit Report's Summary and in the Findings 1,** the accuracy concerning this statement is perceived as if the County Agency caused the overpayment error:

"The reported overpayments and recoveries agreed with the county records; however, our review of individual cases revealed that approximately \$600,00 (58%) of the reported overpayments could have been avoided had the county exercised due care in determining eligibilities and redeterminations."

The recipients provide updated information during the redetermination process and are asked questions concerning changes that may affect eligibility. They are advised verbally and in written form during the initial Intake application and at each redetermination of their responsibility to report within ten (10 days) any information that may affect eligibility. Unless the recipient actually reports timely, the County has no means to validate eligibility other than what has been reported.

The County follows the state regulations that require a recipient's eligibility to be redetermined within 12 months of the recipient's initial benefit payment date and within each succeeding 12 month period.

Board of Supervisors: Donald F. Gage, George Shirakawa, Dave Cortese, Ken Yeager, Liz Kniss  
Acting County Executive: Gary A. Graves

The County has written established guidelines in the County CAPI Handbook, which allows the case workers to process Redeterminations more frequently than normal if unexpected changes in income, property or other unforeseen circumstances occur which may potentially affect the eligibility or grant level of the client. However, this can only be effective and accomplished if the county is made aware of the change. The applicants and recipients are provided complete explanations in writing regarding:

- ❖ Ineligibility factors
- ❖ Underpayments and overpayments
- ❖ Their responsibility to report any changes within ten (10) calendar days.

As a result of increased caseloads, resource challenges, and budget constraints,<sup>1</sup> the Agency may not have the ability to increase compliance other than what is already in effect in this area.

### **FINDING 2 - Unreported Recoveries**

**SCO's Recommendation:** We recommend that the county exercise due care to ensure that future recoveries are correctly identified, recorded, and reported for the CAPI program.

### **County Response:**

The County adjusted prior years' recovery of overpayments for the period of July 1, 2005 through June 30, 2007, totaling \$62,894.71. The adjustments were included in the June 2009 CA 800 Report.

Effective July 1, 2007, recovery of CAPI overpayments in the form of cash have been captured and recorded in the Agency's collection system, VACS, and recovery of CAPI overpayments in the form of recoupments from current benefits or EBT debits to offset prior overpayments are captured and recorded in CalWIN. The recovery of CAPI overpayments from both systems have been and will continue to be consolidated on the CA 800 and SOC 808 reports.

If you have any questions or concerns regarding this response, please contact me at (408) 491-6800, or have your staff contact Eva Vasquez-Schaffer at (408) 491-6700, or Tomas Dolcini at (408) 491-6720.

Sincerely,



Will Lightbourne  
Agency Director

Cc: Sandra Dalida  
Felipa Carrillo  
Regina Lee  
Tomas Dolcini  
Umesh Pol  
Jan Picolorich  
Katherine Buckovetz  
Ana Labrador  
Eva Vasquez-Schaffer

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