

COUNTY OF SAN BERNARDINO
AUDITOR-CONTROLLER/TREASURER/TAX COLLECTOR
INTERNAL AUDITS SECTION



HUMAN SERVICES – PROGRAM INTEGRITY DIVISION:
FRAUD INVESTIGATION UNIT PROCESS AUDIT

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Human Services – Program Integrity Division

Fraud Investigation Unit Process Audit

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July 28, 2021

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RE: Fraud Investigation Unit Process Audit

We have completed an audit of the Human Services – Program Integrity Division (PID)’s Fraud Investigation Unit process for the period of July 1, 2018, through June 30, 2019. The primary objectives of the audit were to evaluate the efficiency and effectiveness of the investigation process, determine the existence and effectiveness of internal controls in the investigation process and verify compliance with laws and regulations related to Welfare fraud. We conducted our audit in accordance with the International Standards for the Professional Practice of Internal Auditing established by the Institute of Internal Auditors.

We identified a procedure that could be improved. We have listed this area for improvement in the Audit Finding and Recommendations section of this report.

We sent a draft report to PID on May 11, 2021, and discussed our observations with management on May 25, 2021. PID’s responses to our recommendations are included in this report.

We would like to express our appreciation to the personnel at the Human Services – Program Integrity Division who assisted and cooperated with us during this engagement.

Respectfully submitted,

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Summary of Audit Results

The table below summarizes the audit findings and recommendations for this audit engagement. For further discussion, refer to the *Audit Finding and Recommendations* section of this report.

Finding No.	Findings and Recommendations	Page No.
1	<p>PID office procedures could be improved.</p> <p>We recommend management develop, implement, and enforce adherence to official policies and procedures over the fraud investigation process. We also recommend management ensure all policies and procedures are updated and each staff who is involved in the fraud investigation process is provided a copy of the updated policies. We further recommend that all staff who are involved in the fraud investigation process, are trained on the new policies and that the training is completed each time there is a turnover of staff in the fraud investigation process.</p>	6

Human Services - Program Integrity Division

The Fraud Investigation Unit (FIU) is part of the Human Services Program Integrity Division (PID) that provides supportive services to three Human Services departments. Those departments are the Transitional Assistance Department (TAD), Children and Family Services, and the Department of Aging and Adult Services.

PID is comprised of four different units with unique functions that support Human Services departments, listed below:

- The Case Review Unit (CRU) conducts specialized case reviews at the direction of County Counsel.
- The Quality Review Unit (QRU) is responsible for the review and reconciliation of reports, cash aid overpayment calculations, and collections, CalWORKs work participation rate, and Food Stamp quality control case reviews.
- The Appeals Unit represents the County in administrative hearings in which applicants or recipients of public assistance dispute a case action.
- The Fraud Investigation Unit (FIU) is required to prevent, identify, investigate, and prepare for prosecution, cases involving abuse of the welfare system. The PID's specialized units ensure social service programs are administered fairly, equally, and without system abuse.

The PID office may receive a referral through any of the following channels: PID Hotline, PID website, Transitional Assistance Department eligibility worker (EW), other departments, mail, or the Auditor-Controller/Treasurer/Tax Collector's Fraud, Waste, and Abuse Hotline. The PID and TAD employees have access to the same system, Consortium-IV (C-IV). Cases received by eligibility workers are commonly prioritized. An eligibility worker may enter the case information into the C-IV system and FIU will then investigate. Information pertaining to a case is documented in the C-IV journal section that is shared by the eligibility worker and the FIU investigator.

Investigated referrals may result in criminal or non-criminal cases. The Welfare and Institutions Code Section 10980 states that a person who has obtained aid willfully and knowingly, with the intent to deceive, over \$950 is punishable by a fine, imprisonment, or both. The PID uses \$950 as a threshold for criminal cases. Criminal cases will be referred to the District Attorney's office where they determine whether the County will pursue a criminal investigation based on the information provided by the FIU. There are two attorneys assigned specifically to the PID and a determination will be made regarding whether a case will be pursued as criminal. Once investigated, arrest warrants may be issued and delivered to FIU. During FY19, the PID closed 6,136 noncriminal cases and 229 criminal cases.

Scope and Objectives

Our audit examined the Human Services – Program Integrity Division’s Fraud Investigative Unit investigation process for the period of July 1, 2018, through June 30, 2019.

The objectives of our audit were to:

- Evaluate the efficiency and effectiveness of the investigation process.
- Determine the existence and effectiveness of internal controls in the investigation process.
- Verify compliance with laws and regulations related to Welfare Fraud.

Methodology

- Interview Fraud Investigation Unit staff regarding the investigation process.
- Review of Department policies and procedures.
- Review of crime reports and supporting documentation for criminal and non-criminal case referrals closed from July 1, 2018, through June 30, 2019.

Finding 1: PID office procedures could be improved.

The Internal Controls and Cash Manual "Control Environment and Procedures" section on page 2-2 states that an effective internal control structure is the Department's control environment and procedures, which includes such factors as management's philosophy and operating style, organizational structure, methods of assigning authority and responsibility, and personnel policies and practices. The PID office procedures "Logging Complaints and Fraud Referrals" section on page 2-5 states that complaints and fraud referrals received at PID via telephone, mail, or online via the Welfare Fraud website are recorded by the Complaints Duty Office Assistant (OA) on the Daily Complaints Log.

Based on our testing, we noted the following conditions:

- There were 4 instances out of our sample of 127 fraud investigation case files where the Complaints Duty Office Assistant did not record the fraud referrals on the Daily Complaints Log as required by the PID office procedures.
- C-IV complaint codes are used to classify the type of complaints received. The codes listed on investigative case files tested did not agree to the complaint codes listed in the PID office procedures.

The PID stated that current written policies and procedures are outdated. As there are potentially criminal cases handled by PID, there is a possibility of the investigation process being challenged at a trial. With a clear written policy, investigation actions and outcomes can be thoroughly documented in each case file, which may reduce potential liability to the County. Additionally, well-documented policies and procedures are important to ensure continuity of operations and training when employee turnover occurs.

Recommendation:

We recommend management develop, implement, and enforce adherence to official policies and procedures over the fraud investigation process. We also recommend management ensure all policies and procedures are updated and each staff who is involved in the fraud investigation process is provided a copy of the updated policies. We further recommend that all staff who are involved in the fraud investigation process, are trained on the new policies and that the training is completed each time there is a turnover of staff in the fraud investigation process.

Management's Response:

Fraud Investigative Unit does agree with the guidelines set in PID's office procedure manual and documenting the correct code on referrals. The Clerical Unit comprising of all Office Assistants have been notified and educated on the matter and an email has

been sent to them referencing the correct procedure for documenting the specific referrals. Corrective action is taken and follow-up to monitor adherence is in place.

Auditor's Response:

PID's actions taken will correct the deficiencies identified in the finding.