



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

Food Stamp Program
Administrative Costs
California



Report No.
27099-18-SF
July 2002



UNITED STATES DEPARTMENT OF AGRICULTURE
OFFICE OF INSPECTOR GENERAL
Western Region - Audit
75 Hawthorne Street, Suite 200
San Francisco, California 94105-3920
TEL: 415-744-2851 FAX: 415-744-2871



DATE: July 3, 2002

REPLY TO
ATTN OF: 27099-18-SF

SUBJECT: Food Stamp Program Administrative Costs –
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 Food Stamp Program administrative costs claimed by the State of California for fiscal year 2000. Your June 21, 2002, response to the draft report is included as exhibit E of the report. Excerpts from your response have been incorporated into the relevant sections of the report.

We are unable to accept your management decision for all recommendations. In accordance with Department Regulation 1720-1, we will be able to accept your management decision on Recommendation Nos. 1, 4, 5, and 7 when you provide us with documentation that the State was billed for the questioned costs. We will be able to accept your management decision on Recommendation Nos. 2, 3, 6 and 8 when you provide us with your plan and a timeframe for implementing the corrective action.

Please furnish a reply within 60 days describing the corrective action taken or planned and the timeframes for implementation of all of our recommendations. Please note that the regulation requires a management decision to be reached within a maximum of 6 months from report issuance. 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 this review.

/s/

SAM W. CURRIE
Regional Inspector General
for Audit

EXECUTIVE SUMMARY

FOOD STAMP PROGRAM ADMINISTRATIVE COSTS- CALIFORNIA AUDIT REPORT NO. 27099-18-SF

RESULTS IN BRIEF

This report presents the results of our audit of the costs claimed by the California Department of Social Services (CDSS) for administering the Food Stamp Program (FSP). Our objective was to determine the accuracy of CDSS' administrative cost claim for Federal fiscal year (FY) 2000 and to verify the allowability of the costs.

We reviewed CDSS' cost claim (i.e., Financial Status Report) and judgmentally selected 8 of 16 cost categories for a more detailed review: certification, management evaluations (ME), nutrition education, automated data processing operations, and all four employment and training categories. These categories represented \$109 million out of \$266 million (41 percent) in administrative costs claimed by CDSS.

We found that CDSS' claims were not always accurate and the costs were not always supportable. Based on our review, we questioned over \$9 million:

- CDSS claimed \$8,511,670 in prior fiscal years' expenditures in FY 2000. CDSS claimed it had a verbal agreement with FNS to claim prior years' expenditures in the current year. However, FNS was unaware of any verbal or written agreement to that effect. As a result, CDSS overstated its FY 2000 claim and was overreimbursed \$8,511,670. Although CDSS may retroactively submit a claim, funds appropriated for those years may not be available.
- CDSS could not support its claim of \$517,783 for ME reviews. After repeated requests, CDSS could not provide us with documentation that it had conducted any ME reviews for the 58 counties in FY 2000. Officials claimed the documentation was misplaced during a reorganization.

Since the county offices administer the FSP, we judgmentally selected 3 of 58 county offices (Alameda, Fresno, and Los Angeles) to review their expense claims. In FY 2000, these three counties expended \$138.5 million, or 49 percent, of county-level administrative costs. Of this amount, we judgmentally sampled over \$9.4 million (6.8 percent). At two of the three county offices, we found that unallowable costs were charged to the FSP.

- Los Angeles County claimed \$57,700 in unallowable costs to the FSP. Examples of these costs included microwave ovens, catering costs for celebrations, training costs unrelated to FSP, and settlements for lawsuits against the county. Officials incorrectly believed that these costs were allowable.
- Fresno County claimed unallowable “marriage license fees” totaling \$9,702 to the FSP. According to a county official, the fees were mistakenly included in the claim.

KEY RECOMMENDATIONS

We recommend that FNS recover from CDSS a total of \$9,096,855 (see exhibit A). Also, FNS should ensure that CDSS complies with the frequency requirements for conducting ME reviews.

AGENCY RESPONSE

In its June 21, 2002, written response to the draft report, the FNS Western Regional Office concurred with the report findings and recommendations. FNS’ response is included as exhibit E of this report.

TABLE OF CONTENTS

EXECUTIVE SUMMARY	i
INTRODUCTION	1
FINDINGS AND RECOMMENDATIONS.....	5
CHAPTER 1 – PRIOR YEARS’ EXPENDITURES WERE CLAIMED IN FY 2000 ..	5
FINDING NO. 1	5
Recommendation No. 1.....	6
Recommendation No. 2.....	7
Recommendation No. 3.....	7
CHAPTER 2 – CDSS COULD NOT PROVIDE DOCUMENTATION THAT IT CONDUCTED ME REVIEWS IN FY 2000	9
FINDING NO. 2	9
Recommendation No. 4.....	10
CHAPTER 3 – COUNTIES CLAIMED UNALLOWABLE COSTS	11
FINDING NO. 3.....	11
Recommendation No. 5.....	13
Recommendation No. 6.....	13
Recommendation No. 7.....	14
CHAPTER 4 – LOS ANGELES COUNTY DID NOT ALWAYS ADHERE TO RMTS PROCEDURES.....	15
FINDING NO. 4	15
Recommendation No. 8.....	15
EXHIBITS	
A – SUMMARY OF MONETARY RESULTS.....	17
B – SITES VISITED	18
C - PRIOR YEARS' EXPENDITURES CLAIMED BY CDSS IN FY 2000.....	19

D – LOS ANGELES COUNTY CLAIMED COSTS UNRELATED TO THE FOOD STAMP PROGRAM – FY 2000..... 20

E – FNS’ WRITTEN RESPONSE TO THE DRAFT REPORT..... 21

ABBREVIATIONS 24

INTRODUCTION

BACKGROUND

In 1977, Congress passed Public Law 95-113, the Food Stamp Act, which made the FSP a permanent, Federal food assistance program that provides support to needy households. FNS funds the full cost of food stamp benefits and generally reimburses the States for 50 percent of their direct and indirect administrative costs. In FY 2000, FNS received over \$17 billion for the FSP, including \$2.1 billion for administrative costs.

Title 7, Code of Federal Regulations, part 277, establishes uniform requirements for the management of funds provided to the States for the administration of the FSP. Appendix A of this part, "Principles for Determining Costs Applicable to Administration of the Food Stamp Program by State Agencies," sets forth the principles for determining the allowable costs of administering the program.

States administer the program through their welfare offices or, in some cases, through county welfare agencies under the oversight of the State. Quarterly, States are required to submit a Financial Status Report to claim program costs. The report identifies major allowable cost categories such as certification, employment and training, ADP operations, and nutrition and education. Employment and training is designed to improve the employability of FSP recipients; and nutrition and education educate FSP recipients in making healthy food choices in their diet. Other allowable costs are listed in the Office of Management and Budget (OMB) Circular A-87, "Cost Principles for State, Local, and Indian Tribal Governments."

In California, the FSP is administered by the California Department of Social Services (CDSS) and is implemented at the local level by 58 county welfare offices. County offices (CO) are reimbursed through the State by submitting a County Expense Claim.¹ The total Federal outlay for the FSP administrative costs increased from \$207 million in FY 1999 to \$266 million in FY 2000. This represented an increase of 29 percent in 1 year, when monthly participation decreased 10 percent from 2,027,089 recipients in FY 1999 to 1,831,697 in FY

¹ The County Expense Claim (DFA 325) is a State form used by counties to summarize costs from all Federal, State and county programs.

2000. In FY 2000, California's administrative cost per FSP participant was \$145, compared to a national average of \$121.

CDSS and its counties base their direct and indirect administrative costs on their cost allocation plan approved by the cognizant Federal agency, the U.S. Department of Health and Human Services (HHS). Prior to approval, FNS has the opportunity to review the cost allocation plan and submit comments and recommendations to HHS. The FSP administrative costs are charged directly through case counts, direct charge, or staff effort; or distributed based on the results of monthly time studies or other approved methodologies such as the Random Moment Time Study (RMTS).

Under RMTS, management selects a statistical sample of employees to indicate the programs they worked on at the sample time. After management summarizes the information from the sample forms, a percentage of participation is compiled for each financial program. The information is used to distribute costs to each program.

OBJECTIVES

Our objective was to determine the accuracy of CDSS' administrative cost claims for FSP and the allowability of those costs.

SCOPE

We performed this audit as part of our on-going review of States in the OIG western region. We selected California because (1) its FSP administrative costs increased, even though its monthly participation decreased, and (2) it had a high administrative cost per FSP participant compared to the national average.

CDSS is responsible for claiming reimbursement for State and county administrative costs. We reviewed CDSS' Financial Status Reports for FY 2000. Based on their high dollar value, we judgmentally selected 8 of 16 cost categories for more detailed examination—certification, management evaluation, ADP operation, nutrition education, and all four employment and training categories. These categories represented \$109 million out of \$266 million (41 percent) in administrative costs.

After noting discrepancies in the handling of prior year expenditures, we expanded our scope to include FY's 1997 through 1999. Also, since CDSS could not provide us with evidence that they conducted ME reviews in FY 2000, we expanded our scope in this area to FY

2001 to determine if ME reviews were being conducted in the most current year.

In addition, we judgmentally selected 3 out of 58 counties (Alameda, Fresno, and Los Angeles) based on their size and location. For FY 2000, these three counties expended \$138.5 million, or 49 percent of the State's total FSP administrative cost reimbursement. Of this amount, we judgmentally sampled over \$9 million, selecting large or unusual costs for staff training, other operating costs, and costs under the generic categories. We also reviewed the Random Moment Time Study (RMTS) used by the Los Angeles County to allocate its FSP administrative costs.

We performed fieldwork from May 2001 through November 2001 at the FNS Western Regional Office in San Francisco; CDSS in Sacramento; California Department of Health Services in Sacramento; and our selected three counties (see exhibit B).

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

METHODOLOGY

To accomplish our objectives, we performed the following procedures:

- We reviewed regulations, policies, and procedures governing FSP administrative costs, including Office of Management and Budget (OMB) Circular A-87.
- We interviewed FNS Western Regional Office officials to determine what controls are used to monitor FSP administrative costs at the State agencies and to identify any issues concerning the budget approval process.
- At the FNS Western Regional Office, we reviewed a recent FNS financial management review of the State of California, FNS program and fiscal review of the California Nutrition Network's Food Stamp Nutrition Education Plan, records of ME reviews conducted by CDSS, and CDSS' cost allocation plans approved by HHS.
- We interviewed an official at HHS' Division of Cost Allocation to determine if she identified any problems relating to CDSS' cost allocation plan.

- We reviewed the most recent OMB Circular A-133 Single Audit report for California and related CO's to identify issues concerning the allocation of State administrative costs.
- We reviewed CDSS accounting records and analyzed the reimbursement claims made on the final Financial Status Report for FY 2000.
- We traced CO administrative costs from the County Expense Claim to worksheets used to compile the data and traced those worksheets to the COs' ledgers to determine if there were any discrepancies.
- We interviewed State and CO officials responsible for recording and reporting administrative costs and completing the RMTS.

FINDINGS AND RECOMMENDATIONS

CHAPTER 1	PRIOR YEARS' EXPENDITURES WERE CLAIMED IN FY 2000
------------------	----------------------------------------------------------

FINDING NO. 1

CDSS claimed expenditures that were incurred in FY's 1997 through 1999 as FY 2000 expenditures. CDSS claimed it had a verbal agreement with FNS to claim prior years' expenditures in the current year. However, FNS was unaware of any verbal or written agreement to that effect. As a result, CDSS overstated its claim and was overreimbursed by \$8,511,670² (see exhibit C) for FY 2000.

The Appropriations Law³ states, "annual appropriations are available only to meet bona fide needs of the fiscal year for which they are appropriated.... If an agency fails to obligate its annual funds by the end of the fiscal year for which they were appropriated, they cease to be available for obligation and are said to have 'expired' for obligational purposes.... Annual appropriations remain available for an additional five years beyond expiration, however, to make payments to liquidate liabilities arising from obligations made within the fiscal year for which the funds were appropriated."

In a prior OIG audit report,⁴ auditors found that CDSS incorrectly claimed prior fiscal years' expenditures in FY 1991. In a memorandum dated October 5, 1993, FNS informed the Director of CDSS that "it is FNS' policy that cost incurred in a given fiscal year must be paid by that fiscal year's grant, therefore maintaining the fiscal year integrity of funds."

² This amount represents the FSP share invoiced by the contracted agencies to perform nutrition and education, and ADP services.

³ U.S. General Accounting Office, Principles of Federal Appropriations Law, Second Edition, Vol. I Chapter 5, dated December 1992, pages 5-4 and 5-5.

⁴ Audit report No. 27018-4 SF dated July 1993.

Under contractual agreements, other State agencies performed nutrition education and ADP operations for CDSS. In some cases, these agencies submitted invoices to CDSS nearly 2 years after they performed their services. We determined that CDSS charged 38 invoices from prior years⁵ to the current year, thereby overstating its claim by \$8,511,670. As a result, CDSS was overreimbursed for that amount for FY 2000.

State agencies may claim prior years' expenditures by submitting amended reports up to 3 years prior to the end of the last fiscal year. However, to properly recognize prior period expenditures, CDSS must obligate funds when it contracts with a vendor, even though it may not expect to pay for the goods or services until the following fiscal year. Although CDSS is currently obligating its contractual liabilities, it failed to obligate them for FY's 1997 through 1999.

A CDSS official claimed there was a verbal agreement with a former FNS employee to claim prior years' expenditures as current year expenditures. However, officials at the FNS Western Regional Office were unaware of any verbal agreements with CDSS.

FNS should recover the \$8,511,670 for FY 2000. CDSS may retroactively submit a claim for FY 1998 and FY 1999. (The \$86,737 incurred in FY 1997 is already beyond a 3-year limitation set by Federal Regulations.⁶) However, since CDSS failed to establish any obligations in FY's 1998 or 1999, funds may no longer be available to reimburse the agency for the remaining balance of \$8,424,933.

RECOMMENDATION NO. 1

Recover from CDSS \$8,511,670 in prior fiscal years' expenditures that were claimed for FY 2000.

FNS Response

⁵ These prior year invoices were for contractual services rendered in FY's 1997 through 1999.

⁶ 7 CFR 277.11 (d), dated January 1, 2001.

In its written response to the draft report, dated June 21, 2002, FNS concurred with this finding and recommendation.

OIG Position

We are unable to accept your management decision until you provide us with documentation that the State was billed for \$8,511,670.

RECOMMENDATION NO. 2

Instruct CDSS to adjust its Financial Status Report for FY 2000 and for the affected prior fiscal years to accurately show the expenditures of those years.

FNS Response

In its written response to the draft report, dated June 21, 2002, FNS concurred with this finding and recommendation.

OIG Position

We are unable to accept your management decision until you provide us with your plan and a timeframe for implementing the corrective action.

RECOMMENDATION NO. 3

Require CDSS to implement controls to ensure prior period expenditures are charged to the year in which they were incurred.

FNS Response

In its written response to the draft report, dated June 21, 2002, FNS concurred with this finding and recommendation.

OIG Position

We are unable to accept your management decision until you provide us with your plan and a timeframe for implementing the corrective action.

CHAPTER 2**CDSS COULD NOT PROVIDE DOCUMENTATION THAT IT CONDUCTED ME REVIEWS IN FY 2000****FINDING NO. 2**

CDSS was unable to provide documentation to support that it had conducted any Management Evaluation (ME) reviews for FY 2000. According to a CDSS official, the documentation was misplaced during the department's reorganization and could not be located. As a result, in the absence of this documentation, we question the \$517,783 charged to the FSP by CDSS for this purpose.

Regulations⁷ state, "State agency shall maintain Performance Reporting System records to permit ready access to, and use of, these records...precautions should be taken to ensure that these records are retained without loss or destructions for the 3-year required by these regulations." Regulations⁸ further state, "review worksheets shall be retained in orderly fashion and made available to FNS upon request."

The purpose of ME reviews is to measure the counties' compliance with FSP regulations and to provide FNS a continuous flow of information regarding the FSP operations. Regulations require the State to submit ME review schedules and to use a review worksheet to identify the county, scope, methodology, and all review findings.⁹

On numerous occasions, we requested the documentation related to FY 2000 ME reviews. CDSS was unable to provide us with either the reviews or a review schedule. We later found that FNS had also requested documentation of the ME reviews but was unsuccessful in obtaining it. Until CDSS provides documentation that it conducted the FY 2000 ME reviews, CDSS should reimburse \$517,783 to FNS.

⁷ 7 CFR 275.4(a), dated January 1, 2000

⁸ 7 CFR 275.9(d)(2), dated January 1, 2000

⁹ 7 CFR 275.9(2)(d) and 275.20(a), dated January 1, 2000

RECOMMENDATION NO. 4

Unless CDSS can provide documentation that ME reviews were conducted in FY 2000, recover \$517,783 in ME costs.

FNS Response

In its written response to the draft report, dated June 21, 2002, FNS stated that: *"FNS concurs with this recommendation, but also notes that corrective action and error reduction activities are also claimed in this category. The State may produce documentation of either to support the expenditures cited above."*

OIG Position

We are unable to accept your management decision until you provide us with documentation that the State was billed for \$517,783 or you provide us with support for the expenditures cited above.

FINDING NO. 3

Los Angeles County (Department of Public and Social Services) and Fresno County (Human Services System) claimed unallowable costs under the FSP in FY 2000. These costs were unallowable because they were unrelated and unnecessary to the FSP operations. As a result, FNS overreimbursed these two counties a total of \$67,402 in FSP funds.

The Office of Management and Budget (OMB) Circular A-87¹⁰ states, “the principles are designed to provide that Federal awards bear their fair share of cost recognized under these principles....”

Counties use time or observations reported by designated staff as a basis for distributing cost to various financial programs. The Federal share of the unallowable costs was reimbursed to the counties on an allocation basis determined by these time studies.

We judgmentally selected 3 out of 58 counties (Alameda, Fresno, and Los Angeles) in California because of their size and location. In Alameda County, our review did not disclose any reportable conditions; however, we identified unallowable costs in both Los Angeles and Fresno Counties.

Los Angeles County

Los Angeles County allocated costs that were unallowable or unrelated to the FSP. Officials incorrectly believed that the costs were part of the administrative costs. As a result, FNS overreimbursed the county by \$57,700 (see exhibit D) in FSP funds.

Regulations¹¹ state, “To be allowable under the Program, costs must meet the following... be necessary and reasonable for proper and efficient administration of the Program... not be a general expense required to carry out the overall responsibilities of State or local government.”

¹⁰ Cost Principles for State, Local, and Indian Tribal Governments, Attachment A (A.1) revised May 4, 1995, as further amended August 29, 1997.

¹¹ 7CFR 277, Appendix A (C)(1) dated January 1, 2000.

In FY 2000, Los Angeles County was reimbursed \$116.6 million for FSP administrative costs. We reviewed the allowability of the county's claims by judgmentally sampling 55 expenditures totaling \$6.6 million. We found that in 21 of 55 expenditures sampled (see exhibit D), the county had incorrectly claimed costs for catering, training, and consulting costs that were unrelated to the FSP. Examples included litigation settlements, catering at a county graduation ceremony, and a "Teens with Special Needs Programs" celebration, conferences for "Children's Defense", and microwave ovens.

Los Angeles County agreed that with the exception of the catering services and the training costs, all of the unallowable costs should not have been claimed. However, county officials believed that its catering costs were appropriate if the primary purpose of its meeting was to disseminate technical information. Officials also believed that all training costs have a department-wide benefit, so they were pooled into the indirect costs.

We disagree that the catering costs are allowable because the primary purpose for the celebrations was not to disseminate technical information to the FSP. Also, since Los Angeles County was unable to provide evidence of how the training benefited the FSP, those costs should not have been claimed. Therefore, CDSS should reimburse FNS the \$57,700, the FSP share of the reimbursement.

Fresno County

From December 1999 through June 2000, Fresno County incorrectly claimed "marriage license fees" totaling \$146,672. According to a county official, the fees were mistakenly included in the County Expense Claim. As a result, FNS overreimbursed Fresno County by \$9,702, the FSP share¹² of these costs.

OMB Circular A-87¹³ states, "a cost is allocable to a particular cost objective if the goods or service involved are chargeable or assignable to such cost objective in accordance with relative benefits received."

¹²The FSP share of the total costs amounted to about 7.1 percent.

¹³ Cost Principles for State, Local, and Indian Tribal Governments, Attachment A (C)(3a) revised May 4, 1995, as further amended August 29, 1997.

In FY 2000, Fresno County was reimbursed over \$7 million for FSP administrative costs. We reviewed the allowability of the county's claims by judgmentally sampling 11 expenditures totaling \$1.4 million and determined that HSS had incorrectly claimed reimbursement for \$146,672 in "marriage license fees." An official stated that these fees were payments for a domestic violence program and were incorrectly included in the claim.

CDSS should reimburse FNS for \$9,702, the FSP share of the reimbursement.

RECOMMENDATION NO. 5

Recover \$57,700 in unallowable expenditures from CDSS claimed by Los Angeles County.

FNS Response

In its written response to the draft report, dated June 21, 2002, FNS concurred with this finding and recommendation.

OIG Position

We are unable to accept your management decision until you provide us with documentation that the State was billed for \$57,700.

RECOMMENDATION NO. 6

Instruct CDSS to require Los Angeles County to review its expenditures and recover any additional unallowable charges to the FSP.

FNS Response

In its written response to the draft report, dated June 21, 2002, FNS concurred with this finding and recommendation.

OIG Position

We are unable to accept your management decision until you provide us with your plan and a timeframe for implementing the corrective action.

RECOMMENDATION NO. 7

Recover \$9,702 in marriage license fees from CDSS that were erroneously claimed by the Fresno County.

FNS Response

In its written response to the draft report, dated June 21, 2002, FNS concurred with this finding and recommendation.

OIG Position

We are unable to accept your management decision until you provide us with documentation that the State was billed for \$9,702.

CHAPTER 4	LOS ANGELES COUNTY DID NOT ALWAYS ADHERE TO RMTS PROCEDURES
------------------	--------------------------------------------------------------------

FINDING NO. 4

Los Angeles County did not always adhere to its Random Moment Time Study (RMTS) procedures to allocate over \$116 million in FSP costs. This occurred because some employees were unaware of proper procedures. As a result, the reliability of the time study data used to distribute costs had been diminished.

The allocation plan¹⁴ states, “The worker indicates the appropriate program code to the observer, and initials the RMTS-1¹⁵ next to his or her name, indicating that the observation has been made and recorded.”

Los Angeles County uses RMTS to scientifically determine the amount of effort spent by a group of employees on various activities. Employees are periodically approached by a designated observer who logs the employees’ activity at that moment. The employee then validates the observation by initialing the log.

We reviewed the RMTS records for FY 2000, and determined that 12 of the 61 district offices did not obtain the initials of the observed employee. Without the employees’ verification, there is no assurance that Los Angeles County is accurately portraying the employees’ activities. As a result, this practice may have diminished the validity of the time study data used by Los Angeles County to determine \$116 million in administrative costs for FY 2000.

RECOMMENDATION NO. 8

Require CDSS to instruct Los Angeles County to ensure that its observers comply with RMTS instructions.

¹⁴ CDSS County Welfare Department Cost Allocation Plan, dated October 1999.

¹⁵ RMTS-1 is the “Random Moment Code Sheet” used to note observations and to obtain the worker’s initials.

FNS Response

In its written response to the draft report, dated June 21, 2002, FNS concurred with this finding and recommendation.

OIG Position

We are unable to accept your management decision until you provide us with your plan and a timeframe for implementing the corrective action.

EXHIBIT A – SUMMARY OF MONETARY RESULTS

RECOMMENDATION NUMBER	DESCRIPTION	AMOUNT	CATEGORY
1	Prior years' expenditures claimed in FY 2000	\$8,511,670	Questioned Cost, Recovery Recommended
4	CDSS could not support Management Evaluation reviews	\$517,783	Unsupported Cost, Recovery Recommended
5	Los Angeles County claimed unallowable costs	\$57,700	Questioned Cost, Recovery Recommended
7	Fresno County claimed unallowable costs	\$9,702	Questioned Cost, Recovery Recommended
TOTAL MONETARY RESULTS		\$9,096,855	

EXHIBIT B – SITES VISITED

SITE	LOCATION
FOOD AND NUTRITION SERVICE WESTERN REGIONAL OFFICE	San Francisco, CA
CALIFORNIA DEPARTMENT OF SOCIAL SERVICES Food Stamp Program Bureau Fund Accounting and Reporting Fiscal Systems Bureau Fiscal Policy Bureau	Sacramento, CA Sacramento, CA Sacramento, CA Sacramento, CA
CALIFORNIA DEPARTMENT OF HEALTH SERVICES Accounting Section	Sacramento, CA
COUNTY OFFICES: Alameda County Social Services Agency Los Angeles County Department of Public Social Services Fresno County Human Services System	Alameda, CA Los Angeles, CA Fresno, CA

**EXHIBIT C – PRIOR YEARS’ EXPENDITURES CLAIMED BY CDSS IN
FY 2000**

DESCRIPTION	FY 1997	FY 1998	FY 1999	TOTAL
Nutrition Education Costs	\$86,737	\$2,433,793	\$5,060,195	\$7,580,725
ADP Operations Costs	N/A	\$290,528	\$640,417	930,945
TOTAL PRIOR YEARS’ EXPENDITURES	\$86,737	\$2,724,323	\$5,700,610	\$8,511,670

**EXHIBIT D – LOS ANGELES COUNTY CLAIMED COSTS UNRELATED TO
THE FOOD STAMP PROGRAM – FY 2000**

DESCRIPTION	TOTAL COST	FSP PORTION
Catering		
Jay's Catering (Child Medi-Cal Enrollment Program Celebration)	\$2,650	\$407
Ogden Entertainment (Teens with Special Needs Program celebration)	9,879	2,166
Simply Unique Catering (county graduation ceremony)	2,699	592
Subtotal	15,228	3,165
Microwave		
U.S. Food Service (microwave ovens)	1,353	208
U.S. Food Service (microwave ovens)	1,083	237
Subtotal	2,436	445
Uninsured Losses Reimbursement		
Uninsured Losses Reimbursement (10/99)	1,551	238
Uninsured Losses Reimbursement (2/00)	2,289	366
Subtotal	3,840	604
Claim for Damage to Personal Vehicle		
Claim for Damage to Personal Vehicle (9/20/99)	2,630	404
Claim for Damage to Personal Vehicle (10/28/99)	3,454	552
Claim for Damage to Personal Vehicle (4/25/00)	10,325	1,792
Subtotal	16,408	2,747
Judgments & Damages Litigations		
Judgment & Damages Litigation (11/99)	3,410	545
Judgment & Damages Litigation (11/99)	364	58
Judgment & Damages Litigation (4/00)	4,832	1,059
Judgment & Damages Indemnity (6/00)	2,690	590
Subtotal	11,296	2,252
Settlements & Lawsuits		
Discrimination Lawsuit	10,000	1,599
Breach of Contract by Los Angeles County	100,000	21,924
Hitting a Pedestrian at the Crosswalk	11,000	1,909
Subtotal	121,000	25,432
Conferences & Travel Expenses		
Children's Planning Charge (planning councils & American Children's Council)	99,000	17,179
IHSS Asilomar Conference (travel advances for Adult Service Conference)	5,500	845
Travel Expenses (Children's Defense National Fund Conference 2000)	573	126
Subtotal	105,073	18,150
Consultant Services		
Consultant Services – CALWORKS	22,368	4,904
Total Unallowable Costs for Los Angeles County	\$297,650	\$57,700

EXHIBIT E – FNS’ WRITTEN RESPONSE TO THE DRAFT REPORT

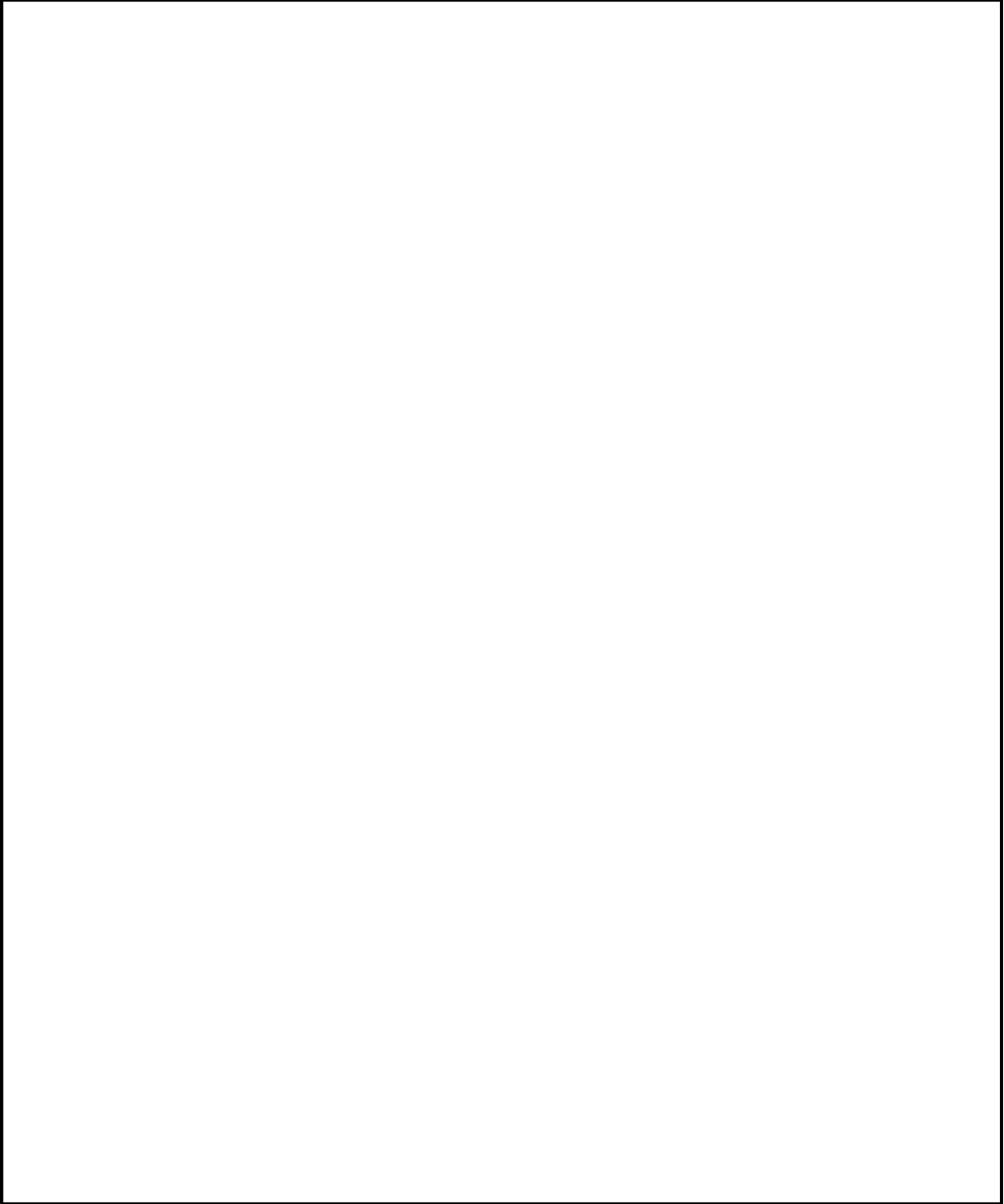


EXHIBIT E – FNS’ WRITTEN RESPONSE TO THE DRAFT REPORT

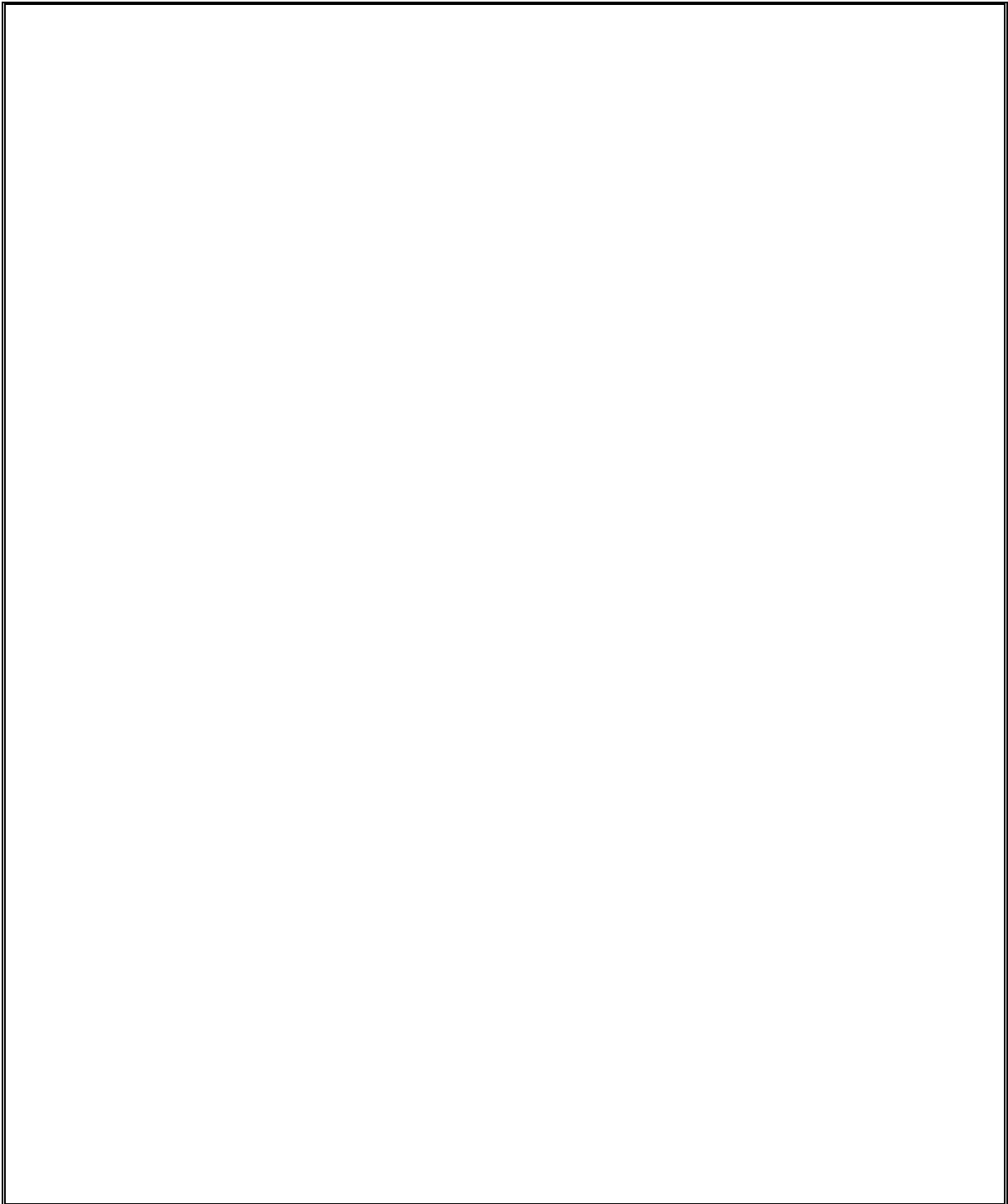


EXHIBIT E – FNS’ WRITTEN RESPONSE TO THE DRAFT REPORT



ABBREVIATIONS

ADP	Automated Data Processing
CDSS	California Department of Social Services
CFR	Code of Federal Regulations
CO	County Office(s)
FY	Fiscal Year
FNS	Food and Nutrition Service
FSP	Food Stamp Program
HHS	U.S. Department of Health and Human Services
ME	Management Evaluations
OMB	Office of Management and Budget
RMTS	Random Moment Time Study