

**County of Solano
Office of the Auditor-Controller**



**Internal Control Review of the
Solano County Department of Health and Social Services
Special Investigation Bureau (SIB) Accounts Receivable**

May 17, 2019

**Auditor-Controller: Phyllis Taynton, CPA
Auditor: Jasmine Herber, CPA**

Report No. 2019_12

**Internal Control Review of the
Solano County Department of Health and Social Services
Special Investigation Bureau (SIB) Accounts Receivable**

Table of Contents

	<i>Page</i>
Introduction.....	2
Background.....	2
Objective	5
Scope and Methodology	5
Conclusion	6
Findings and Recommendations	7

INTRODUCTION

At the request of the Department of Health and Social Services (H&SS) and pursuant to the fiscal year 2018/19 audit plan, we performed an internal control review of the H&SS Special Investigation Bureau (SIB) Accounts Receivable.

BACKGROUND

SIB is responsible for conducting investigations of alleged fraud in various public assistance programs, detecting fraud in those programs, and conducting verification inquiries in an effort to prevent fraud before it occurs. SIB is also responsible for collecting criminal and administrative overpayments and court ordered restitution stemming from criminal convictions for welfare fraud. In addition, SIB performs quality control reviews of active cases to ensure accuracy in benefit amounts granted, and conducts administrative appeals as requested by clients. A Welfare Fraud Investigator Manager oversees the five (5) Units within SIB¹.

Clients apply for various federal, state, and local government programs through the H&SS Employment and Eligibility Division (E&E). The programs include *CalWORKS*², *CalFresh*³ and General Assistance⁴. E&E staff process the application and determine which program a client qualifies. Benefits are paid through issuance of Electronic Benefit Transfer (EBT) card or County warrants.

Overpayments occur when a client receives benefits to which he/she was not eligible. Client errors and administrative errors may cause overpayments. Client errors are either intentional or unintentional. Intentional errors constitute fraud. This includes applying for benefits with false information and willfully withholding or misrepresenting income⁵. Unintentional errors typically occur when a client fails to provide requested information, supporting materials or verifications due to oversight, ignorance or misunderstanding of the relevant rules. Administrative error overpayments are caused by errors on the part of the County when all information necessary to a correct determination of the benefit was in possession of the County. Overpayments are recovered through voluntary cash recoveries, voluntary grant offset, offset of overpayment and underpayment, recoupment/grant adjustment⁶ and/or demand for repayment.

Solano County (County) is part of the *CalWIN*⁷ consortium. *CalWIN* is an integrated online, real-time automated system that supports administration of public assistance programs among member counties. E&E uses *CalWIN* to process applications for benefits. E&E also uses *CalWIN* to identify clients who received benefits to which they were not eligible. The County started to use *CalWIN* in 2005.

¹ Investigation Unit, Overpayment Recovery Unit, Appeals Unit, Accounting Unit, and Clerical Unit.

² *CalWORKS* is a public assistance program that provides cash aid and services to eligible families that have a child(ren) in the home.

³ *CalFresh* gives low-income individuals and families a way to buy more food, improve nutrition and stretch the grocery budget.

⁴ General Assistance (GA) is a County funded program which provides cash assistance to adults without dependents. GA is a loan and the client must pay it back.

⁵ Welfare fraud overpayments amounting to \$5,000 or more are referred to the District Attorney for prosecution.

⁶ 5% is recouped for overpayment due to administrative error and 10% for client error.

⁷ California Work Opportunity and Responsibility to Kids Information Network

SIB uses *VACS*⁸ to manage billings and collections for benefit overpayment and general assistance loans. *VACS* is an automated accounts receivable system developed by Ventura County. Thirteen (13) California counties are currently using *VACS*.

Welfare cases are entered and administered through *CalWIN*. If a benefit overpayment is identified, the E&E eligibility worker prepares the necessary paperwork and processes the overpayment in *CalWIN*. *CalWIN* interfaces with *VACS* overnight. SIB Accounting reviews the overpayment and initiates billing⁹. Statements are mailed to clients every month¹⁰. SIB Accounting processes payments received from clients, payments through tax intercept, recoupment, and reduction of benefits.

The total outstanding accounts receivable as of June 30, 2018 is \$37,853,527. Table 1 below shows the details of the accounts receivable balance.

Table 1 Accounts Receivable Balance as of June 30, 2018

Program	Outstanding Balance as of 6/30/2018	
CalWORKS	\$ 15,818,826	
CalFresh	\$ 7,963,301	
Welfare to Work	\$ 228,427	
General Assistance	\$ 13,096,612	
Foster Care	\$ 619,291	
Other	\$ 127,070	*
TOTAL	\$ 37,853,527	

*Homeless \$21,305, Adoption Assistance \$53,296, SED \$46,841, Refugee Cash Assistance \$1,621, IHSS \$1,585, GAIN \$2,076, SCC \$346

Source: VACS

⁸Ventura Automated Collections System

⁹ Some overpayments are entered manually. Examples include overpayments identified by SIB Overpayment Recovery Unit as a result of welfare fraud investigation or income and eligibility verification system. Manual overpayments are entered both into *CalWIN* and *VACS*.

¹⁰ SIB bills the client for 10 years after the last payment.

Total collections for FY 2017/18 were \$2,313,945 or 6% of the outstanding accounts receivable. Table 2 below provides the details of the collections.

Table 2 Collections for FY 2017/18 by Programs and Recovery Method

Program	Payments from Clients*	Tax Intercept	EBT**	Recoupment	Total
CalWORKS	\$ 94,252	\$ 406,975	\$ 13,542	\$ 290,171	\$ 804,940
CalFresh	\$ 161,481	\$ 654,565	\$ 146,802	\$ 398,212	\$ 1,361,060
Welfare to Work	\$ 87	\$ 2,140	\$ 684	\$ -	\$ 2,911
General Assistance	\$ 17,890	\$ -	\$ 1,361	\$ 3,734	\$ 22,985
Foster Care	\$ 113,061	\$ -	\$ -	\$ -	\$ 113,061
Aid to Adoption	\$ 8,988	\$ -	\$ -	\$ -	\$ 8,988
TOTAL	\$ 395,759	\$ 1,063,680	\$ 162,389	\$ 692,117	\$ 2,313,945

* Consist of check, cash, money order, debit and credit card payments

** Voluntary EBT deduction

Source: VACS

Total accounts receivable as of December 31, 2018 is \$38,242,383. Table 3 below shows the details of the accounts receivable balance.

Table 3 Accounts Receivable Balance as of December 31, 2018

Program	Outstanding Balance as of 12/31/18
CalWORKS	\$ 15,943,721
CalFresh	\$ 7,952,594
Welfare to Work	\$ 230,063
General Assistance Loans	\$ 13,411,909
Foster Care	\$ 574,948
Other *	\$ 129,148
TOTAL	\$ 38,242,383

*Homeless Assistance \$18,488, Adoption Assistance \$59,257, SED \$40,814, Refugee Cash Assistance \$1,621, IHSS \$1,585, GAIN \$2,076, SCC \$346, Temporary Homeless \$4,962

Source: VACS

Thirty-four percent (34%) of the accounts receivable balance as of December 31, 2018 are over 10 years old and eleven percent (11%) are invalid due to incomplete or missing documentation.

Table 4 below shows the aging of accounts receivable as of December 31, 2018.

Program	<u>< than 1 year</u>	<u>1 - 3 years</u>	<u>3 - 10 years</u>	<u>> 10 years</u>	<u>Invalid debts</u>	<u>Total</u>
CalWORKS	\$ 856,228	\$ 1,338,124	\$ 4,125,673	\$ 7,273,191	\$ 2,350,505	\$ 15,943,721
CalFresh	\$ 1,102,451	\$ 1,708,619	\$ 3,071,972	\$ 769,273	\$ 1,300,279	\$ 7,952,594
Welfare to Work	\$ 9,835	\$ 10,632	\$ 205,754	\$ 3,183	\$ 659	\$ 230,063
General Assistance	\$ 591,290	\$ 1,150,038	\$ 6,698,534	\$ 4,461,247	\$ 510,800	\$ 13,411,909
Foster Care	\$ 53,969	\$ 111,138	\$ 114,603	\$ 290,117	\$ 5,121	\$ 574,948
Other*	\$ 11,808	\$ 3,970	\$ 31,954	\$ 73,995	\$ 7,421	\$ 129,148
TOTAL	\$ 2,625,581	\$ 4,322,521	\$14,248,490	\$ 12,871,006	\$ 4,174,785	\$ 38,242,383

* Homeless Assistance, Adoption Assistance, SED, Refugee Cash Assistance, IHSS, GAIN, Temporary Homeless

Source: Prepared by auditor using data from VACS

On April 23, 2019, the County's Board of Supervisor approved the Joint Exercise of Power (JPA) for the California Statewide Automated Welfare System Consortium (*CalSAWS*) to manage the design, development, implementation, and ongoing maintenance and operations of a new single statewide automated welfare system and the Memorandum of Understanding (MOU) between *CalSAWS* Consortium and the County to provide administrative support for the fulfillment of the Consortium's purpose effective June 28, 2019. The Centers for Medicare and Medicaid Services and the United States Department of Agriculture Food and Nutrition Services require that California implement a single statewide state automated welfare systems by the end of 2023. *CalSAWS* will replace *CalWIN*.

OBJECTIVE

The objectives of our review were to evaluate the effectiveness and efficiency of the internal controls, policies, procedures, and practices in billing and collection of benefit overpayments and general assistance loans using *VACS*.

SCOPE AND METHODOLOGY

The scope of our review included reviewing Accounts Receivable policies, procedures, and practices in place as of December 31, 2018. To achieve our objective, we interviewed key staff, observed operations, obtained and reviewed policies and procedures, identified and evaluated internal controls, and tested relevant documentation.

We conducted our review in accordance with the *International Standards for the Professional Practice of Internal Auditing* as developed by the Institute of Internal Auditors.

Our review did not include an assessment of the process for determining the amount of overpayment.

In any system of internal controls inherent limitations exist which may result in errors or irregularities occurring and not being detected. Limitations may include, but are not limited to, resource constraints, management override, and circumvention of internal controls by collusion. Accordingly, our review would not necessarily disclose all weakness in the operating procedures, accounting practices, and compliance with County policy.

CONCLUSION

Based upon our review, we identified the following deficiencies in internal controls and opportunities for improvement in the billings and collections process for benefit overpayments and general assistance loans:

1. Aging of accounts receivable not done.
2. Uncollectible/invalid debts due to incomplete or missing documentation.
3. Accounts receivable not recorded in *OneSolution*.
4. Inadequate segregation of duties.
5. Lack of supervisory review of account write offs and adjustments.
6. Need to improve collection efforts on General Assistance loans.
7. Lack of formal written policies and procedures for managing accounts receivable.
8. More involvement of H&SS Fiscal in the accounts receivable process.
9. Evaluate the cost benefit of collecting delinquent accounts including mailing billing statements.

The following pages provide a detailed description of our findings and the related recommendations. The findings and the related recommendations should assist H&SS in managing accounts receivable for benefit overpayments and general assistance loans.

The Internal Audit Division thanks the Department of Health and Social Service for their time, assistance, and cooperation during our review.

FINDINGS AND RECOMMENDATIONS

A. Aging of outstanding accounts receivable not done

VACS does not have the ability to age the accounts/cases but the data is available in VACS. SIB Accounting maintains significant amount of old receivables on its books. Based on our analysis, of the \$38.2 million accounts receivable balance as of December 31, 2018, \$12.8 million or 34% is more than 10 years old, \$14.2 million or 37% is between 3 to 10 years old, \$4.3 million or 11% is between 1 to 3 years old and \$2.6 million or 6% is less than 1 year old. SIB Accounting sends billing statements for up to 10 years since the last payment was made on the account/case.

Best practice requires government agencies to record all accounts receivable in a manner that allows for aging analysis. Best practice also requires government agencies to review available collection options and establish procedures that maximize collections. Aging of outstanding accounts receivable provides a snapshot of the accounts that are in good standing and accounts that are delinquent. It also helps to monitor collection efforts.

SIB Accounting represented aging of receivables is not necessary as most cases are referred to the State's tax intercept program and will remain on the program unless the client contacts them to dispute the collection or to make payment. Without aging of receivables, SIB Accounting is not able to determine old accounts and as such, old uncollectible accounts remain outstanding. SIB Accounting also incurs unnecessary postage expenditures as staff continues to mail the statements. SIB Accounting is not able to put more efforts on collecting accounts that have higher chance of collectability.

Recommendations:

1. Analyze collections based on method of collection and age of receivables.
2. Develop a tool or mechanism to track and age the outstanding account balances. This includes using Microsoft Excel features such as PVOT table to generate aging of accounts using data obtained from VACS.
3. Establish a policy for writing off old uncollectible accounts and write off accounts that meet the criteria for write off.

Management response:

We agree with the recommendations.

Solano County is part of a consortium of sixteen counties that use the VACS system to collect welfare benefit overpayments. VACS has been in place since mid to late 1990s and does not have a lot of reporting capabilities that exist in more sophisticated systems. With the statewide implementation of a single Statewide Automated Welfare System (CalSAWS) by the end of 2023, SIB is looking into using the CalSAWS collection module to replace VACS. In the interim, SIB will manually download data from the VACS system and use Excel to generate an Aged Accounts Receivables Report to facilitate the review of receivables and use a collection agency to pursue collection efforts. SIB will implement this by December 31, 2019.

SIB is in the process of developing a Write Off Policy and will coordinate with H&SS Administration (Fiscal) and the Auditor Controller's Office to review. H&SS will return to the Board of Supervisors to obtain approval of the Write-Off Policy by October 1, 2019.

On 02/21/2019 the California Department of Social Services released All-County Letter (ACL) 19-19. This ACL was to become effective on 07/01/2019. Pursuant to ACL 19-19, counties would have been required to "discharge" CalWORKS debts if the client had not received CalWORKS benefits in California for the last 36 months except for in cases involving fraud. The "discharge" provision would have applied retroactively to debts from 12/01/1996 and forward.

The "discharge" provision in ACL 19-19 has now been put on hold. Per the Draft Erratum to ACL 19-19, this will be implemented when CalSAWS is able to perform the automation necessary for implementation. SIB anticipates closing out a significant portion of the outstanding CalWORKS receivables when the State implements the "discharge" provision.

B. Incomplete paperwork resulted in uncollectible debts

The outstanding accounts receivable balance as of December 31, 2018 of \$38,242,383 included invalid debts amounting to \$4,174,785. Some of the invalid debts were dated as far back as October 1997.

A completed notice of action form and completed worksheet/verified claim determination is required to open a case for collections. Eligibility workers are required to ensure that complete paperwork are on file for all identified overpayments so that SIB Accounting can bill the client.

Based on our discussion with SIB Accounting, the invalid debts are due to incomplete or missing paperwork. As a result, SIB Accounting is unable to bill the clients.

Recommendation:

1. Remind eligibility workers to ensure that documents necessary to bill the clients are complete for all identified overpayments.
2. Create a checklist of required documents when creating overpayment in *CalWIN*.
3. Consider providing additional training to workers.
4. Continue to follow-up with workers on cases with incomplete paperwork.

Management response:

We agree with the audit recommendation that SIB consider providing additional training to workers regarding the overpayment process. Eligibility workers receive some training regarding overpayments as a part of their initial training. Each year they are required to attend a refresher training regarding fraud. The training includes a short presentation of issues and reminders regarding overpayments presented by SIB. The importance of generating and sending the required paperwork is stressed at each of the sessions

SIB staff make multiple efforts to follow-up with workers, as well as with the lead worker and supervisor regarding missing or incomplete paperwork. When the case is assigned to a specific

worker it is more likely that the issues will be resolved. It is more difficult to resolve the issue when the case is part of a banked caseload and not assigned to a specific worker.

As a result of the review, SIB will work with Employment & Eligibility (E&E) management to assess whether additional training is needed. In addition, we will work to formulate a plan to deal with issues of missing or incomplete paperwork. This includes identifying a E&E point of contact that can resolve the issues when prior efforts to resolve the issue with the assigned worker have failed, or where the case does not have an assigned worker. Target completion date is December 31, 2019.

C. Accounts Receivable not recorded in *OneSolution*

SIB Accounting uses *VACS* to manage accounts receivable however, the related receivable is not recorded into *OneSolution*, the County's financial accounting system. As of December 31, 2018, receivables amounting to \$38,242,383 are not recorded in *OneSolution*.

Generally Accepted Accounting Principles (GAAP) requires receivables be recorded in the accounting system, with control accounts identified within the general ledger. The County uses *OneSolution* to record transactions and provide management with information needed for planning, controlling, and reporting the financial condition and operations of the County. Recording accounts receivables into *OneSolution* establishes accountability over the receivables and helps management in managing receivables due to benefit overpayments. The Auditor-Controller Office's (ACO) Policy and Procedures for Accounts Receivable – Billings and Collections also requires departments to record the total billing in the County's general ledger.

By not recording accounts receivable in the general ledger results in missed opportunities to improve the management and collection of accounts receivable as management is not apprised of the accounts receivable balance.

Recommendation:

Work with the ACO to create a control account to record accounts receivable.

Management response:

We agree with this recommendation. H&SS Administration (Fiscal) will work with the ACO to create a control account to record the accounts receivables by December 31, 2019. H&SS Administration (Fiscal) will review and use the Aged Accounts Receivables Report that will be generated by SIB to record the receivables.

D. Inadequate segregation of duties

Billings and collections functions in the SIB Accounting are not adequately segregated. Cases are assigned to staff based on client's last names. The same staff who prepares the billing statements for assigned cases also applies payment in *CalWIN* and *VACS*. We also identified one individual who is in charge of opening mail payments from clients, also prepares the

receipts for payments, applies the payments in *CalWIN* and *VACS*¹¹, changes the billing date and/or addresses on cases, and prints the billing statements.

Strong internal controls and good business practices provide for proper segregation of duties. All cash handling, receipting, and collecting responsibilities should be separated from invoicing and billing customers. Without proper segregation of duties, lapping may occur, cash may be stolen, revenues lost, records manipulated and falsified, and errors go undetected.

Recommendations:

1. Segregate cash handling, receipting, payment posting, invoicing and billing functions.
2. Alternatively, implement compensating controls such as increased monitoring by management or supervisor to mitigate the risks due to incompatible duties.

Management response:

We agree with these recommendations. Due to SIB's workload and staffing level, it is not possible to have a staff member that has cash handling, receipting or billing responsibilities not carry a collection caseload.

In order to segregate the duties related to cash handling and receipting, SIB has implemented a new procedure that requires two staff members to open the mail containing payments sent in by clients. If a payment is for an account that is assigned to the staff member who prepares receipts, the receipting of the payment will be done by another staff member.

Billing statements are produced once each month in batches based upon an alphabetical range. In order to segregate the production of the statements for those cases assigned to staff member who prints the statements, SIB has implemented a procedure requiring a different staff member to print the statements within that range.

E. Lack of supervisory review of accounts written off and adjustments

SIB Accounting has been writing off /adjusting accounts of clients who passed away and accounts of clients whose overpayments were determined to be invalid as a result of a fair hearing. Based on our review of twenty (20) accounts that were written off/adjusted during the period from December 2016 to August 2018 we did not find evidence that a supervisor reviewed the accounts that were written off.

An effective internal control structure requires a supervisor to review accounts written off/adjusted to verify whether the reason for write off/adjustment is appropriate and to check if the amounts written off/adjusted are correct. Supervisory review will also help to check if a staff member inappropriately adjusted/wrote off an account. SIB Accounting represented account write off/adjustment due to fair hearing are done by the Accounting Supervisor while staff usually writes off accounts due to client's demise and adjusts accounts due to intercounty

¹¹ Only on assigned cases.

transfer. Lack of supervisory review could result in accounts being improperly written off/adjusted.

Recommendation:

Require supervisory review to write off and adjust accounts.

Management response:

While we agree with the recommendation, it should be noted that all of transactions reviewed by the Auditor were entered correctly and the documentation in support of the write off or adjustment was in place. SIB implemented a new procedure requiring the Accounting Supervisor to run a report from VACS listing all of the write offs and other adjustments and to review each of the transactions on the report to ensure that the documentation supporting the write off or adjustment is in place and that the transactions were entered correctly

F. Need to improve collection efforts on General Assistance loans

Our review disclosed the amount of collection for General Assistance is very minimal. The table below shows the amount of collections for FY 17/18 and FY 16/17 in relation to the outstanding receivables:

	<u>FY 17/18</u>	<u>FY 16/17</u>
Total Collections	\$ 22,985	\$ 42,028
Total Accounts Receivable	13,411,909	\$ 13,096,612
Percentage of Collections	0.17%	0.32%

Additionally, SIB incurs approximately \$5,300 a year in postage to mail billing statements for General Assistance loan and General Assistance overpayments.

The General Assistance Program is 100% funded by the County General Fund. The Program is a loan program and client signs a form upon application agreeing to repay the loan. SIB Accounting initiates collection once the client is no longer receiving General Assistance.

SIB Accounting creates the loan manually in *CalWIN*. One of the reasons for low collection appears to be due to the lack or absence of notification from the eligibility workers informing SIB Accounting of cases that are no longer receiving General Assistance. As a result, SIB Accounting staff are not able to create the loan in *CalWIN* and cannot initiate billing. The collection effort is also limited to mailing billing statements as General Assistance are not eligible for the tax-intercept program and collection agency is not currently utilized.

Recommendations:

1. Work with E&E for specific reports to assist in determining clients who are eligible for repayments.
2. Consider using a collection agency to collect delinquent General Assistance loans.
3. Evaluate whether it is cost beneficial to continue collecting on unpaid loans and overpayments that are older than one (1) year.

Management response:

We agree with the recommendations. SIB and E&E are currently working on procedures to ensure that General Assistance loan documents are created and that SIB - Accounting is notified when the loans are created so that the loans can be entered into CalWIN and VACS.

SIB will pursue the use of a collection agency in collecting delinquent General Assistance loans. SIB anticipates using a collection agency by March 1, 2020.

G. Lack of formal written policies and procedures for managing accounts receivable

H&SS does not have formal written policies and procedures for managing benefit overpayment and writing off accounts receivable. SIB Accounting staff relies on desk manuals that provide instructions on the billings and collection process.

An effective billings and collection program includes comprehensive collection policies and procedures. Policies define rules, and procedures provide instructions on how policies are to be followed. Policies and procedures on billings and collections should include guidelines on the required paperwork to bill a client, when an account becomes delinquent, criteria for submitting an account to the tax intercept program, and how long SIB Accounting needs to mail the statement to the client. Policies and procedures for account write off should provide staff with guidelines on when accounts are eligible for write off.

The desk manuals that SIB Accounting staff currently uses only provide steps in performing their daily tasks. It does not include a policy addressing the different aspects of the billings and collections process. SIB Accounting also uses a write off policy that is still considered a draft and was never finalized. As a result, SIB Accounting only writes off accounts of clients who passed away or determined to be uncollectible or invalid from the Fair Hearing Request¹². Old uncollectible accounts and accounts that did not have complete paperwork remain outstanding.

Recommendation:

Develop comprehensive written set of policies and procedures for billings and collection process.

Management response:

We agree with the recommendation. SIB will evaluate current policies and procedures and convert existing guidelines and desk manuals into a comprehensive manual. SIB anticipates completing this project by February 1, 2020.

H. Other observations

Based from our discussions with H&SS management and staff, we identified opportunities for improvements in the billings and collections process of SIB as follows:

¹² Clients of state and federally funded aid programs, such as CalWORKS and CalFresh can apply for an administrative fair hearing if they disagree with the action taken on their case.

1. We noted H&SS Fiscal Administration (Fiscal) has little involvement in the billings and collections process. SIB Accounting reports to the SIB Manager who reports directly to H&SS Director. SIB Accounting does not provide reports to Fiscal showing the accounts receivable balance, amounts collected and amounts written off/adjusted on a regular basis.

Fiscal provides fiscal oversight to the H&SS department. Fiscal could provide assistance to SIB Accounting in managing its accounts receivable. Information such as accounts receivable balance and accounts receivable collection could also be helpful to Fiscal in decision making. Fiscal and SIB Accounting partnering in managing the overpayments could potentially increase collections and better manage the accounts receivable balances.

Recommendation:

SIB Accounting submits reports such as accounts receivable balances, accounts receivable collection and accounts write off/adjustments on a regular basis to Fiscal.

Management response:

We agree with the recommendation. H&SS is evaluating the current structure to facilitate increased involvement and oversight by H&SS Administration (Fiscal). H&SS Administration (Fiscal) will convene a work group no later than August 30, 2019 to monitor and track the implementation of the ACO recommendations outlined in this report. The work group will be comprised of staff from H&SS Administration (Fiscal), SIB, and E&E.

2. SIB Accounting spends approximately \$43,000 a year on postage for mailing billing statements. SIB continues to mail statements to clients up to 10 years. While mailing billing statements is an effective tool to collect debts, mailing statements for old delinquent debts may result to unnecessary postage expenditures.

Recommendation:

1. Evaluate whether it is cost effective to mail billing statements for delinquent accounts that are over a year old.
2. Consider sending accounts over a year old to a collection agency.
3. Determine other alternative means of collection.

Management response:

We agree with the recommendation that we evaluate whether it is cost effective to mail billing statements for delinquent accounts that are over a year old. We will evaluate whether we should send accounts over a year old to a collection agency. CalWORKS and CalFresh debts are sent to the tax intercept programs based upon existing regulations.