

DEPARTMENT OF SOCIAL SERVICES

744 P Street, Sacramento, CA 95814



December 8, 1994

ALL COUNTY INFORMATION NOTICE I-47-94

TO: ALL COUNTY WELFARE DIRECTORS

<u>Reason for this Transmittal</u>
<input type="checkbox"/> State Law Change
<input type="checkbox"/> Federal Law Change
<input type="checkbox"/> Court Order or Settlement Agreement
<input type="checkbox"/> Clarification Requested by One or More Counties
<input checked="" type="checkbox"/> Initiated by CDSS

SUBJECT: FOOD STAMP COUPON ISSUANCE AND ACCOUNTABILITY

The Office of Inspector General (OIG) recently conducted a nationwide audit regarding food coupon issuance and accountability. Although there has been no specific indication of related problems in any California county, the Food and Consumer Service (FCS) has requested that we reiterate the following points.

Independent verification of authorized issuance

- CWDs must monitor coupon issuers to assure compliance with the Food Stamp Act of 1977 and with Manual Section (MS) 63-601.272. The regulation requires on-site reviews of all offices or units of all coupon issuers and bulk storage points at least once a year (this has been further defined as once every twelve months). These reviews can be performed by a separate entity (such as a Certified Public Accountant) or another section of the county not associated with issuance. Such reviews are of particular importance for offices in which issuance functions are handled by one person, with second party review. CWDs should avoid having the same personnel performing certification and issuance functions.

Direct Mail Issuance Returns

- Direct mail coupons which have been returned in original condition (complete, with unsigned covers) are to be noted on an issuance log and returned to inventory (MS 63-706.31). Holding coupons of this nature until the end of the month in the event a correct address is obtained or other arrangement can be made to get the coupons to the household is not recommended since it can result in theft or loss of coupons as indicated by recent OIG audits. However, if a county chooses to hold these coupons, they must at a minimum take care to secure the coupons and log their serial numbers on a DFA 300 (or similar log) as soon as they are received back from the post office to prevent their theft. All coupons which are returned as undeliverable shall be noted on an issuance log, even if they are reissued at a later date.

Procedures for perpetual inventory control

- The purpose of a review and physical count of each issuance and bulk storage point every year is to assure CWDs that actual inventories are at acceptable levels and are supported by the required documentation. In determining reasonable inventory levels, the CWD should consider the degree of difficulty in resupplying inventories from a bulk storage point within California, as well as by shipments from the distributor or manufacturer (M.S. 63-701.11). OIG reported that some locations did not know how to maintain a perpetual inventory management system. Therefore, the following specific guidance for inventory management is provided below.
 - When shipments are received at bulk storage or inventory points, the coupons received should be placed in storage in a way that will allow previously received coupons to be removed first for issuance. In conducting an inventory, coupons which have been in inventory the longest should be counted first. The individual conducting the inventory should be familiar with the shipping containers used by the manufacturer and the value of coupons contained in each. An inventory report form with the container information and/or value would be helpful in this respect.
 - All trays of coupons are shrink-wrapped, and boxes are sealed with gummed, reinforced packing tape. Boxes and trays which show no evidence of tampering should be counted at full value. After all complete boxes have been counted, partial boxes containing only full trays should be next in the inventory. When less than the full number of trays are in a box, the box should be conspicuously marked with the number of trays remaining, or the remaining trays removed and the box discarded. The next item in the inventory should be those trays for which the shrink-wrap has been opened or totally removed. In this instance, the individual books must be counted.
 - The last coupons to be counted in the inventory are those coupons that have been issued and returned and which may be reissued, coupons which are awaiting destruction, and other miscellaneous coupons which are being stored with inventory for security. Preferably, coupons to be destroyed should not be stored with coupons for issuance. Less-than-full books should not be stored in opened trays of full books.

- Perpetual inventory control records should be compared to actual physical inventory counts and monthly records. Therefore, it is strongly urged that CWDs use perpetual records (or an acceptable substitute) for inventory and issuance. With the use of perpetual records, it is less time consuming to locate errors that may exist without having to compare several documents for the same period. A perpetual inventory is also easier to review in order to obtain totals for shipments, transfers, returned coupons, etc., and to see how these actions are related within a particular time period.
- When an inventory has been completed, the result should be compared to the total for the last entry on the perpetual inventory control record. If the amounts are not the same, the computations for the perpetual inventory control should be checked. If that record is not the source of an error, the individual reports which affect the inventory must be checked. These reports would include the following forms:

FNS-250	Food Coupon Accountability Report
FNS-46	Issuance Reconciliation Report
FNS-471	Coupon Account and Destruction Report
FNS-135	Affidavit of Return or Exchange of Food Coupons
FNS-259	Food Stamp Mail Issuance Report
FNS-260	Requisition for Food Coupon Books
FNS-261	Advice of Shipment
FNS-300	Advice of Transfer

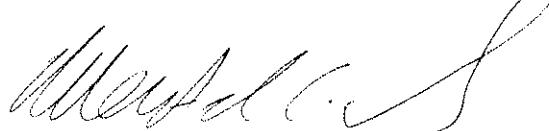
Cashiers' Daily Reports
Other substantiating documents

- When an inventory is performed, it may be easier to isolate discrepancies in the long run if the inventory is performed by two people simultaneously. If there is a discrepancy in the end totals, amounts from the various sections of inventory may be compared to determine in which section a discrepancy occurs. Typically, two people from the issuance office, one of whom could be a supervisor, will conduct an inventory.

Accountability and security procedures at inventory points

- The nature of needed security arrangements should depend upon the CWD evaluation of local coupon issuance and storage facilities. CWDs should specify the security requirements deemed necessary to meet the standards as outlined in M.S. 63- 701.2. At bulk storage and inventory points, coupons should be segregated from other accessible items which may be stored in the same location. Access must be controlled in some manner, e.g., identification badges and keys or cards. Issuance agents which have inventory at issuance locations must provide security not only for coupons not yet issued, but also for coupons which have been returned by the Postal Service as undeliverable, and coupons which have been returned or exchanged for other reasons.

If you have any questions regarding this letter, please contact David Badal of the Food Stamp Program Bureau, Policy Implementation Unit at (916) 654-1405 or CALNET 464-1405.



MICHAEL C. GENEST
Deputy Director
Welfare Programs Division

C: CWDA