




J. TYLER McCAULEY
AUDITOR-CONTROLLER

**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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December 31, 2002

TO: Supervisor, Yvonne Brathwaite Burke, Chair
Supervisor Gloria Molina
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: J. Tyler McCauley 
Auditor-Controller

SUBJECT: FOOD STAMP BULK STORAGE AGENTS REVIEW

We have completed our review of the Department of Public Social Services' (DPSS) Food Stamp Bulk Storage Agents: Dunbar Armored, Inc. (Dunbar), Loomis and Fargo Armored, Inc. (Loomis) and Sectran Security, Inc. (Sectran). DPSS contracts with the Bulk Storage Agents (BSAs) for the consolidated storage and distribution of food stamp coupons and General Relief (GR) blank check stock to the various Issuance Agents located throughout the County.

Scope

Our review included conducting a physical inventory of food stamps and GR blank check stock stored at the BSAs' facilities, reconciling the inventory counts to the inventory records maintained by the BSAs and the Issuance Agents, and reviewing other internal controls in place to safeguard the food stamp inventory. We also interviewed DPSS and BSA management and staff.

Summary of Findings

Overall, Dunbar and Sectran appropriately account for food stamps and GR blank check stock. We noted no discrepancies when comparing our physical inventory counts to their inventory records. Our physical inventory count of food stamps stored at Loomis reconciled to the contractor's perpetual inventory records. However, our inventory count noted 209 boxes more than the count Loomis reported to DPSS. Loomis management stated that the difference between our inventory count and the amount they reported to DPSS is attributed to Loomis' staff processing food stamp orders subsequent to our physical count and prior to the contractor sending inventory information to DPSS. However, despite our requests, Loomis has not provided documentation to support the additional food stamp orders. We also noted that Loomis

staff does not sign the perpetual balance sheets to identify who performed the daily inventory count.

The following are the details of our findings and recommendations for corrective action.

Accountability Report Accuracy

All BSAs submit a monthly FNS-250 to DPSS that report their food stamp inventory levels at the end of the month. They also maintain a perpetual balance sheet that reflects any changes in their inventory and reconciles to the amounts reported on the FNS-250's.

On October 8, 2002, we conducted our physical count of Loomis' food stamp inventory. Our count reconciled to Loomis' perpetual balance sheet. However, our physical inventory reported 209 boxes of food stamps greater than the amount Loomis reported to DPSS on the monthly FNS-250. Loomis' management stated that the difference of 209 boxes is attributed to staff processing food stamp orders subsequent to our physical count and before the FNS-250 was prepared and sent to DPSS. We requested Loomis management provide documentation that showed food stamp orders had been processed subsequent to our physical inventory. However, despite our requests, Loomis has not provided documentation to support the additional food stamp orders. We also noted the staff does not sign the perpetual balance sheets to identify who performed the inventory count.

DPSS needs to reemphasize to Loomis the importance of requiring staff to sign the perpetual inventory balance sheets upon completing the physical inventory. DPSS needs to follow up with Loomis to ensure that the 209 boxes issued after completion of the physical inventory are accounted for.

Recommendations

DPSS management:

- 1. Reemphasize to Loomis the importance of requiring staff to sign the perpetual inventory balance sheets upon completing the physical inventory.**
- 2. Follow up with Loomis to ensure that the 209 boxes issued after completion of the physical inventory are accounted for.**

Food Stamp Security

Security over food stamp inventory includes storing the inventory in a secured location where only authorized individuals have access. It is also critical that BSA staff always remain in attendance whenever visitors are in the secured area.

During our visit to Sectran to conduct a physical count of the food stamp inventory, we noted the doors to the food stamp vault were open. According to Sectran staff, the doors were opened when the receptionist notified them that we had arrived to conduct our physical count. After we finished the food stamp count, we went to another part of the building to interview Sectran staff. When we returned to the vault area, approximately one hour later, we noted the doors to the vault were still open. Sectran staff also left Auditor-Controller employees unattended in the vault.

DPSS management needs to reemphasize to Sectran that the food stamp vault must remain locked at all times when not in use and not to leave visitors entering secured areas unattended.

Recommendations

DPSS management:

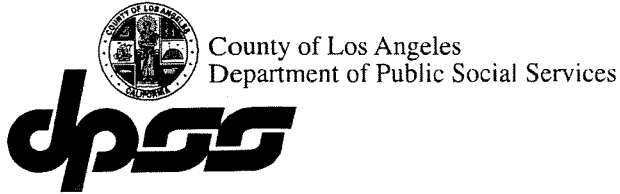
- 3. Reemphasize to Sectran that the food stamp vault must remain locked at all times when not in use.**
- 4. Reemphasize to Sectran not to leave visitors entering secured areas unattended.**

Acknowledgements

We would like to thank DPSS staff for their cooperation during our review. The results of our physical inventory and our internal control and compliance findings, along with our recommendations for corrective action, were discussed with DPSS representatives. The Department's response is attached.

JTM:DR:DC

C: David E. Janssen, Chief Administrative Officer
Department of Public Social Services
Bryce Yokomizo, Director
Gail Dershewitz, HSA III, Management Information and Evaluation Section
Peggy Dobson, ASM III, Benefits Issuance Section
Violet Varona-Lukens, Executive Officer
Public Information Office
Audit Committee
Eloise McCoy, Dunbar Armored, Inc.
Nolan Tate, Loomis and Fargo, Inc.
Vaho Ohanian, Sectran Security, Inc.



Bryce Yokomizo
Director

December 23, 2002

J. Tyler McCauley, Auditor-Controller
Kenneth Hahn Hall of Administration
500 West Temple Street, Room 525
Los Angeles, California 90012-2766

Dear Mr. McCauley:

AUDITOR-CONTROLLER FOOD STAMP BULK STORAGE AGENTS' REVIEW

Attached is my Department's response to the Auditor-Controller's Food Stamp Bulk Storage Agent's Review. Three discrepancies were noted during this review.

At two of the Bulk Storage Agent (BSA) facilities, the discrepancies were not related to the physical inventory count of food stamps. Discrepancies were noted in the physical inventory count at the third BSA, Loomis, Fargo, Inc. The Auditor-Controller's count was significantly higher than the amount reported by the BSA to DPSS at the end of the month. All three recommendations made as the result of this review have been implemented.

Very truly yours,

A handwritten signature in cursive script that reads "Bryce Yokomizo" followed by the initials "SK" enclosed in a hand-drawn circle.

Bryce Yokomizo
Director

BY:aj

Attachments

**AUDITOR-CONTROLLER FOOD STAMP BULK STORAGE AGENTS' REVIEW
RECOMMENDATIONS**

RECOMMENDATION #1

Benefits Issuance Section management ensure Loomis' staff sign the balance sheets to identify who completed the inventory counts and Loomis' FNS-250 reports are accurate.

RESPONSE

DPSS' Benefits Issuance Section (BIS) issued a letter (Attachment II) to Loomis Fargo & Co., Inc. on December 5, 2002, advising them to have their staff sign the balance sheets to identify the persons completing the inventory counts, thereby assuring submission of accurate FNS-250s.

STATUS

Implemented

RECOMMENDATION #2

Benefits Issuance Section management emphasize to Sectran that the food stamp vault should be secured when food stamp inventory is not being counted, removed or delivered to the vault.

RESPONSE

BIS sent a letter (Attachment III) to Continental Currency Services, Inc., parent company of Sectran Security, Inc., on December 5, 2002, reiterating that the food stamp vault should at all times be secured when food stamp inventory is not being counted, removed or delivered to the vault.

STATUS

Implemented

RECOMMENDATION #3

BIS management emphasize to Sectran that visitors entering secured areas are not left unattended.

RESPONSE

BIS issued a letter (Attachment III) to Sectran Security, Inc., on December 5, 2002, reemphasizing that visitors entering the secured areas are not to be left unattended.

STATUS

Implemented

Benefits Issuance Section also sent All Agent Letter #02-04 to all of the Bulk Storage Agents and Issuance Outlets advising them of the need to accurately complete the FNS-250 (Attachment IV).



December 5, 2002

REPLY:

Benefits Issuance Section
P.O. Box 761219
Los Angeles, CA 90076-1219

Jim Dutz, General Manager
Loomis Fargo & Co., Inc.
1929 E. Pico Blvd.
Los Angeles, CA 90006

Dear Mr. Dutz:

On October 8, 2002, Los Angeles Auditor-Controller conducted a physical count of Loomis' food stamp inventory. Although the count reconciled with your perpetual balance sheet, the physical inventory disclosed that 209 boxes of food stamps received in September, 2002 were not included in the FNS-250 for the month of September, 2002. Your staff stated that the difference of 209 boxes were attributed to processing of food stamp orders subsequent to the physical count and before the FNS-250 was prepared and sent to us. No documentation was provided the auditors. Per our review, we discovered that the 209 boxes were included in the FNS-250 for the month of October, 2002 instead of September, 2002, when the 209 boxes of food stamps were actually received.

In our All Agent Letter 02-04 dated March 5, 2002 (see attached), you were informed that Los Angeles County Auditor-Controller's review cited numerous errors and omissions on FNS-250, Food Coupon Accountability Report submitted by Issuance Agents and Bulk Storage Agents.

To prevent inaccuracy of physical count against the FNS-250 report, you must ensure that your staff sign the balance sheets thereby identifying the person/s who completed the inventory counts. It is your responsibility to submit accurate and timely reports.

If you have any questions, your staff may call Minerva Gestuvo at (213) 639-5862.

Sincerely,


Peggy Johnson, Administrator
Benefits Issuance /Special Payments Section

PD:KS:MG:mg

Attachment

Letter to Loomis audit 2002



December 5, 2002

REPLY:
Benefits Issuance Section
P.O. Box 761219
Los Angeles, CA 90076-1219

Fred Kunik, President
Continental Currency Services, Inc.
1108 East 17th Street
Santa Ana, CA 92701

RE: SECTRAN SECURITY, INC.

Dear Mr. Kunik:


Fred, as I indicated in our telephone conversation on December 4, 2002, we need your assistance.

On October 8, 2002, the Auditor Controller's staff conducted their annual review and noted the same security weaknesses as in previous years. We are requesting your assistance to ensure the following security measures are adhered to by your Sectran staff:

- The food stamp vault should be secured when food stamp inventory is not being counted, removed or delivered to the vault;
- Visitors entering the secured areas should not be left unattended.

Thank you for your immediate action to correct these concerns. If you have any questions, you may call me at (213) 639-5863 or your staff may call Minerva Gestuvo at (213) 639-5862.

Sincerely,


Peggy Dobson, Administrator
Benefits Issuance /Special Payments Section

PD:KS:MG:mg

Letter to Sectran audit 2002



County of Los Angeles
Department of Public Social Services

Bryce Yokumizo
Director

March 05, 2002

ALL AGENT LETTER 02-04

**DISTRIBUTE TO HEAD OFFICES -
BULK STORAGE & OUTLETS**

SUBJECT: ACCURATE COMPLETION OF FNS-250

Los Angeles County Auditor-Controller's most recent review again cites numerous errors and omissions on FNS-250, Food Coupon Accountability Report, submitted by Issuance Agents and Bulk Storage Agents. Last year's audit noted the same type of errors and omissions;

On February 22, 2001 we issued All Agent Letter 01-04 (see attached) instructing you to again review reports for accuracy and consistency prior to submission. **IT IS YOUR RESPONSIBILITY TO ENSURE THE REPORTS YOU SUBMIT TO THIS DEPARTMENT ARE ACCURATE.**

Should there be any questions regarding this all agent letter or the requirements of reporting accuracy, they may be directed to Minerva Gestuvo at (213) 639-5862.

Sincerely,


Peggy Johnson, Administrator
Benefits Issuance Section

PD:KS:DS:MG:mg

Enclosure