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June 20, 1988

P-661.1

Honorable Bruce Bronzan, Chairman
Members, Joint Legislative
Audit Committee
State Capitol, Room 448
Sacramento, California 95814

Dear Mr. Chairman and Members:

The Department of Social Services (department) did a better job in providing assistance to the victims of the Southern California earthquakes of October 1987 than it did in providing assistance to the victims of the Northern California floods of 1986. However, the department still took almost two months to secure all the staff that it used to process applications for grants and four months to secure all the staff that it used to process appeals of grant award determinations. As a result, the department did not promptly process victims' grant applications and appeals of grant award determinations. On April 15, 1988, the department wrote a letter to us that outlined specific steps that the department plans to take to promptly secure staff to process applications.

Background

On October 1, 1987, an earthquake with a magnitude of 5.9 and continuing aftershocks occurred in Los Angeles and Orange counties. As a result, 8 people lost their lives, more than 200 others were injured, 9,000 homes were damaged or destroyed, and over 12,000 people sought assistance at emergency shelters. On October 7, 1987, the president responded to a request from the governor to declare the two counties disaster areas, thus making it possible for earthquake victims in those areas to apply for several types of federal, state, and private assistance.

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Five primary sources of assistance are available for earthquake victims. First, the Temporary Housing Assistance Program, administered by the Federal Emergency Management Agency, provides rental assistance and immediate home repairs for families. Second, the American Red Cross provides victims with assistance to obtain food, rent, and personal property. Third, the United States Small Business Administration lends money to victims to repair or replace personal or real property. Fourth, the Individual and Family Grant Program (grant program), which is administered by the department, assists those victims whose needs are not met by the first three sources. Finally, the State Emergency Rehabilitation Assistance program provides low-interest loans to homeowners whose real property losses are not met by the first four sources. Applicants for these low-interest loans do not have to meet a financial means test to qualify, and they can defer payment of principal and interest until the real property is sold or the ownership is transferred.

The grant program provides cash awards to victims of disasters only for necessary expenses and serious needs directly attributable to a disaster. Given these limitations, grants can be used for real property, personal property, transportation, and medical, dental, or funeral expenses. However, victims are eligible for the grant program only if other sources of assistance are either unavailable or insufficient to meet emergency needs. The maximum award available from the grant program is \$5,000, but in response to the earthquakes of October 1987, the Legislature enacted Chapter 2, Statutes of 1987, which authorized a state supplemental grant program to provide victims with as much as an additional \$10,000. Thus, the largest possible award under the grant program is \$15,000.

The grant program is jointly funded by the state and federal governments and is activated only after the president agrees to the governor's request to proclaim a region a disaster area. To qualify for federal financial participation in this program, the department must submit an annual state administrative plan for the grant program to the Federal Emergency Management Agency for approval. For each grant that the department awards, the federal government pays for 75 percent and the State pays for 25 percent of the individual award to a maximum grant of \$5,000. Under the state supplemental grant program, the State pays 100 percent of any amount awarded in excess of \$5,000 to a maximum total grant of \$15,000. To be considered for a grant, victims must first apply to the United States Small Business Administration for disaster assistance or have medical, dental, or funeral expenses. If the United States Small Business Administration

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determines that victims do not qualify for loans or if victims receive loans that are insufficient for their emergency needs, victims can apply for the grant program.

According to department records, as of April 6, 1988, approximately 180 days after the presidential declaration of the disaster, the department had received a total of 9,933 applications for grants from victims of the earthquakes of October 1987, making this one of the largest disasters to have occurred in California under the grant program. The department approved 8,328 (83.8 percent) of these applications and awarded a total of \$9.9 million to the victims and their families. These approvals consisted of \$9.1 million in individual grants of up to \$5,000, and \$.8 million in state supplemental grants of up to \$10,000. Also, these awards included \$2 million to 1,361 (72.0 percent) of the 1,890 victims who appealed their original grant award determinations. In addition, the department denied 1,148 (11.6 percent) applications, 153 (1.5 percent) victims withdrew their applications, and 304 (3.1 percent) victims were still awaiting final processing.

Scope and Methodology

The purpose of our review was to evaluate the efforts of the department, through the grant program, to assist victims of the earthquakes of October 1987. During this audit, we reviewed statutes and regulations governing the grant program in addition to various records maintained by the department. We also examined the department's policies and procedures and interviewed grant program staff to determine the department's methods of implementing administrative responsibilities.

To determine how long it took the department to process applications and appeals of grant award determinations, we examined a random sample of 113 case files for the 9,450 grant program applications and appeals of original grant award determinations received by the department as of March 8, 1988. We also reviewed personnel files and documents of current and former grant program staff to determine how and when the department secured case processing and appeals staff to process grant program applications and appeals. Furthermore, we interviewed the department's grant program staff to determine the department's process for securing staff quickly.

To determine whether the department communicated with victims as clearly as possible, we reviewed for accuracy and clarity all grant program forms and letters created by the department. Also, we

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interviewed the grant program administrators and the branch chief to document how the department ensures that all forms and letters issued to victims are accurate and understandable. In addition, we interviewed grant program administrators to determine how the department communicates with nonenglish speaking victims.

To determine whether the grant program staff made sufficient attempts to contact victims to obtain required information or documentation before denying grants to victims, we examined documents contained in the sample of 113 case files. We also reviewed documents contained in the case files to determine whether grant program staff appropriately denied applications for grant awards or appeals.

In addition, we interviewed case processing and appeals staff to determine what efforts they made to ensure that victims received every opportunity to support their applications for grant awards or appeals. Furthermore, we interviewed the grant program administrators and the branch chief to determine the department's policies regarding the denial of applications for grant awards and the closing of cases.

Finally, we interviewed officials of the state Office of Emergency Services, the Federal Emergency Management Agency, and the United States Small Business Administration to learn their opinions regarding the department's response to the disaster.

The Department Did Not Secure All Staff for the Grant Program Promptly

When the president issues a declaration of disaster, the Code of Federal Regulations, Title 44, Section 205.54, states that the grant program is to provide funds to individuals and families to meet their disaster-related expenses and needs. The federal regulations also state that "Meeting those expenses and needs as expeditiously as possible will require States to make an early commitment of personnel and resources." The importance of this early commitment after the Southern California earthquakes was underscored by the fact that applications were available for processing soon after the president declared the disaster on October 7, 1987. Within two weeks, victims had filed over 300 applications for grant awards, and the applications were available for the department to process. According to department records, by the end of four weeks, the department had received over 2,000 applications. By December 31, 1987, almost three months after the president's declaration, the department had received over 7,100 applications and over 800 appeals of grant award determinations.

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Recognizing the need to respond promptly to the disaster, the department estimated on the day after the disaster that it needed 46 staff to process applications for victims of the disaster. By October 11, 1987, four days after the disaster declaration, the Federal Emergency Management Agency and the state Office of Emergency Services had opened seven disaster application centers and a disaster field office. The disaster application centers, staffed by department volunteers, provided disaster victims with information on disaster relief programs and accepted applications for disaster assistance. In addition to other responsibilities, the disaster field office was set up to process applications for assistance.

By October 12, 1987, the department had assigned to the disaster field office 13 of its staff to begin processing applications. Although the department started processing grant applications immediately, it did not secure sufficient staff to process all applications as soon as possible. As of November 14, 1987, five weeks after the president's declaration, the department had processed only 1,918 (51.1 percent) of the 3,753 applications that it had received, leaving an unprocessed inventory of more than 1,800 applications. At this time, the department had secured only 27 case processing staff of its original estimate of 46 staff needed to process applications after the disaster. However, by December 7, 1987, the department had added another 6 staff persons to process applications and was able to process 4,597 (78.6 percent) of a total of 5,849 applications, thus reducing the inventory of unprocessed applications by approximately 600.

Furthermore, the department did not secure all appeals processing staff promptly even though federal regulations state that meeting, as expeditiously as possible, the disaster-related expenses and needs of individuals and families will require states to make an early commitment of personnel and resources. The department did include in the state administrative plan for the grant program a goal of processing all appeals within 60 days of receipt, and based on our random sample of appeals processed, the department did meet its goal. However, the department agrees that it can process appeals more quickly by promptly securing appeals processing staff.

From November 9, 1987, through December 31, 1987, the department increased its appeals processing staff from two to eight. During this time, the number of appeals increased from 7 to 829. As of December 31, 1987, the appeals staff had processed only 104 (12.5 percent) of the 829 appeals that it had received from victims, leaving an unprocessed inventory of 725 appeals. On February 7, 1988,

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the number of appeals had reached 1,512, of which 747 were not processed. As of this date, the department had seven appeals processing staff.¹

The next day the department added two staff to work on appeals. By March 7, 1988, one month later, the department had received 1,849 appeals but had reduced the unprocessed inventory to 387. Although the department estimated that it needed 46 staff just to process applications for this disaster, the department never secured at any time during the processing of applications or appeals more than 33 case processing and appeals staff.

The department did not promptly secure all the staff that it used to process claims because of inefficiencies in its staffing procedures. When there is no presidential declaration of a disaster, the department has only five permanent staff assigned to the unit responsible for the grant program. When a disaster is declared, the department must secure additional staff to process victims' applications for grants and appeals of grant award determinations. When the department needs additional staff for this purpose, it hires staff through regular state hiring procedures.

The state procedures require the department to use certified hiring lists organized according to disaster-worker classification. However, although the department had obtained the authority from the State Personnel Board before the earthquakes disaster to update the hiring lists, the disaster-worker classifications that the department used for the earthquakes disaster were not current. Consequently, according to program officials, when the department started contacting persons on the lists to determine whether those persons were still available when the disaster occurred, the department could not secure all the staff that it needed. The department subsequently used the state Employment Development Department in Southern California and department volunteers to increase its staff for processing victims' grant applications and appeals. However, the search for alternative staff took the department more time than it would have taken to secure processing staff had the lists been up-to-date. As a result, the department did not promptly process victims' grant applications and appeals.

¹One member of the appeals processing staff left the grant program during January 1988.

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The branch chief for the grant program stated that he delayed hiring additional processing staff for the original applications because he felt that the department had sufficient staff based on early estimates of the number of disaster victims. Nevertheless, the department originally estimated that it needed 46 staff to process 4,000 applications, yet it did not secure the 46 although the actual number of applications was more than twice the original estimate. In addition, the branch chief stated that he did not start hiring appeals processing staff sooner because he did not know how the department would administer the appeals process. However, by not securing sufficient staff promptly during the initial weeks of the earthquakes disaster, the department incurred a backlog of unprocessed applications and appeals.

Even though an inventory of unprocessed applications and appeals developed, the department's response to the earthquakes was much better than its response to the floods of 1986. During the floods of 1986, the department had only processed 4 (0.1 percent) of the 4,102 applications that it had received during the first five weeks after the president's declaration of disaster and only 95 (2 percent) of the 4,691 applications that it had received during the first two months. In contrast, within two months of the presidential declaration of the earthquakes disaster, the department had processed 4,597 (approximately 80 percent) of the 5,849 applications that it had received.

Conclusion

The Department of Social Services did a better job in providing assistance to the earthquake victims of 1987 than it did in providing assistance to the flood victims of 1986. However, the department did not promptly secure all the staff that it used to process victims' applications for grant awards and appeals of grant award determinations.

Corrective Action

As of April 15, 1988, the Department of Social Services completed statewide examinations for three of the four disaster-worker classifications to update the hiring lists that it uses during disasters. The department is currently conducting examinations for the fourth disaster-worker classification. The department will then merge the resultant lists with the existing lists to form updated hiring lists. Further, to maintain current lists, it will retest for disaster-worker classifications whenever the lists of candidates become

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depleted. Also, the department is expanding its use of department volunteers and is developing a new training program for the volunteers. In addition to preparing volunteers to provide information on the grant program, the training program will prepare volunteers to process applications and provide clerical support during future disasters.


Recommendations

To ensure that the Department of Social Services promptly secures staff for the Individual and Family Grant Program when a disaster occurs, the Department of Social Services should take the following actions:

- Complete the current statewide examination for the fourth disaster-worker classification and ensure that the resultant lists are merged with the existing lists to provide updated hiring lists. The department should ensure that these statewide lists are maintained by retesting for the disaster-worker classifications whenever the lists of candidates become depleted; and
- Continue efforts to expand the use of the department volunteers so that in addition to providing information at disaster centers, volunteers will process applications and provide clerical support during future disasters.

We conducted this review under the authority vested in the Auditor General by Section 10500 et seq. of the California Government Code and according to generally accepted governmental auditing standards. We limited our review to those areas specified in the audit scope section of this letter.

Respectfully submitted,


for THOMAS W. HAYES
Auditor General

Department of Social Services' response to this letter

DEPARTMENT OF SOCIAL SERVICES
744 P Street, Sacramento, CA 95814



June 10, 1988

Mr. Thomas W. Hayes
Auditor General
State of California
660 J Street, Suite 300
Sacramento, CA 95814

Dear Mr. Hayes:

OFFICE OF THE AUDITOR GENERAL'S (AGO) REPORT ENTITLED "A REVIEW OF THE DEPARTMENT OF SOCIAL SERVICES' RESPONSE IN PROVIDING FINANCIAL ASSISTANCE TO VICTIMS OF THE SOUTHERN CALIFORNIA EARTHQUAKES OF OCTOBER 1987 (P-661.1)"

Mr. Clifford Allenby, Secretary, Health and Welfare Agency, has asked me to review and comment on the above draft audit report. This Department's comments on your recommendations are as follows:

AGO Recommendations

"To ensure that the department promptly secures staff for the Individual and Family Grant Program when a disaster occurs, the Department of Social Services should take the following actions:

- Complete the current statewide examination for the fourth disaster worker classification and ensure that the resultant lists are merged with the existing lists to provide updated hiring lists. The department should ensure that these statewide lists are maintained by retesting for the disaster worker classifications when the hiring lists become depleted; and
- Continue efforts to expand the use of the department volunteers so that in addition to providing information at disaster centers, volunteers will process applications and provide clerical support during future disasters."

State Department of Social Services' (SDSS) Response

The SDSS does not disagree with either the recommended corrective action or the 2 specific recommendations included in the draft audit report. In fact, all the recommended actions were begun on the SDSS' initiative prior to the conclusion of the audit.

The referenced examination is now complete and we are evaluating the results to determine if other efforts are needed. An Issue Memo on alternatives for expanding the role of the Disaster Response Team is being prepared now for my review.

The SDSS also concurs that there is still room for further improvement in the administration of the Individual and Family Grant Program (IFGP). However, I do not concur with the draft report's conclusions as being reflective of the effort made to ensure the success of the program. The draft report also focuses attention on an element that is not an appropriate measure of the SDSS' responsiveness.*

The review emphasizes a memo of October 2, 1988 estimating 46 employees would be needed. I have attached a copy of the memo referenced. I would like to frame the context in which that memo was created and the purpose it was designed to achieve. Three things need to be considered here.

First, this memo was prepared the day of the disaster and released to our Personnel Bureau the day after the disaster. It represented one in a whole series of contacts with administrative and support units within the Department to initiate systems necessary to support the upcoming effort. Similar contacts were made with Accounting, Travel, Staff Services, Information Systems Bureau and each Deputy Director. The purpose of these contacts was to initiate efforts and ensure awareness. The contacts were not designed to reflect absolute plans based on complete knowledge. The estimate in the memo is reflected as "preliminary" and the text stresses in paragraph 2 that it reflects a "very rough estimate." The memo notes that preliminary damage assessment efforts were not even expected to be completed until October 4, 1987. At the time there were an incredible number of activities to be initiated. There was confusion and little complete information. The status of the extent and amount of damage was changing several times each day, hence representing the October 2 memo as the proven amount of resources necessary to meet the need of disaster victims of the Earthquakes is questionable.

Second, this effort was conducted under a Federal system never before tried in California or on any disaster approaching the magnitude of the Earthquakes. As described in other communications with your office, we had been attempting to obtain Federal training in the new system and such training had been scheduled for mid-October 1987. Unfortunately, the Earthquakes did not wait. We had been assured that the changes would result in more timely response, but we had no way of estimating the impact on our workload. We could not know how fast we

* Office of the Auditor General's Comment: Although the Department of Social Services' staffing plan was an estimate of the staffing needed to work the disaster and was made only one day after the disaster occurred, the plan was based on the department's past experience with disasters and on an estimated 4,000 applications. The department never met this staffing plan even though it received more than twice the number of applications it had estimated.

would receive cases from the Federal Emergency Management Agency (FEMA), or how long it would take us to process those cases. Given that reality, we relied, as the memo indicates, on "our historical experience" under the previous Federal system. The estimate in the October 2 memo was based on an older, more cumbersome process than we would be using. We fully expected the number to be more than we needed. But, we determined to err on the high side for planning purposes until we could evaluate the economies we would achieve in operation of the new Federal system.

Third, even if the memo had been written after the preliminary damage assessment was completed, and had been based on experience in the system to be used, it would be of extremely limited value. During the administration of the total disaster relief effort, literally hundreds of decisions are made that have an impact on the number of IFGP cases that result, and how rapidly those cases arrive for processing. Many of those decisions are made by organizations outside of SDSS' control. The first change in the number and location of Disaster Application Centers, in the number and experience of contracted damage verifiers working for FEMA, or in the installation and handling of FEMA computer processing operations would make any preliminary plan obsolete. I believe these are clearer measures of responsiveness than retracing individual hiring decisions and I would like to outline some of these.

This review originated from the SDSS' efforts in the Floods of 1986 and draws several comparisons with that disaster. Detailed comparison is difficult, but several points can be made that document SDSS' improvement far beyond what the draft report cites.

FEMA 758-DR-CA (The Floods of 1986) was the largest single disaster in terms of IFGP applications in California history. Its total of 5,933 applications and 447 appeals were unprecedented numbers in California disaster relief efforts. By contrast, in FEMA 799-DR-CA (The Southern California Earthquakes of 1987), the estimated totals will be 10,600 applications and 2,100 appeals, figures that dwarf FEMA 758-DR-CA.

Your draft report mentions that in the Floods of 1986, the SDSS had completed only 4 cases in 5 weeks, and 95 cases in 2 months. In this disaster, the first case was received on October 12, 1987 and 2,250 cases had been processed to a decision within 5 weeks of that date. Your 2 month comparison of 95 cases in 2 months in the Floods, and 4,597 in the Earthquakes is equally illustrative. Some of the reason for this improvement can be traced to the referenced revision in FEMA's review and referral process. However, an equal measure of credit goes to the effort put forth by SDSS staff.

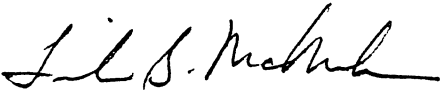
Perhaps an even more valid comparison is in the length of time the IFGP applicant had to wait for a result. In the Floods of 1986 it took approximately 4 months from the time the application was received until the State Controller would release a warrant. For the Earthquakes of 1987 that figure was less than 4 weeks. The sample drawn for your review showed an average of 23 days from receipt by IFGP until release of the warrant. These figures include weekends and holidays. Had we not allowed all applicants who had to provide documentation extended time frames to do so, these figures would be further reduced. Although the number of such cases is relatively small, their impact on average processing is definitely felt.

In the area of appeals the change is equally dramatic. From an average time of over 4 months to make a decision in the Floods of 1986, the average time from receipt to the release of a decision in the Earthquakes was 37 calendar days. This improvement was made while reviewing over 4 times as many appeals as during the Floods. Also, in this area there were no Federal system's revisions to streamline our efforts. The improvement here is all SDSS caused. To say that these changes "better" the figures achieved in the Floods considerably understates the improvement realized.

In closing, the SDSS holds that our effort in the Earthquakes of 1987 has been a remarkable success in an incredibly difficult environment. We also believe, as you do, that further improvement is possible. The actions identified as recommendations represent only a small part of the actions we have planned to realize that improvement. I look forward to sharing our further successes in our follow-up reports to you.

If you have any questions regarding our comments, please contact me at 445-2077, or have your staff contact Mr. Robert A. Horel, Deputy Director, Welfare Program Division, at 322-2214.

Sincerely,



LINDA S. McMAHON
Director

Attachment

Scott Gregersen, Chief
Personnel Bureau 15-58

October 2, 1987

IFGP Staffing ratios

The following represents our estimate of staffing ratios for the Individual and Family Grant Program (IFGP) based on applications received. This estimate is grounded in our historical experience.

We are currently estimating approximately 4,000 applications. It should be stressed that this is a very rough estimate. As you know, preliminary damage assessment efforts are underway under the leadership of the Federal Emergency Management Agency (FEMA) in Los Angeles. We expect that this process will continue through Sunday evening, October 4, 1987. We will at that time have a much more accurate estimate of the number of expected applications and will revise this preliminary estimate on Monday.

Our most probable time line scenario calls for activation and deployment of our DSS volunteers (the Disaster Response Teams) by next Wednesday. Ideally we would like to have these volunteers replaced with hired individuals on site by October 21.

CASE PROCESSING ANALYST

- o Twenty four (24) Case Processors (This equates to six (6) processors per 1,000 cases received)

COST VERIFIER/APPRAISERS

- o One (1) Senior damage appraiser
- o Four (4) Assistant damage appraiser

OFFICE ASSISTANT I/II's

- o Two (2) mail clerks
- o Two (2) financial records clerks

- o Five (5) statistical records clerks
- o Five (5) records management clerks
- o Six (6) typist or data entry operators
- o Two (2) Office Supervisors I's
- o One (1) Office Supervisor II

The clerical work force is extraordinarily high at the beginning of a disaster. This is due to the large volume of paper records which are initially received by the program. Clerical ratios cannot be fixed to a firm application to staff ratio. As the first wave of paper begins to ebb, the number of clericals can be reduced.

As you are aware, this situation is dynamic and we will endeavor to keep you as current as we are. To insure this happens please feel free to contact me at 4-9084 or either Lee Sapaden or Shawn Ortiz at 4-4363 if you need additional information.

Original Signed by:
Bruce A. Kennedy

Bruce A. Kennedy, Chief
Foster Care Branch