

Table C
Audit Objectives and the Methods Used to Address Them

AUDIT OBJECTIVE	METHOD
<p>1 Review and evaluate the laws, rules, and regulations significant to the audit objectives.</p>	<p>Reviewed and evaluated state laws applicable to the MCTR payment and FTB’s role in administering the MCTR program.</p>
<p>2 Assess FTB’s process for distributing MCTR payments, taking the following actions:</p> <p>a. Identify the amounts and distribution method used each month when FTB disbursed MCTR payments since the enactment of the Better for Families Act.</p> <p>b. Determine whether MCTR payments were appropriately calculated and distributed and whether Californians received them in a timely and secure manner.</p> <p>c. Assess the plans and timeline for distributing the remaining MCTR payments, and the planned manner of payment.</p> <p>d. To the extent possible, identify the demographics of MCTR recipients and determine the demographics of those who reported possible fraud related to those payments.</p> <p>e. Identify any computer or technological issues that have inhibited or delayed FTB’s efforts to deliver MCTR payments.</p>	<ul style="list-style-type: none"> • Interviewed FTB staff to determine FTB’s methods and procedures for disbursing MCTR payments. • Obtained FTB data to calculate the amount and number of payments FTB issued on a monthly basis, broken out by payment method. • Documented FTB’s process for calculating payment amounts and assessed it for compliance with the Better for Families Act. • Using FTB data, calculated the expected MCTR payment amount for each eligible recipient, to determine whether the amounts FTB distributed were appropriate. • To further determine whether FTB appropriately distributed payments, reviewed a selection of 76 returns for which FTB did not distribute payments and a selection of 32 returns for which FTB attempted but failed to issue payments. Judgmentally selected these items according to the most recent processing status each had as of October 2023, ensuring that we had a variety of statuses that covered the significant majority of the reasons that FTB did not issue payments. • Compared the speed of MCTR payments to the speed of refund programs from other states. Using FTB’s data, reviewed a selection of 17 recipients to whom FTB issued its final payment in or after June 2023 to determine what delayed these payments. Selected these payments randomly from all payments made during or after June 2023. • Interviewed FTB and Money Network staff to identify any barriers that delayed payment distribution and the reasons for delays. • Using the work performed under Objective 3, determined the relative security of the three distribution methods used for MCTR: direct deposit, debit card, and paper check. • Reviewed and evaluated applicable laws, including the Better for Families Act and its July 2023 amendment. • Interviewed FTB staff regarding mailed MCTR cards that recipients have not activated. Documented FTB’s plan for addressing these non-activated cards. • Using FTB data, identified available demographic data—income, tax filing status, and claimed dependents—of MCTR recipients. Using Money Network dispute data and enrollment data, determined which MCTR recipients reported possible fraud on their debit-card accounts. • Determined the key points at which technological issues may have slowed the process of delivering payments. • Interviewed FTB and Money Network staff to identify any technological issues they may have faced at the key points we identified. • Obtained and reviewed any system outage reports for the key data system that FTB used to provide payments. Determined whether system outages overlapped with the MCTR program period and if so, whether they caused significant delays in the provision of payments. Confirmed Money Network’s perspective on whether technological issues delayed payments and compared the actual pace of debit-card payments against plans for payment distribution to note any significant delays.

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<p>f. Determine whether MCTR recipients were required to pay charges to access their payments and whether any such charges are appropriate and reasonable.</p>	<ul style="list-style-type: none"> • Interviewed FTB staff and reviewed supporting documentation to determine whether direct deposit payments were subject to any fees payable by the recipient. • Documented whether the Better for Families Act or the agreement with Money Network prohibited fees. Documented the cardholder agreement and fee schedule for debit cards. Determined whether the fees charged by Money Network are allowable under the act and the terms of the agreement. • Reviewed procurement documentation to determine whether the State had fee-free options for debit cards. Interviewed FTB staff and reviewed available documentation to determine whether the State attempted to negotiate fee-free debit cards. • Compared the MCTR fee schedule with the fee schedules from five other programs that use debit cards not operated by Money Network. • Determined the total fees paid under the program by people in various income brackets. Identified whether people in any income bracket disproportionately paid fees. Assessed the effect of these fees on the intent and purpose of the MCTR program.
<p>3 Identify any best practices on the methods for distributing future tax refunds. Evaluate the benefits and risks of different distribution methods including, but not limited to, the risk of fraud.</p>	<ul style="list-style-type: none"> • Researched and documented general best practices for distributing tax refunds and financial relief payments. Identified best practices specific to potential distribution methods. Researched and documented additional benefits and risks of potential distribution methods, including the risk of fraud, cost of distribution, equity of distribution, and speed of delivery. • Researched the outcomes of a selection of tax refund or one-time benefit programs and determined why the relevant distribution method was selected, when possible.
<p>4 Determine what challenges FTB or its vendor have faced when responding to individuals experiencing fraud and those seeking information about their MCTR payments. In addition, review any customer service survey efforts FTB has undertaken.</p>	<ul style="list-style-type: none"> • Interviewed FTB and Money Network staff to determine the challenges they have faced when responding to individuals experiencing fraud and those seeking information about their payment. • Used weekly call center metrics Money Network reported to FTB and information it provided to us to assess the accessibility of Money Network’s customer service phone lines from August 2022 through September 2023. Compared the number of calls handled by IVR to the number of calls referred to customer service agents. In addition, reviewed the percentage of live agent calls that were answered, abandoned, and deflected. • For Money Network’s call center, used weekly call center metrics to examine any changes in average hold time and maximum delay time over the course of the program. In particular, determined whether FTB’s work orders that directed Money Network to increase staffing led to decreased delays. • Interviewed FTB staff to determine whether FTB conducted any customer service surveys.
<p>5 To the extent possible, determine the prevalence of fraud involving MCTR payments, including those issued by debit cards. Assess FTB’s efforts to detect, reduce, and investigate potential fraud to determine whether those efforts have been sufficient and effective. Identify who bears the costs related to MCTR payment fraud.</p>	<ul style="list-style-type: none"> • Identified best practices for detecting, reducing, and investigating possible fraud. • Documented FTB’s and Money Network’s processes for detecting, reducing, and investigating possible fraud related to MCTR. • Compared FTB’s and Money Network’s efforts to detect and reduce possible fraud with best practices to determine whether their efforts have been sufficient. • Analyzed data from Money Network to determine the prevalence of possible fraud through July 2023. • Using Money Network’s dispute data, determined the number of accounts that had disputes. • Reviewed FTB’s agreement with Money Network to determine which party bears the cost of fraud.
<p>6 To the extent possible, determine how quickly FTB and its vendor have provided refunds to Californians who have experienced fraud related to MCTR payments.</p>	<p>Using Money Network’s dispute data, determined which accounts had reported disputes. For those accounts, determined how long it took Money Network to provide refunds from the time recipients reported the dispute.</p>

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<p>7 Assess FTB’s vendor selection process as well as its oversight of the vendor’s activities, including its issuance of debit cards and provision of customer service. In addition, perform the following review:</p> <p>a. Determine whether the agreement between FTB and its vendor that produced debit cards contains reasonable terms and protects the best interests of the State and the recipients of MCTR payments.</p> <p>b. Determine whether FTB adequately protected Californians’ privacy and personal information when it shared data with its vendor.</p>	<ul style="list-style-type: none"> • Interviewed FTB and General Services procurement staff to understand the decision-making, processes, policies, and procedures related to the MCTR procurement. • Identified and reviewed a selection of criteria for a competitive procurement and best practices for negotiations, and compared them to the MCTR procurement process to determine the extent to which the MCTR procurement followed regular procurement rules and best practices. • Compared ITN scoresheets and process guidance to determine the degree to which FTB and General Services adhered to vendor selection criteria during the procurement. • Interviewed FTB staff responsible for Money Network oversight to better understand the decision-making, processes, policies, procedures, and documentation of FTB’s oversight of Money Network. • Identified the key oversight activities for Money Network’s fraud prevention, customer service, debit-card issuance, and reporting responsibilities under the agreement. • Assessed FTB’s actions to oversee Money Network’s performance by comparing the actions to the oversight authority FTB has in the agreement. <ul style="list-style-type: none"> • Interviewed General Services and FTB staff responsible for agreement language, terms, and conditions to better understand the decision-making, processes, policies, procedures, and documentation of FTB’s negotiations and subsequent agreement provisions. • Determined whether the agreement between FTB and Money Network contains the standard terms and conditions that General Services advises that state contracts contain. • Assessed the reasonableness of the terms of Money Network’s agreement and how well the terms protect the interests of the State and taxpayers by comparing its terms to the terms in other vendor agreements for debit-card payments. <ul style="list-style-type: none"> • Identified privacy and personal information criteria in state law and its agreement with Money Network that FTB is required to adhere to. • Reviewed the data transfer protocols that FTB used when transmitting information to Money Network. • Identified and reviewed the MCTR recipients’ personal information that FTB provided to Money Network to determine whether FTB had a valid business reason that necessitated sharing that information.
<p>8 Review and assess any other issues that are significant to the audit.</p>	<p>No other significant issues identified.</p>

Source: Audit workpapers.