

**SPECIAL AUDIT REPORT**  
**OF**  
**HEALTH AND SOCIAL SERVICE CENTERS**  
**DEPARTMENT OF FAMILY AND COMMUNITY SERVICES**

**REPORT NO. 12-107**



**City of Albuquerque**  
**Office of Internal Audit**

SPECIAL AUDIT REPORT  
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HEALTH AND SOCIAL SERVICE CENTERS  
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Health and Social Service Centers  
Department of Family and Community Services  
Report No. 12-107  
**Executive Summary**

The Office of Internal Audit (OIA) conducted a special audit of the Department of Family and Community Services' (DFCS) Health and Social Service Centers (HSSC). The audit was requested by DFCS as a proactive approach to improve HSSC operations and identify appropriate corrective measures.

HSSCs were conceived as one-stop-shops for the convenience of low to moderate income residents needing health, education and social services. DFCS is responsible for administering funds from a variety of sources in addition to managing HSSC fiscal agent and property lease agreements. Each of the four HSSCs is strategically located to service a quadrant of the City.

- Los Griegos – North
- East Central – East
- John Marshall – South
- Alamosa – West

**Objective: Does DFCS have effective processes and accurate records for fiscal agent and property lease activities?**

- Lack of oversight by DFCS, has allowed property lease activities to operate without contracts, unchanged decade-old rates and uncollected delinquent account receivables.
  - Nineteen of 20 (95%) HSSC property lease contracts have been expired for over a year. The annual amount of lease revenue associated with HSSC leases is approximately \$331 thousand.
  - Five dollars per square foot lease rates have remained unchanged for approximately 10 years.
  - Lack of fiscal oversight has allowed \$37,312 to accumulate for delinquent lease payments.
- Lack of oversight by DFCS has allowed fiscal agent activities to operate without contracts, memoranda of understanding and accountability measures.
  - Contracts or memoranda of understanding between certain HSSCs and not-for-profit organizations do not exist for three of four collaborations.
  - DFCS has allowed and/or approved United South Broadway Corporation (USBC) to disburse approximately \$2,716 in donated funds that do not support the mission or purpose of HSSCs.
  - USBC adjusted John Marshall's (JM) fund balance by \$7,804, without the City's consent, for prior year's unallocated expenses, which do not appear consistent with JM's expense activity.

**Objective: Are internal controls adequate to ensure resource allocations are delivered to the intended recipients of HSSC services?**

- Internal controls to ensure resource allocations have been delivered to the intended recipients of HSSC services have not been developed for City programs. As a result, DFCS cannot demonstrate that City HSSC resource allocations were delivered to the department's intended recipients.

**Objective: Does DFCS have effective internal controls to account for donations?**

- Deficient internal controls for donation activities hinders the ability of the department to accurately account for, manage and derive the benefit from this form of public support.

**Objective: Are supervisory controls for HSSC staff sufficient for detecting fraud, waste and abuse of City assets?**

- Annual employee performance reviews have not been performed for the majority of HSSC staff. Supervisory controls have also remained unchanged despite prior personnel integrity and accountability issues.

**Recommendation and management responses are included within the audit report.**



***City of Albuquerque***  
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February 27, 2013

Accountability in Government Oversight Committee  
City of Albuquerque  
Albuquerque, New Mexico

Audit: Special Audit  
DFCS – Health and Social Service Centers  
Audit No. 12-107

**FINAL**

**INTRODUCTION**

The Office of Internal Audit (OIA) conducted a special audit of the Department of Family and Community Services' (DFCS) Health and Social Service Centers (HSSC). The audit was requested by DFCS as a proactive approach to improve HSSC operations and identify appropriate corrective measures.

HSSCs were conceived as one-stop-shops for the convenience of low to moderate income residents needing health, education and social services. Each of the four HSSCs is strategically located to service a quadrant of the City.

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- East Central – East
- Alamosa – West

DFCS's HSSC approved general fund budgets for FY11, FY12 and FY13 are \$3.13 million, \$3.31 million and \$3.52 million, respectively. DFCS also administers Federal funding for health and social programs. As a result, DFCS is responsible for administering funds from a variety of sources in addition to managing HSSC fiscal agent and property lease agreements. Details for HSSC activities are outlined below.

*Lease Agreements*

HSSCs lease center space to a variety of not-for-profit and medical organizations that are designed to serve the communities they are located in. Lease payments are set up as accounts receivable and paid on a monthly basis. The fiscal division within DFCS is responsible for monitoring lease payment activity. The City also pays 100 percent of HSSC lessee utility costs.

*Federal Funding*

HSSCs administer two federally funded programs. Each is outlined below.

- The Eviction Prevention Program (EPP) is a federal program funded through the Department of Housing and Urban Development's (HUD's) Community Development Block Grant. The grant is equally portioned to each of the four HSSCs.
- HSSCs also administer food commodity allocations. The Emergency Food Assistance Program (TEFAP) provides federal funds that flow through the State and are utilized by each HSSC site. Resource allocations are usually distributed on a monthly basis but can be altered to accommodate unforeseen changes.

#### *Fiscal Agent Activity*

Three not-for-profit organizations interact in various capacities with select HSSC centers. Each interaction is outlined below.

- Youth Development Incorporated (YDI) is the fiscal agent for the department's Eviction Prevention Program (EPP). YDI accounts for and disburses EPP funding on behalf of each HSSC. YDI also acts as the flow through fiscal agent for funds received from Legacy Church. Legacy Church will periodically allocate funding for use by the Alamosa HSSC. Alamosa will qualify individuals for rent assistance and YDI will disburse payments from donated Legacy funds.
- The United South Broadway Corporation (USBC) acts as John Marshall's fiscal agent and accepts monetary donations on behalf of the center. John Marshall uses the funding for a variety of indigent support services such as utility, rent and gas assistance.
- Harwood Methodist Church allocates funding to the Los Griegos HSSC. Funding resides at the Church and is designated for senior citizens and single parents who live in the 87107 area code. Los Griegos will qualify individuals for needed services and the Church will disburse payments.
- Fiscal agent activity for East Central is limited to the EPP program managed by YDI, as mentioned above.

#### *Donations*

HSSCs directly accept non-monetary donations but not monetary donations. Monetary donations are accepted by HSSC fiscal agents or the Roadrunner Food Bank (RFB). In turn, fiscal agents will dispense the funds as directed by each HSSC or food products will be purchased from RFB to support HSSC food dispensing programs.

RFB is a not-for-profit organization whose mission is "To End Hunger in New Mexico." RFB distributes food through agencies and manages several direct service programs to help end hunger in New Mexico. RFB is the designated food bank that distributes USDA Commodity (TEFAP program) foods to participating organizations in the Albuquerque area such as, the HSSC centers. Organizations may also purchase additional food from RFB to meet the needs of their programs. Separate accounts are maintained by RFB for each HSSC, which enables each

center to direct monetary donations to the RFB in support of the City's hunger related programs for the needy.

#### *Client Database*

HSSCs use an Access database to capture client activity. The database captures details such as the client's personal information, dependent information and service details. The database is supported by the City's Information Technology Services Division (ITSD) but lacks the functionality needed by HSSCs.

DFCS is currently implementing a new software system that will replace the previous Access database and allow for the enhanced functionality needed by HSSCs. Implementation was initiated in November 2012 and will be contractor supported. The new system is web-based and appears to meet the needs of the department.

#### *HSSC Personnel Issues*

DFCS has experienced multiple personnel integrity and accountability issues. On August 18, 2011 the City's Office of Inspector General issued an investigative report pertaining to the abuse of HSSC services. The investigation identified three employees who abused the Public Service Company of New Mexico's (PNM) Good Neighbor Fund (GNF). The report states "Based on our investigation, Employee 1, Employee 2 and Employee 5 abused PNM's GNF by granting each other GNF grants when they were not eligible to receive them." In addition, the report states "The City's Eviction Prevention Program was abused by City employees who are entrusted to help low income families and those in need."

In addition, DFCS fired three employees in 2012 for running a tax preparation business on City time and donating the proceeds to a not-for-profit organization, where a relative of an HSSC employee worked. Investigators believe that these employees "failed to account for over \$20,000 in cash or checks donated to the HSSC for these services." One employee was also accused of using City resources to run a bowling league on City time.

### **AUDIT OBJECTIVES**

The objectives of the audit were to determine:

- Does DFCS have effective processes and accurate records for fiscal agent and property lease activities?
- Are internal controls adequate to ensure resource allocations are delivered to the intended recipients of HSSC services?
- Does DFCS have effective internal controls to account for donations?

- Are supervisory controls for HSSC staff sufficient for detecting fraud, waste and abuse of City assets?

### **SCOPE**

Our audit did not include an examination of all functions and activities related to HSSC activities. Our scope was limited to the objectives above for fiscal years 2011 and 2012.

This report and its conclusions are based on information taken from a sample of transactions and do not represent an examination of all related transactions and activities. The audit report is based on our examination of activities through the completion of fieldwork on November 15, 2012 and does not reflect events or accounting entries after that date.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

### **METHODOLOGY**

OIA reviewed applicable Federal, State and City regulations relevant to HSSC operations. Key personnel were interviewed to gain a better understanding of HSSC operations and processes. In an effort to identify best practice information for donation activities, OIA contacted four not-for-profit organizations which support the needy within Albuquerque. The information gathered from their donation practices will provide the department with valuable insight of other organizational practices for the acceptance of monetary and non-monetary donations.

Test work was performed for fiscal agent, property lease, funding source, donation and HSSC staff supervisory activities. Internal controls to ensure HSSC operations are in compliance with applicable regulations, which help deter the fraud, waste and abuse of City assets, were also tested.

Audit sampling software was used to generate statistical and random attribute test samples to accomplish audit objectives. Population data was derived from DFCS information systems.

### **FINDINGS**

The following findings concern areas that OIA believes could be improved by the implementation of the related recommendations.

1. DFCS SHOULD ESTABLISH CONTRACTS AND OVERSIGHT POLICIES AND PROCEDURES FOR MANAGING HSSC PROPERTY LEASE ACTIVITY.

DFCS has not created oversight policies and procedures or appropriately managed HSSC property lease activities. Lack of oversight by DFCS, has allowed property lease activities to operate without contracts (A), unchanged decade-old rates (B) and uncollected delinquent account receivables (C). The annual amount of lease revenue associated with HSSC leases is approximately \$331 thousand.

- A. As of October 1, 2012, there are 21 organizations occupying space at HSSC locations. Of the 21 organizations, 19 are operating with expired leases and one is operating with an expired Memorandum of Understanding (MOU). Of the 19 expired contracts, 18 expired June 30, 2011 and one expired June 30, 2009.

In addition, Albuquerque GED has been occupying space at the Alamosa HSSC with no formal agreement since June 2009. An MOU was signed by the Alamosa center manager in September 2008 that allowed the organization to occupy the space rent/lease free. However, the MOU expired in June 2009.

- B. Five dollars per square foot HSSC lease rates have remained unchanged for approximately 10 years. OIA audit number 10-107 issued on February 23, 2011, identified this recurring issue and states "OIA determined that 23 of 29 lease agreements (79%) have had the same rental rate of \$5 per square foot for over seven years. Neither the DFCS management nor DFAS – Real Property personnel know why the rental rates have remained the same."

Market rental analysis for each HSSC site was performed on June 13, 2011. Annual full service rates ranged from \$11 to \$22.75 per square foot, which are significantly higher than the current rate of \$5 per square foot.

- C. As of September 27, 2012, the total amount due from delinquent accounts was \$37,312. Of the five delinquent accounts, the DFCS fiscal division had knowledge of one account. The Department of Finance and Administrative Services (DFAS) - Accounting Division currently performs accounts receivable monitoring functions and acts as DFCS' collections agent when accounts become delinquent. The DFAS-Accounting Division personnel stated that they have assumed these responsibilities because DFCS has not collected delinquent lease revenue. These functions should be performed by the department and not DFAS-Accounting. DFCS personnel stated that fiscal oversight has been neglected because of staff turnover within the fiscal division.



Expired lease contracts do not mandate payment or occupancy from HSSC lessees. This may result in non-payment or vacancy increases for HSSC property. In addition, unadjusted lease rates will increase the financial burden to support HSSC lessee activities. The City currently pays 100 percent of HSSC lessee utility costs.

Administrative Instruction (AI) 2-2 states that the minimum documentation to enforce a debtor's obligation to pay and to record the terms and conditions of such repayment shall be an expressed written contract. Implied or verbal contracts are a violation of this policy.

AI 2-2 also states that Departments are responsible for the following:

- Reconciling their A/R to the centralized GL system on a monthly basis,
- Reviewing and monitoring A/R aging reports, on a monthly basis,
- Collection of their delinquent accounts, and
- Developing written procedures to implement the requirements of AI 2-2 and the City's credit policy.

#### RECOMMENDATIONS

DFCS should:

- Establish and maintain lease contracts or MOUs for all HSSC property occupants.
- Raise lease rates to help offset the costs of increased utility and facility maintenance burdens paid by the City on behalf of property occupants.
- Create and implement comprehensive policies and procedures for managing HSSC property lease activities, including the requirements mandated by AI 2-2.
- Collect delinquent lease account revenue and ensure A/R oversight procedures are performed in accordance with City regulations. DFAS-Accounting should not have to assume these responsibilities for DFCS.

#### RESPONSE FROM DFCS

***“Lease contracts are currently being revised by Real Property. DFCS will update existing MOU’s and create new MOU’s for any other occupants not currently covered by an agreement.***

***“DFCS will not raise the lease rates as recommended by IA immediately, but will consider this recommendation in the future.***

***“DFCS will develop policies and procedures to monitor property lease agreements including the requirements mandated by City of Albuquerque Administrative Instruction 2-2: Credit, Collection and Accounts Receivable Policy.***

***“The City of Albuquerque Real Property Division is responsible for collecting delinquent lease account revenue. DFCS will work with Real Property to create a Memorandum of Understanding that delineates the roles and responsibilities of DFCS and Real Property.”***

**ESTIMATED COMPLETION DATE**

***“The estimated completion date of these activities is on or about November 1, 2013.”***

**2. DFCS SHOULD CREATE AND IMPLEMENT POLICIES AND PROCEDURES FOR MANAGING FISCAL AGENT ACTIVITY.**

DFCS has not created oversight policies and procedures to manage HSSC fiscal agent activities. DFCS has allowed fiscal agent activities to operate without contracts, MOUs or accountability measures.

Contracts or MOUs that clearly outline the scope of services, compensation and other agreed upon procedures between certain HSSCs and not-for-profit organizations do not exist for three of four collaborations. Each interaction without a formal agreement is outlined below.

- (1) The John Marshall HSSC does not have a contract with the United South Broadway Corporation (USBC). USBC is John Marshall’s fiscal agent and accepts/disburses monetary donations on behalf of the center.
- The Alamosa HSSC does not have MOUs detailing its interactions/expectations for the qualification services provided to (2) Harwood Methodist Church and (3) Legacy Church.

DFCS’ contract with YDI for the Eviction Prevention Program (EPP) outlines the City’s oversight authority to maintain the integrity of the fund. However, DFCS has not performed oversight activities beyond reviewing the *Summary Budget Comparison* reports periodically sent to DFCS management. HSSC management stated that the reports are reviewed for information purposes but the department has not actively engaged in reconciling or performing oversight functions to ensure the information on the reports is accurate. DFCS has not assigned resources to monitor fiscal agent activities. HSSC sites use fiscal

agents because the HSSCs cannot accept, account for or quickly disburse monetary transactions. HSSC management stated that the financial support provided by the centers needs to be a quick process and City processing time is too slow for HSSC activities. An HSSC manager also stated that fiscal agent oversight activities have not been monitored during his 14-year tenure with the department.

By not monitoring fiscal agent activities, DFCS has allowed and/or approved USBC to disburse donated funds for purposes that do not support the mission or purpose of HSSCs. OIA reviewed all USBC expense activity for calendar years 2010, 2011 and 2012. Seventy transactions totaling \$10,239.88 were reviewed. OIA noted multiple accounting and expense issues that are outlined below.

- Discretionary spending that does not support the mission of HSSCs totaled \$2,716 for 2010 and 2011. Donated funds were spent for the following purposes:
  - Turbo Tax software (2),
  - Staff conference fees,
  - Plants to decorate the facility,
  - Staff luncheons,
  - Administrative support salaries, and
  - Staff and miscellaneous office supplies.
- Supporting documentation was not provided for two expense items questioned by OIA, totaling \$248.69.
- Supporting documentation was provided for two expense items, totaling \$165.95, which were not listed in USBC's general ledger for John Marshall.
- A reimbursement for rental assistance was paid to the Director of USBC's personal credit card without approval from City staff.

In addition, John Marshall's account balance was adjusted from \$11,149 to \$3,345 in 2011 for prior unallocated expense items discovered by USBC. OIA believes that these expense items should have been reviewed by the City, USBC and USBC's external auditor before the adjustment was made. Expense items included within the adjustment for advertising, donations, construction and water service payments are not consistent with John Marshall's expense activity.

The Government Finance Officers Association (GFOA) states that internal controls must be comprehensive in order to fully achieve their intended purpose.

Administrative Instruction 6-4 states “Public-sector managers must maintain adequate control over all assets to minimize the risk of loss or misuse.”

DFCS states that HSSCs “were conceived as „one-stop-shops“ for the convenience of low to moderate income residents needing these services.” DFCS also states that “The City of Albuquerque provides additional services to low and moderate income residents in the form of emergency food, clothing and utility and rental assistance, primarily on a „one-time“ basis as funding is available.”

### RECOMMENDATIONS

DFCS should:

- Establish fiscal agent and not-for-profit contracts or MOUs for all HSSC collaborations.
- Create and implement comprehensive internal controls that enable the department to manage fiscal agent activity, especially monetary accounts managed on behalf of the City.
- Challenge USBC’s \$7,804 fund balance adjustment until USBC can justify the validity and provide supporting documentation for all unallocated expense items.
- Create and implement an interim approval process with USBC for the disbursement of donation funds held on behalf of the City.
- Ensure all disbursements from USBC support the mission and purpose of HSSCs.

### RESPONSE FROM DFCS

***“It is not the intention of DFCS to continue the use of fiscal agents to manage donations to our HSSCs.***

***“DFCS is currently working to establish a Trust and Agency account through City Treasury to eliminate the need for fiscal agents. This policy will incorporate internal controls as well as oversight with regard to approval and disbursement processes for monetary accounts.***

***“DFCS will investigate the \$7,804 fund balance adjustment and review documentation to support/validate the adjustment. We will require the agency to provide supporting documentation for all uncollected expense items.***

*“DFCS will implement an interim approval process with USBC for the disbursement of donation funds held on behalf of the City.*

*“DFCS will monitor disbursements from USBC to verify the integrity and purpose of the disbursements to coincide with the HSSC’s mission”.*

ESTIMATED COMPLETION DATE

*“The completion date for these activities will be on or about June 30, 2013.”*

3. DFCS SHOULD ESTABLISH INTERNAL CONTROLS FOR CITY PROGRAMS AND OVERSIGHT PROCESSES FOR FEDERAL PROGRAMS TO ENSURE RESOURCE ALLOCATIONS ARE DELIVERED TO THE INTENDED RECIPIENTS OF HSSC SERVICES.

Internal controls have not been developed to ensure resource allocations are delivered to the intended recipients of City HSSC programs. During test work, exceptions were also noted for Federal programs that have established policies and procedures.

Statistical samples of 24 test items were selected from both FY11 and FY12 for a total of 48 out of a population of 6,767 client records. Attributes were selected to determine if HSSC sites are in compliance with funding source regulations pertaining to qualification requirements and maintenance of supporting documentation.

In general, the Alamosa and Los Griegos HSSCs maintain better supporting documentation than the East Central and John Marshall HSSCs. Fewer exceptions were noted for the Alamosa and Los Griegos HSSCs. Exceptions by funding source are summarized below.

- One of six Eviction Prevention Program (EPP) test items did not contain income qualification documentation.
- Ten of 15 (66%) test items for The Emergency Food Assistance Program (TEFAP) contained multiple income qualification exceptions. In general, all ten exceptions were missing documentation that would allow a third party to authenticate the accuracy of the City’s qualification and residency approval practices. Examples include:
  - Client income was checked but the dependent level for which the individual qualified for was not verified. In this instance the client claimed two dependents but the dependents were never verified or documented.

- OIA also identified a client whose income level was higher than the income qualifications outlined for the program.
- Two test items were selected for Legacy Church funds. Neither contained proof of residence, which HSSC staff verbally expressed was the main qualification for the recipients of the Church's program.
- Thirteen of 25 (52%) City program test items contained exceptions. Five client files could not be located and eight files did not contain proof of residence or identification used for qualification purposes.

As a result of deficient qualification documentation, DFCS cannot demonstrate that City HSSC resource allocations were delivered to the department's intended recipients. In general, DFCS has established that HSSC services should benefit low to moderate income residents of the city.

EPP regulations require client documentation be consistent, validated and retained within the clients' file. Likewise, TEFAP regulations state "Food Pantries [HSSC sites] must record, at a minimum, the date of food distribution, the name and address of the household, number of persons in the household, and the basis for determining the household as eligible (low income, categorically eligible etc.)."

The GFOA states that internal controls must be comprehensive in order to fully achieve their intended purpose.

### RECOMMENDATIONS

DFCS should:

- Create and implement comprehensive internal controls that ensure and demonstrate City resource allocations were delivered to the department's intended recipients.
- Retain sufficient supporting documentation that allows third parties to verify the accuracy of the agency's allocations.
- Perform program monitoring activities to ensure uniformity and consistency among HSSC resource allocation programs and City systems.

### RESPONSE FROM DFCS

***"DFCS will create and implement internal controls including, but not limited to, income guidelines/income verification to ensure that the intended recipients***

*receive the necessary resource allocations. Both the Federal and State programming that the HSSC's provide currently have rules and regulations in place that will be carefully monitored for consistency and validity.*

*"DFCS will continue to build and refine the current practices utilized by the HSSC's regarding documentation and create a policy to help enforce such practices.*

*"The HSSC's are in the process of developing standard operating procedures (SOP's) to alleviate inconsistencies within the program. Although a majority of services are virtually identical, each HSSC works with different demographic populations and may require additional services/programming to accommodate their respective communities."*

ESTIMATED COMPLETION DATE

*"The completion date for these activities will be on or about June 30, 2013."*

4. DFCS SHOULD CREATE AND IMPLEMENT UNIFORM POLICIES AND PROCEDURES FOR HSSC DONATION ACTIVITIES.

Donation policies and procedures have not been created for HSSC sites, which has led to inconsistent approaches for the acceptance of monetary and non-monetary donations. Donation practices are at the discretion of HSSC site managers and rely on institutional knowledge of the staff. Monetary and non-monetary donation issues are explained in detail under the following subheadings (A. Monetary and B. Non-Monetary).

Inconsistent donation practices hinder the ability of the department to accurately account for, manage and derive the benefit from this form of public support. In addition, informational statements are absent from the Alamosa, East Central and John Marshall non-monetary donation forms such as Internal Revenue Service (IRS) designations and donor responsibilities. The absence of such statements makes it appear that the City is attesting to the value of the donated goods, which can lead to potential issues with the IRS. Likewise, the statement contained on Los Griegos' donation form indicates the City is a 501(c)(3). The City is a Municipal Corporation, not a 501(c)(3), which can also lead to issues with the IRS.

In an effort to identify best practice information for donation activities, OIA contacted four not-for-profit organizations which support the needy within the Albuquerque area, of which three responded. Goodwill, Salvation Army and Joy Junction provided advice and information about their donation practices, which is illustrated in the table below.

Common Donation Practices Among Not-for-Profit Organizations				
Organization	Common Practices			Other Practices or Advice
	Maintain Standardized and Documented Policies and Procedures	Standardized Non-Monetary Donation Documents that Contain Statements to Protect the Organization *	Issues Letters of Acknowledgment for Monetary Donations	
Goodwill	YES	YES	YES	Goodwill clearly communicates and enforces theft policies and encourages employee vigilance for theft or abuse within the organization.
Salvation Army	YES	YES	YES	Salvation Army (SA) has a donation value guide that helps individuals assess the value of the most commonly donated goods. SA also issues letters to donors informing them of the amount derived from large ticket items that must be auctioned such as vehicles.
Joy Junction	YES	YES	YES	Pre-numbered receipts also provide a method for reconciliation and increased accountability.

\* Statements inform the donor that they are solely responsible for the stated value on the document, clearly communicates that the organization does not attest the value of donated goods and contains the organizations IRS tax exempt designation.

Source: OIA Surveys

*A.) Monetary Donations*

During interviews, HSSC management expressed varying approaches for the acceptance of monetary donations. For example, one manager stated that they will only refer monetary donations to the RFB. While the other manager stated that it depends on the situation; monetary donations can be directed to USBC or RFB. USBC monetary donations reported for FY11 and FY12 amounted to \$4,055.66 and \$3,290, respectively.

*B.) Non-Monetary Donations*

Non-monetary donation practices also vary among HSSC sites. One manager stated that the amount of documentation for non-monetary donations depends on the materiality of the donations. For example, if books or tooth brushes are donated, the center will issue a donation letter but will not track each disbursement of the items. While the other manager stated policies and procedures have never been developed for this area.



As a result, each HSSC issues different documentation for non-monetary donations. The table below contains a description of the documentation issued at each center.

<b>Non-Monetary Donation Documentation Practices by HSSC</b>			
<b>HSSC</b>	<b>Type of Document Issued for Donations</b>	<b>Do Donation Documents Contain Statements to Protect the City*</b>	<b>Other Practices or Issues</b>
Alamosa	None	No	Donation documentation could not be located by center staff.
East Central	Letter that specifies the description of the donated item(s), date, donor information and estimated value of donation (in some cases).	No	None noted
John Marshall	Form on John Marshall letterhead that specifies the name of the donor, description of item(s), estimated value of item(s), date, donor signature and HSSC staff signature.	No	None noted
Los Griegos	Form that specifies the donor name, address, phone number, description of item(s), estimated value of item(s), HSSC staff signature and donors signature.	Partial (needs to be revised)	Los Griegos forms state "The City of Albuquerque is a 501(C)(3) organization under the regulation of the Internal Revenue Service. All contribution to the City of Albuquerque Health and Social Service Centers are tax-deductible to the extent provided by law." The City is a 501(c)(1) organization.

\* Statements inform the donor that they are solely responsible for the stated value on the document, clearly communicates that the organization does not attest the value of donated goods and contains the organizations IRS tax exempt designation.

Source: HSSCs

IRS regulations classify municipal corporations as 501(c)(1) organizations. However, contributions must be made exclusively for public purposes.

Administrative Instruction 6-4 states "Public-sector managers must maintain adequate control over all assets to minimize the risk of loss or misuse".

**RECOMMENDATIONS**

DFCS should:

- Create and implement comprehensive internal controls that ensure consistent policies, procedures and documents are followed/used for donation acceptance activities.
- Train all HSSC employees on created policies and procedures when complete.
- Ensure all non-monetary donation documents contain statements to inform the donors that they are solely responsible for the stated value on the donation document.
- Correct the statement contained on Los Griegos" donation documents that indicates the City is a 501(c)(3) with the correct IRS classification of 501(c)(1).
- Work with the City's Treasury Department to establish accounts that would enable each HSSC to accept and disburse monetary donations. Such accounts must be non-reverting and ensure donations are allocated to the designated HSSC.

#### RESPONSE FROM DFCS

***"DFCS is currently in the research and development phase of creating policies and procedures for donation acceptance including supporting documentation with the proper IRS classification.***

***"DFCS is currently working on establishing a Trust and Agency account through City Treasury to handle monetary donations given to the HSSC's. This will include internal controls for the flow of monies throughout the A/R process and ensuring that the monies are non-reverting and can be allocated for the designated HSSC. Once complete, City Treasury will review the proposal. Once reviewed and approved DFCS will train all relevant personnel, and begin the implementation process."***

#### ESTIMATED COMPLETION DATE

***"The completion date for these activities will be on or about June 30, 2013."***

5. DFCS SHOULD ENSURE ANNUAL EMPLOYEE EVALUATIONS ARE PERFORMED AND IMPLEMENT ENHANCED PERFORMANCE CONTROLS TO MONITOR HSSC STAFF ACTIVITY FOR FRAUD, WASTE OR ABUSE.

Annual employee performance reviews have not been performed for the majority of HSSC staff. Supervisory controls over HSSC staff have also remained unchanged despite prior personnel integrity and accountability issues. HSSC managers use annual employee performance reviews as the primary administrative control to assess employee performance.

As of November 22, 2012 there are 17 HSSC employees. Of the 17 employees five (29%) received performance evaluations in FY11 and 10 (59%) received evaluation in FY12. Of the 15 evaluations that were performed in FY11 and FY12, three evaluations did not contain performance ratings for the associated employee. The DFCS HR Coordinator stated that "not rated" language within the employees' files implies that the supervisor and/or employee did not rate their performance.

In addition, the three employees who were terminated and/or retired for running a tax preparation business and bowling league using City resources and time did not have an employee performance evaluation for FY11 and all FY12 evaluations were "not rated".

Supervisory controls that would allow DFCS and HSSC management to detect or prevent fraud, waste or abuse of the City's assets have also remained unchanged. For example, HSSC employees encounter, review and process various forms of safety sensitive information when qualifying individuals for service such as social security numbers, driver's license information and income documentation. However, HSSC positions are not classified as safety sensitive and are exempt from additional background inquiries, which would provide additional controls to ensure the integrity of HSSC employees. As a result, DFCS may continue to experience fraud, waste or abuse of City assets by HSSC employees.

Section 3-1-9 (Performance Evaluations) of the City's Code of Ordinances states:

The work performance of an employee shall be officially evaluated by his or her immediate supervisor(s) at least once a year.

Section 301.17 of the City Personnel Rules and Regulations states:

Employees with supervisory duties or responsibilities shall, in all instances, ensure that all supervisory actions comply with the provisions of the Merit System Ordinance, Labor-Management Relations Ordinance, Personnel Rules and Regulations, Administrative Instruction, City Operator's Permit, Substance Abuse Policy, applicable legislation, and relevant judicial/administrative decisions.

Section 3-2-3 of the Labor-Management Relations Ordinance states that a supervisor is:

Any individual having authority in the interest of the city employer to hire, transfer suspend, lay off, recall, promote, discharge, assign, reward, or discipline other employees, or responsibility to direct them, or to adjust their grievances, or effectively to recommend such action; if in connection with the foregoing, the exercise of such authority is not of a merely routine or clerical nature, but requires the use of independent judgment.

### RECOMMENDATIONS

DFCS should:

- Ensure HSSC management performs annual employee performance evaluations and specifically rates the performance of each HSSC employee.
- Ensure HSSC managers create and perform additional employee performance controls, in addition to the annual employee performance evaluation, that would allow the department to detect fraud, waste or abuse of City assets by HSSC staff.
- Work with the Human Resource Department to determine if HSSC positions should be classified as safety sensitive.
- Ensure HSSC managers with supervisory functions comply with disciplinary actions outlined by regulations in instances of employee fraud, waste or abuse.

### RESPONSE FROM DFCS

*“DFCS will perform annual employee performance evaluations during the anniversary month of each employee’s hire date.*

*“DFCS will consult with an expert in the field of fraud, waste and abuse to develop other necessary internal controls.*

*“DFCS will coordinate with the HR Department to determine if HSSC positions are safety sensitive.*

*“All DFCS will ensure compliance with disciplinary actions required.”*

### ESTIMATED COMPLETION DATE

*“The completion date for these activities will be on-going and completed by on or about November 1, 2013.”*

### CONCLUSION

We believe this audit will help DFCS identify internal controls needed to improve processes accountability and transparency pertaining to the operational activities of the department’s Health and Social Service Centers.

We appreciate the assistance and cooperation of the Department of Family and Community Services personnel during the audit.

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Principal Auditor

REVIEWED and APPROVED:

APPROVED FOR PUBLICATION:

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Director, Office of Internal Audit

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Chairperson, Accountability in  
Government Oversight Committee