



# *City of Albuquerque*

## **Office of Internal Audit**

### **FOLLOW-UP OF THE DEPARTMENT OF FAMILY AND COMMUNITY SERVICES HEALTH AND SOCIAL SERVICE CENTERS AUDIT**

**FOLLOW-UP #15-12-107F**

**January 28, 2015**

#### **INTRODUCTION**

The Office of Internal Audit (OIA) performed a follow-up during fiscal year (FY) 2015 of Audit No. 12-107, Health and Social Service Centers, Department of Family and Community Services (DFCS). The original audit was requested by DFCS as a proactive approach to improve Health and Social Service Center operations and identify appropriate corrective measures. The purpose of this follow-up is to report on the progress made by DFCS in addressing our findings and recommendations. Our follow-up procedures rely on the departments providing the status of the recommendations.

Our follow-up is substantially less in scope than an audit. Our objective is to report on the status of corrective actions in regard to our findings and recommendations.

We limited our scope to actions taken to address our audit recommendations from the final audit report dated February 27, 2013, through the submission of actions taken memo completed by DFCS on November 14, 2014.

#### **BACKGROUND INFORMATION**

Health and Social Service Centers (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. 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.

The HSSCs administer two federally funded programs. The Eviction Prevention Program is funded through the Department of Housing and Urban Development's Community Development Block Grant. The grant is equally portioned to each of the four HSSCs. The Emergency Food Assistance Program provides funds that each HSSC site uses to administer food commodity allocations.

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

#### **SUMMARY**

All five of the audit's recommendations are in process as detailed below. Although progress has been made, there is still opportunity for improvement in the internal controls for the HSSCs.

The status of the recommendations is identified by the symbols in the following legend:



Fully Implemented



Resolved



Partially Implemented



Not implemented

**Recommendation #1:** 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.”

**Status Reported by DFCS as of November 14, 2014:** Response from DFCS:

“Actions Taken:

- Raising lease rates for small not for profit agencies renting space in our HSSC properties, in order to provide needed social services to persons of low and moderate income, may lead to the financial demise of these agencies and a significant reduction, or perhaps elimination of said services.
- As to date, the lease agreements are still pending. Waiting for clarification from Real Property regarding the concerns related to the Anti-Donation Clause.
- It is the opinion of DFCS that Lessees will be charged market rent on the pending lease agreements, but will accept services rendered as payment in lieu of a cash payment to help subsidize the market rent.

- DFCS has provided documentation necessary for the lease agreement to be set up with reoccurring payments in the Accounts Receivable system. This ensures lease payments are tracked in the system and any delinquent payments are sent through the City’s collections process. Center managers are responsible for monitoring the Lessee’s use of the property and ensure compliance with the property lease agreements.
- As lease agreements are approved, DFCS will work with Real Property to ensure the lease agreements are entered into the Accounts Receivable system and any delinquent lease accounts are identified timely and follow the necessary City collections process.”



Partially Implemented – DFCS has partially implemented the recommendations by starting to update the lease agreements, and requesting that lease payments be added to the accounts receivable system; however, only one new lease agreement has been signed, and no estimate is available as to when the other three lease agreements are expected to be finalized. The lease agreement with USBC has been provided to the Accounts Receivable Division to be entered into the system.

**Recommendation #2:** 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.”

**Status Reported by DFCS as of November 14, 2014:** Response from DFCS:

“Actions Taken:

- As to date, we are in the process of getting approval from Legacy Church to move the funds to the newly created Trust & Agency account that was established by DFAS. Once these funds are moved DFCS will no longer have a need for a fiscal agent to handle donated funds.
- A Trust & Agency account was established after DFAS approved the Policy & Procedures which include internal controls.
- As to date, USBC has not responded to requests for payment of the money that is in the John Marshall account. The last attempt was made in January, 2014 via a certified letter.
- All requests for use of funds in the USBC account are to be reviewed and approved by the Department Director prior to submitting to USBC.
- Any requests for disbursements from the USBC account will adhere to the mission and goals set forth by DFCS.”



Partially Implemented – DFCS has partially implemented the recommendation by having the policies and procedures for the Trust and Agency account approved by DFAS. This allowed them to start the process to move the funds from Legacy Church to the newly established Trust and Agency account, eliminating the need for a fiscal agent. This process has been put on hold until the City’s Treasury Division and the new banking institution can determine the best avenue for completing this.

There is no documentation to support that requests for the disbursement of funds from the USBC account are to be reviewed and approved by the Department Director, as the approval was verbal. According to DFCS, the disbursements from the USBC account were halted in December 2012. DFCS implemented the requirement that all disbursements are to adhere to the mission and goals set forth by DFCS. DFCS has not received the requested \$7,804 from USBC. According to the DFCS Director, he intends to follow-up with the Legal department for collection activity related to the requested \$7,804 from USBC.

**Recommendation #3:** 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.”

**Status Reported by DFCS as of November 14, 2014:** Response from DFCS:

“Actions Taken:

- Federal Income Guidelines are currently being used to qualify registrants for The Emergency Food Assistance Program (TEFAP) as well as the Eviction Prevention Program. TEFAP completed an audit of our program in June, 2014 with minor findings that have been corrected.
- A policy has not been created to address supporting documentation, but supporting documentation does exist in hardcopy as well as in digital format.
- Policy has been created and adopted to address inconsistency in operation of the Health & Social Service Centers. Currently, all four Centers are operating in a uniform fashion including, but not limited to, program availability, record keeping, and hours of operation.”



Partially Implemented – DFCS has partially implemented the recommendations by using the Federal Income Guidelines to qualify registrants for The Emergency Food Assistance Program, and has created and adopted a policy to address the inconsistency

in the operations of the HSSCs. However, no policy has been created to address the requirements for retaining supporting documentation.

**Recommendation #4:** 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."

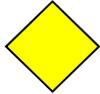
**Estimated Completion Date:** "The completion date for these activities will be on or about June 30, 2013."

**Status Reported by DFCS as of November 14, 2014:** Response from DFCS:

"Actions Taken:

- Documents have been created and are currently being used. Donation policy is still under review and is expected to be approved by January 31, 2015.
- Training is contingent upon the approval and implementation of the above noted policy.
- Non-monetary donation receipts contain language that indicates that the donor is responsible for the valuation of the donated item(s).
- The above stated receipt contains the correct IRS designation for a Government Municipality— 501(c)(1).
- The Trust & Agency Policy addresses this issue. There is one bank account with five separate funding strings that are designated for the four HSSC's and one Misc. funding

strings for use by any of the four HSSC's.”



Partially Implemented – DFCS has partially implemented the recommendations by creating and using documents for donations. The donation policy is under review by the HSSC managers; final approval will come from the DFCS Director. The non-monetary receipts have been updated to include language that indicates the responsibilities of the donor for item valuation, and to correctly list the City of Albuquerque as a Government Municipality – 501(c)(1). The Trust and Agency Policy addresses the allocation of the donation to the designated HSSC. However, training has yet to be provided on the use of the donation documents. Training is contingent on the approval and implementation of the Donation policy. As discussed previously in Recommendation #2, the process for creating separate funding strings is on hold until the City's Treasury Division and new banking institution can determine the best avenue for completing this.

**Recommendation #5:** 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.”

**Status Reported by DFCS as of November 14, 2014:** Response from DFCS:

“Actions Taken:

- Employee evaluations are up-to-date in reference to the employees hire date.
- No Action Taken
- A request has been made, but as to date there has been no decision made. DFCS will follow-up with HR to revisit the recommendation.
- HSSC managers are continually complying with disciplinary actions outlined by City regulations.”



Partially Implemented – DFCS has partially implemented the recommendations by completing 5 of the 13 HSSC employee evaluations within the past fiscal year (FY 2014) or current fiscal year (FY 2015). However, none of the employee evaluations were provided to HR as required by Administrative Instructions 7-32-1 and 7-32-2.

Follow-Up  
Health and Social Service Centers – DFCS  
Date: January 28, 2015

FUP #15-12-107F

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Principal Auditor

REVIEWED:

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Internal Audit Manager

APPROVED:

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Debra Yoshimura, CPA, CIA, CGAP, CICA  
Director, Office of Internal Audit

APPROVED FOR PUBLICATION:

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Accountability in  
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Oversight Committee