



Special Project – Renee’s Project HUD Grant

Internal Audit

August 2013

Bernalillo County Internal Audit Special Project – Renee’s Project HUD Grant

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Bernalillo County Internal Audit Special Project – Renee’s Project HUD Grant Report

INTRODUCTION

We performed the internal audit services described below to assist Bernalillo County in evaluating compliance with policies and procedures relating to the Renee’s Project HUD Grant. Our services were conducted in accordance with the Consulting Standards issued by the American Institute of Certified Public Accountants, Generally Accepted Government Auditing Standards, and the terms of our contract agreement for internal audit services. Since our procedures were applied to samples of transactions and processes, it is possible that significant issues related to the areas tested may not have been identified.

An entrance conference was held August 5, 2013, at which time most items needed for the audit were requested. Fieldwork began the week of August 5, 2013. An exit conference was held on October 3, 2013, and final management responses were received on October 8, 2013.

We performed this special project at the request of County management. Although we have included management’s responses in our report, we do not take responsibility for the sufficiency of these responses or the effective implementation of any corrective action.

PURPOSE AND OBJECTIVES

Our internal audit focused on evaluating and testing compliance with the Bernalillo County Renee’s Project HUD Grant related to findings identified from the HUD report dated August 20, 2012, and other compliance requirements related to disbursements and reimbursement requests, participant eligibility and rental assistance calculations. In addition, we evaluated the internal controls surrounding compliance with County policies and grant requirements identified in the grant agreement.

SCOPE AND PROCEDURES PERFORMED

In order to gain an understanding of the Renee’s Project HUD Grant’s process, we interviewed the following personnel:

- Fran Martinez-Romero, DSAP Budget and Planning Officer
- Christi Baker, Housing Program Manager

- Jana Johnson, DSAP Case Manager
- Leonette Archuleta, Housing Program Assistant III
- Betty Valdez, Housing Director
- Katrina Hotrum, DSAP Director
- Trudy McGregor, Financial Administrator

In order to understand the Renee’s Project HUD Grant we read applicable portions of:

- HUD Notification of Continuum of Care Monitoring and On-site Review reports;
- DSAP – Renee’s Project Program Policy and Procedures;
- DSAP – Renee’s Project Admission and Discharge Policy and Procedures;
- McKinney Vento Homeless Assistance Act;
- Housing Department Application workflows and process documents; and,
- HUD Grant Technical Submission (application), award letter and grant agreement.

We performed the following testwork:

Disbursement testing: We obtained a listing of vouchers (reimbursement requests) submitted to HUD for general disbursements from the period of April to July 2013. We judgmentally selected a sample of five general disbursements for testwork. For each disbursement we tested that:

- Disbursement was allowable and coded to the proper functional area;
- Disbursement amount agreed with supporting documentation; and,
- The HUD voucher amount agreed with supporting documentation and the approved interdepartmental transfer document for funds paid to Housing on behalf of DSAP.

Timesheet testing: We obtained a listing of vouchers (reimbursement requests) submitted to HUD for time spent by County personnel from the period of April to July 2013. We judgmentally selected a sample of four timesheets to determine if the findings related to the HUD audit had been corrected. For each timesheet we tested that:

- Time recorded on the timesheet was broken out to show the total hours worked on Renee’s Project;
- Time recorded on the timesheet was broken out by functional areas where the time was spent;
- Time card was signed by both the employee and supervisor; and,
- Time was properly transferred to the reimbursement request submitted to HUD for voucher payment for both the correct hours and hourly rate.

Participant testing: We obtained the participant roster for Renee’s Project, which included eight active and four discharged participants. We then judgmentally selected a sample of three active and two discharged participants to determine that:

- Required documentation was on file to support that eligibility requirements were met with proper reviews/approvals;
- Application documents and an intake questionnaire was completed and signed;
- Income requirements and rent calculations met the criteria set forth by HUD guidelines;
- Monitoring activities were conducted as required by County policies and the grant agreement; and,
- Qualifications were met on an on-going basis or participants were properly discharged when they no longer met eligibility requirements, and proper termination procedures were followed.

OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT RESPONSE

We found areas during the course of the audit where controls were functioning properly and established procedures were followed. All participant files tested included documentation to properly support eligibility with proper approvals as required. Additionally, proper termination procedures were followed when participants no longer met eligibility requirements and disbursements for program expenditures were allowable and agreed with supporting documentation. Throughout the process additional recommendations were identified for areas with minimal risk and provided to the respective departments.

We identified the following weaknesses in the Bernalillo County Renee’s Project HUD Grant internal controls and policies and procedures:

1) Children of Program Participants Enrolled in School

The technical submission, grant agreement and the Renee’s Project Program Procedures dated February 8, 2013, state that the program will ensure that all school-aged children are enrolled in school to maintain compliance with the McKinney-Vento Homeless Assistance Act. The Technical Submission for the renewal Grant Agreement dated December 21, 2012, stated that the project will have a designated staff person to ensure that children are enrolled in school and receive educational services as appropriate. The DSAP Program Procedures dated February 8, 2013, stated that DSAP’s Renee’s Project will ensure homeless children are enrolled in school. Three participants with school aged children did not include verification of enrollment for children in supportive educational services with their application. During participation in the program, no evidence of enrollment in school for children of the participant was maintained in the participant file.

Risk level—Moderate: Key program requirements should be monitored to ensure compliance, otherwise the County could lose funding from HUD or cause additional HUD inspections to be performed.

Recommendation

Renee’s Project personnel should require participants to provide verification of their children’s enrollment in school to include a letter from the school or other types of documentation indicating enrollment, such as a class schedule. Additional verification could be obtained through report cards or other types of progress reports provided to parents by the school during program participation. Evidence of this type of documentation included in the participant files would

document that Renee's Project personnel are performing due diligence to ensure compliance with this requirement.

Management's Response

To correct the existing concern, all clients were contacted and verification of school enrollment for all children of Renee's Project was in each client file by September 27, 2013.

To assure that this situation does not happen again in the future, the following steps will be taken:

- DSAP will add language to Renee's Project policies and procedures that states that verification of enrollment for children in supportive educational services is required for every child participating in Renee's Project.
- DSAP has a formal committee for adopting new or revised policies and procedures. This committee is responsible for developing and revising all policies and procedures related to DSAP programs (this includes Renee's Project). The language recommended to be added to Renee's Project policies and procedures noted above will be presented for adoption at the DSAP Policy and Procedure Committee meeting of October 24, 2013.

Effective September 6, 2013, the DSAP Quality Assurance Team conducted an internal audit of every client chart for Renee's Project. From this date forward, these audits will occur quarterly. These quarterly internal audit reviews will assist to ensure that all necessary documentation for verification of enrollment for children in supportive educational services is on record for every child participating in Renee's Project.

2) *Tracking of Expenditures by Functional Area*

Based on the HUD Notification of Continuum of Care Monitoring and On-site Review dated August 20, 2012, related to Financial Reporting - 24 CFR 84.21(b)(1) Finding Number 2, expenditures should be tracked by functional area to ensure expenditures match the budget submitted to HUD. For two of six timesheets tested, for periods tested subsequent to the HUD finding, we found that Housing Department's timesheets, which had not been submitted to HUD for reimbursement, were not broken out by functional area.

Risk level—Moderate/Low: Not recording time by functional area would be a violation of HUD grant requirements and could cause additional reviews by HUD.

Recommendation

In order to address the HUD finding, it would be appropriate to track all expenditures expected to be reimbursed from HUD funding by functional area (i.e., operations, administration, and leasing) to ensure they match the expenses in the budgets submitted to HUD. Additionally, reimbursement requests through the voucher process to HUD should properly identify the functional area of the budget the request was made for.

Management's Response

Requests for reimbursement are currently being submitted according to the approved budget for the corresponding grant year. The Housing Department has updated the timesheets to reflect functional areas (administration or operations).

3) *Income Verification*

The grant agreement and the Renee's Project Program Procedures dated February 8, 2013, state that the program participants must supply information about the client family's income which affect eligibility and the amount of the participant's portion of the rent. One of five participant files tested did not include documented income verification. The rent calculation form included in the participant file indicated that the participant had income that was used as a basis to calculate the participant's portion of the rent; however, there was no evidence on file of income verification in the amount. This income reduced benefits to the participant; however, because it was not documented this reduction in benefits was not substantiated.

Risk level—Moderate/Low: Income that was not documented could be challenged and indicate that personnel had not properly performed the due diligence required to support the rent calculation.

Recommendation

To maintain compliance with federal regulations for rental assistance, documentation for income used in the rent calculation should be maintained in the participant file.

Management's Response

The Housing Department currently requires that 3rd party verifications for income to be in the file. This would not be a change in process—this is simply staff error. To find errors, quality control is done on a sample of all housing files in which Renee's Project housing files are included.

* * * * *

This report is intended solely for the information and use of Bernalillo County management, the audit committee, members of the board of commissioners and others within the organization. However, this report is a matter of public record, and once accepted its distribution is not limited. The above represents the items that constitute significant conditions. Other, less significant items were addressed with management during the audit and are not included. If additional procedures had been performed, other matters might have come to our attention that would have been reported.

We received excellent cooperation and assistance from department personnel during the course of our interviews and testing. We very much appreciate the courtesy and cooperation extended to our personnel.

REDW LLC

Albuquerque, New Mexico
October 8, 2013