



City of Chattanooga

INTERNAL AUDIT

City Hall

Chattanooga, Tennessee 37402

Stan Sewell
Director

Ron Littlefield
Mayor

December 16, 2008

Mayor and City Council
City of Chattanooga
City Hall
Chattanooga, TN 37402

RE: Human Services Department City Relief Fund, Audit 08-01

Dear Mayor Littlefield and City Council Members:

Attached is the Internal Audit Division's report on HSD City Relief Fund.

We thank the management and staff of the HSD Social Services department for their cooperation and assistance during this audit.

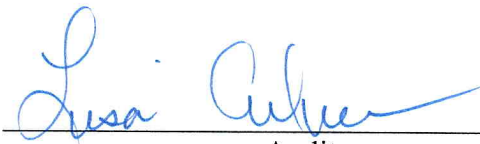
Sincerely,

Stan Sewell, CPA, CGFM
Director of Internal Audit

cc: Dan Johnson, Chief of Staff
Bernadine Turner, HSD Administrator

**HUMAN SERVICES DEPARMENT
SOCIAL SERVICES DIVISION
CITY RELIEF FUND
AUDIT 08-01
NOVEMBER 20, 2008**

**HUMAN SERVICES DEPARMENT
SOCIAL SERVICES DIVISION
CITY RELIEF FUND
AUDIT 08-01**

A handwritten signature in blue ink, appearing to read "Lisa Cohen", written over a horizontal line.

Auditor

A handwritten signature in blue ink, consisting of stylized initials, written over a horizontal line.

Audit Director

**HUMAN SERVICES DEPARTMENT
SOCIAL SERVICES DIVISION
CITY RELIEF FUND
AUDIT 08-01**

INTRODUCTION

Chattanooga Human Services Department (HSD) began in 1964 with the Economic Opportunity Act. In 1990, it became a City department with the Administrator appointed by the Mayor. HSD is funded through federal, state and local governments as well as private donations. HSD provides numerous services to families and individuals of Hamilton County. The City General Relief fund (CGR) is only funded by a City appropriation. This is a long time program which has been in existence even before HSD became a City department. This program provides assistance for City residents who may be over the Federal Poverty Guideline but are in need of some basic assistance.

STATISTICS

Based upon figures from the City's Accounting system (Banner) the City Relief Fund expenditures are as follows:

- | | | |
|----|---------|-------------|
| 1. | FY 2006 | \$72,167.24 |
| 2. | FY2007 | \$74,529.98 |
| 3. | FY2008 | \$72,512.43 |

STATEMENT OF OBJECTIVES

This audit was conducted in accordance with the Internal Audit Division's 2008 Audit Agenda. The objectives of this audit were to determine if:

1. The City Relief fund program has written policies and procedures.
2. The City Relief client files have proper documentation.
3. The payments made from the City Relief fund are processed correctly and have proper supporting documentation.

STATEMENT OF SCOPE

Based on the work performed during the preliminary survey and the assessment of risk, the audit period will cover the operations of Social Services Division of the Human Services Department from July 1, 2007 to June 30, 2008 for the funds distributed from the City Relief fund (H01101).

STATEMENT OF METHODOLOGY

During the audit, we interviewed HSD staff, reviewed source documentation obtained from the Accounting department and HSD Social Services division as related to the City Relief fund. Original records as well as copies were used as evidence and verified through physical examination.

The sample size and selection were statistically generated using a desired confidence level of 90 percent, expected error rate of 5 percent, and a desired precision of 5 percent. Statistical sampling was used in order to infer the conclusions of test work performed on a sample to the population from which it was drawn and to obtain estimates of sampling error involved. When appropriate, judgmental sampling was used to improve the overall efficiency of the audit.

STATEMENT OF AUDITING STANDARDS

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. In addition, we abide by the standards of professional practice established by the Institute of Internal Auditors. An internal audit charter has not been approved by the City Council.

AUDIT CONCLUSIONS

Based upon the test work performed and the audit findings noted below, we conclude that:

1. The City Relief fund does not have any written policies and procedures.
2. Some City Relief fund client files lacked documentation.
3. City Relief payments seemed to be processed correctly but some did lack adequate documentation.

While the findings discussed below may not, individually or in the aggregate, significantly impair the operations of the Human Services Social Services department, they do present risks that can be more effectively controlled.

NO WRITTEN POLICIES AND PROCEDURES

Based upon discussion with the Director of Social Services, there are not any written procedures for the City Relief assistance fund.

RECOMMENDATION 1

We recommend that the HSD management develop written internal policies and procedures, business practices, and goals and objectives related to the City Relief fund assistance program. Employees should have ready access to departmental policies and procedures (hard copy, computer-based or web-based). These procedures should ensure proper internal controls, which include but are not limited to:

- Proper Authorization, Documentation and Approval
- Proper Review and Reconciliation
- Proper Training and Supervision

Management should also consider setting a maximum limit of income for those receiving funds and setting a per year limit on the amount of assistance given per household. We also recommend that the HSD management obtain a signature confirmation from each employee to retain on file as evidence that the written policy/procedure related to the City Relief fund was received by each staff member.

AUDITEE RESPONSE

The policies and procedures established for CGR are consistent with the written policies and procedures established by the State Community Services Block Grant Program of the Tennessee Department of Human Services. The state plan must be approved annually by the U. S. Department of Health and Human Services Office of Community Services. Services under CGR are provided with two exceptions to the plan; (1) recipients must reside within the corporate boundaries of the City of Chattanooga, and (2) family income may exceed the 125% poverty level

CGR, like CSBG, is a safety net program designed to keep clients out of a continuing crisis situation. While there is no written policy on the maximum limit of income for those receiving the service, the most compelling component in deciding whether service is provided revolves around the client's extenuating circumstances as they maybe related to the overall budget analysis which will determine the need. Historically, clients receiving CGR assistance income fall within 175% of the poverty level. Services are limited to one service plan per year.

Training, and documentation of, is an annual requirement under CSBG. During the training sessions all employees are advised of any changes which may have occurred. A copy of the state plan is also maintained in the director's office.

AUDITOR COMMENT

While conducting the audit, we found the above mentioned (informal) practice being applied by the HSD staff. However, there are not any written procedures for the City Relief Assistance fund currently in place for the HSD to follow. We reaffirm our recommendation that HSD management should develop written policies and procedures for the City Relief Assistance fund.

CITY RELIEF FILES NOT SECURE

During the audit, 60 client files from the City Relief fund were selected for review. However, two files could not be located by the Social Services staff during this time. Each client file was reviewed for a completed application, proof of income for the last 30 days, proof of the assistance requested (utility bill, mortgage coupon, rent verification form), completed budget and the proof of city residency.

RECOMMENDATION 2

We recommend that all HSD records be kept intact and filed in the Social Services filing room. When records are removed from the filing room a paper receipt should be inserted in the place of the file with the name of the file removed, name of person removing the file, and date.

AUDITEE RESPONSE

Filing procedures are being revised to incorporate the recommendations made. However, in an effort to maintain files on an annual basis, once files are removed from their current filing location or are newly created, they will be stored in the current year filing cabinet.

CITY RELIEF FUNDS GIVEN TO NON RESIDENTS

The City Relief fund's only requirement for receiving funds is that the client must be a resident of the City of Chattanooga. During the audit, 60 client files were reviewed for this residency requirement. It was found that two clients received City Relief funds that lived outside the city limits.

RECOMMENDATION 3

We recommend that careful verification is made of the client's address prior to receiving funds from the City Relief program to determine that they reside within the city limits of Chattanooga. To help HSD staff with determining the residency, the GIS mapping system should be used that is available on the City's website. The GIS department maintains this website and is available for any questions relating to its operation.

AUDITEE RESPONSE

All addresses for clients receiving CGR funds will be verified by the GIS mapping system and a print-out will be maintained in the files.

CITY RELIEF CLIENT FILES LACK DOCUMENTATION

Based upon the review of City Relief client files, it was found that 12% didn't have the required application, 33% didn't have proof of income, and 28% didn't have a completed budget in their file. In addition, HSD requires that if a client declares no income then a statement of support or affidavit is required. However, a number of files did not have the required documentation. During the review, it was noted that the files for food assistance were the most incomplete in comparison to the files for

utility or housing assistance.

RECOMMENDATION 4

We recommend that HSD management include in their written procedures the requirements for clients receiving assistance. Management should review client files on a periodic basis to determine that the required documentation is present.

AUDITEE RESPONSE

No less than 3% of all files will be randomly selected and reviewed on a monthly basis to monitor the thoroughness and accuracy of the workers assessments.

CITY RELIEF PAYMENTS LACK PROPER DOCUMENTATION

Based upon review of warrants for City Relief funds, it was determined that 51% of these payments did not have the proper supporting documentation. All of these payments related to housing assistance. HSD staff must receive approval from the landlord before a payment is processed so it is very important that this is documented. HSD staff does have a Rental Verification form that is provided for this verification process. However, it was not always completed and attached with the warrant voucher.

Also, it seemed unclear the amount determined to be paid for utility assistance. In many instances, the amount paid to EPB was not the balance due. Some of the EPB bills that were reviewed only had hand written amounts listed on the notices.

RECOMMENDATION 5

We recommend that HSD management include in their written procedures the requirements for documentation to be included with the warrant voucher. All vouchers must have adequate documentation attached for support. Housing assistance should have the Rental Verification form, letter from the landlord, or mortgage coupon attached for support. A notation should be made on utility bills addressing the amount paid if it is different than the balance due.

AUDITEE RESPONSE

Rental verification forms and/or mortgage coupons will be included in all requests for payment through CGR. Where utility payments may be made which are different than the balance due, a notation will be made on the supportive service request showing the balance.