

# Social Development Commission

## Internal Audit Report

### An Internal Control Test on Services Received by Staff

## FINAL AUDIT REPORT

DISTRIBUTED: December 16, 2010

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By SDC – Internal Audit Department

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November 5, 2010

Ms. Deborah Blanks, CEO  
Social Development Commission  
40410 N. Richard St.  
Milwaukee, WI 53212

Dear Ms. Blanks:

The Internal Audit Department of the Social Development Commission has completed a review testing the 'Internal Controls Test on Services Received by Staff', and enclosed is the report on that review.

Please submit a written response **no later than December 6, 2010, 2009** to the findings, concerns and recommendations outlined in the audit report. Your response should address the recommendations contained in the report and summarize your plan for implementation. If you have any questions or concerns, I can be reached at 906-2708.

Based on the Internal Audit Department's review of the Goods & Services received by staff, the audit has found *continuous* gaps in controls. Audit findings and recommendations are discussed in the Audit Findings and Audit Recommendations sections of this report, followed by responses from the Chief Executive Officer.

We, in the Internal Audit Department appreciate the assistance and cooperation extended by you and your staff during the program review. We also look forward to our continued partnership with you and your staff in ensuring that the programs of CR-SDC are operating at optimal levels of accountability and efficiency.

Sincerely,

Nateida Jarnigan  
Audit Director

Enclosure: Internal Audit Report

Distribution: Deborah Blanks, CEO  
Mike Hammack, Director of Human Resources  
Fred Royal, Jr., CR-SDC Board Chair  
CR-SDC Board of Commissioners

**INTERNAL AUDIT PROGRAM REPORT**  
**Internal Control Test**  
**Community Relations-Social Development Commission (CR-SDC)**

**INTRODUCTION**

This internal audit report addresses the test of the internal control as it relates to reporting Goods and Services received by staff. Findings, concerns and recommendations are presented in this report as part of the ongoing commitment by the CR-Social Development Commission to excellence.

**SCOPE**

The review of internal control was conducted through detailed analysis, tests, and compliance with agency policy and procedures. In conducting this review, databases from Human Resources, Integrated Services (aka Adsystem), Accounts Payable, Head Start, W-2, Energy Assistance, and Weatherization were combined and reviewed by address. In addition, a review of residency requirements was conducted in conjunction with this audit.

In the review of the combined databases we noted the following:

1. Out of the 114 employee applications reviewed a total of 36 (32%) staff were identified as having issues and concerns regarding eligibility to receive the services. After receiving management's responses, 19 of the 36 (53%) employee applications remain with pending issues.
2. Input of data varied from the databases that were used to perform this test. **This is a continuous control deficiency that is found annually during the audit review. Control weakness revolves around data integrity.**
3. Human Resources did not have street addresses for 4 of the 490 recorded employees.
4. There were a total of 2 of the 490 recorded employees with P.O. Boxes instead of physical street addresses.

***Note: The above items are all repeat findings from reviews and reports conducted in 2006, 2007, 2008 and 2009.*** These audits and reviews continue to find gaps in controls that could create opportunity for staff of CR-SDC to abuse their role in the agency to obtain services, which could lead to fraud and other abuses. In addition, data integrity is becoming more of an issue as the information is reviewed from the various databases.

A separate and confidential report was issued with specific employee names and services received that were identified as audit having issues and concerns regarding eligibility (personnel issue). A separate meeting was held with the CR-SDC CEO, Deborah Blanks; Director of Human Resources, Mike Hammack and CR-SDC external Legal Counsel, Attorney James Hall on November 5, 2010.

## **Residency Review**

The Internal Audit Department conducted the review of residency addresses portion of this audit in accordance with SDC Policy & Procedures Manual which states in article 3.7 (**Updated in HR Manual in 2010**)- “All regular status employees (*see 5.1.2 and 5.1.3*) who are hired to work for SDC after April 1, 1994 are required to either currently reside within Milwaukee County or establish residency within Milwaukee County within 12 months from their date of hire and remain a resident of Milwaukee County. No exceptions will be granted.

*A regular status employee is one who has successfully completed the initial employment period and was hired to work for a period anticipated to exceed a temporary time (usually more than 8 months). A temporary status employee is one who has been hired to work for a limited time, usually not to exceed 8 months or an employee who is classified as “on-call” and has no guaranteed hours or employment period.*

Employees who were hired prior to April 1, 1994 who lived outside of Milwaukee County are exempt from this policy. Employees hired prior to April 1, 1994 who lived in Milwaukee County at that time are required to reside within Milwaukee County in the future.

*When an employee moves to a different address, they are required to enter their new addresses into the agency e-services system in order to provide an accurate monitoring system and ensure mail is correctly addressed.”*

### **Findings:**

1. According to internal audit’s review there are 4 employees out of the 490 recorded employees who have a P.O. Box listed as an address. **Note: 3 of the 4 employees are the same employees found during the Goods & Services Audit conducted in 2009.**
2. There are a total of 2 out of the 490 recorded employees who have addresses that are outside of the Milwaukee County Zip Code listing. **Note: this issue is a repeat finding.**

### **Recommendations:**

1. The Internal Audit Department recommends enforcement of the above noted policy by agency management. Communication of this process may need to be communicated agency wide to employees periodically to ensure compliance.
2. The Internal Audit Department recommends the Human Resources Department obtain from the 4 employees (Internal Audit provided list of employees to Human Resources Department during the audit); proof of residency, as well as their physical address.

### **Management Response:**

Employees 2712 and 2245 had both of their P.O. Box and Milwaukee Address listed in e-services. When the report was produced, their names were therefore listed twice. The repeat name was eliminated so as not to report them twice, which was the name followed by the street address. Both employees live in Milwaukee County. Future reports will include the street address rather than the PO Box address. If only the P.O. Box address appears, it will not be a duplicate and indicate that there is no listed street address.

Employee 3012 moved and listed a temporary P.O. Box address for mailing before taking residence in his new home. He has now listed his Milwaukee County address in e-services.

Employee 1740 uses a P.O. Box for all mail due to receipt problems and did notify SDC of her actual Milwaukee County address, but did not actually enter it in the e-services system. It has now been entered.

In regards to employees living outside of Milwaukee County - Neither employee listed is required to live in Milwaukee County until one year after hired.

Employee 3278 has until August 9, 2011 to comply and employee 3161 has until March 22, 2011 to comply.

A reminder has been set to notify both employees of their obligation prior to the expiration of the one year requirement.

Note: All employees who are required to live in Milwaukee County do live in Milwaukee County and did at the time of the audit.”

## Goods & Services Review

The Internal Audit Department conducted the review of SDC Goods or Services Received by Staff in accordance with SDC Policy & Procedures Manual which states in article 4.5.1 (Revised July 2000). **The Human Resources Director sent an email to employees agency-wide on April 16, 2010 stating the reinstatement of the following policy and the updated form that is to be used by Program Managers and Directors:** *“Goods and services offered to clients by programs of SDC are given based on specific eligibility requirements defined by each program. Employees or Commissioners who may receive them are not exempt from meeting all of the normal program eligibility requirements.*

*In order to ensure that there is not the appearance of an SDC employee or Commissioner having received goods or services when they were not qualified each program is required to disclose to the agency administration a list of SDC employees or Commissioners who receive them. The information is to be submitted to the Human Resources Department on a Record of SDC Employee or Commissioner Receipt of Goods or Services form by the 15th of each month for the proceeding month. This information will be kept in the Human Resources Department and shared with any interested party.*

*It is the responsibility of each Commissioner and employee to disclose their status when applying for receipt of goods or services from an SDC program.*

*It is the responsibility of each Program Manager to enroll and report qualified employee or Commissioner Clients who receive goods or services from the program they manage.*

*Employees who fail to follow this procedure will be subject to disciplinary action, including termination of employment.”*

### I. Volunteer Income Tax Assistance (VITA) - Findings

1. The VITA Tax Services Program does not currently have a process in place for record keeping. In addition, client intake forms are not entered into Adsystem until after the tax season has ended. The risk here is that complete client information may not be retained appropriately, i.e. all in one place/system. For example, during our review 3 employees who were identified with Adsystem as having received services were identified as NOT having received services by the Asset Development Coordinator; however after our meeting with the Program Manager, the same 3 employees were identified as having received VITA services.
2. Per discussion with the Energy and VITA Manager the Policies and Procedures for the VITA program the policies and procedures were not properly updated to reflect the Internal Revenue Service language which will allow VITA program managers or staff that are providing VITA Tax Services which exceed program income guidelines to receive VITA Tax Services. **Repeat Finding from 2009.**

### **Audit Recommendations:**

1. VITA client intake forms be entered into Adsystem concurrently as services are provided so the employees who are receiving services can be reviewed right away, i.e. redirected to have their taxes completed at the Richards site.
2. Agency management follows through with the management response provided to the Goods & Services Audit in 2009, which stated, “*This will be done by the Asset Development Manager*”.

### **Management Response:**

#### I – VITA Findings

1. VITA is currently working with SDC’s Public Policy and IT Departments to develop a Smart Form which will be used instead of the current Intake Form. This will then be scanned into the Adsystem system. VITA is not able to enter into Adsystem concurrently but will provide more up front instructions with SDC employees in regards to the procedure to follow to get their taxes completed with the SDC VITA Program.
2. VITA Policies and Procedures will be updated in concurrence with the process of ISO 9001 certification to include the language recommended. We respectfully request that note be taken to the fact that the policy and instruction given to the Program by the IRS states that VITA staff and volunteer tax returns are within the acceptable scope of the VITA Program even if their income is above the threshold.

### **II. Energy Assistance - Finding**

1. Case notes are not routinely documented on a consistent basis to support the rationale for client (employee) receiving services.

**Total in benefits provided to employees: \$8,587.00**

### **Audit Recommendation:**

1. Implement standardization in how case notes are documented, especially in cases where clients are categorically eligible. This will ensure proper documentation.

### **Management Response:**

#### II – Energy Findings

1. We respectfully request that this finding be reconsidered. There is no requirement from the State of Wisconsin Department of Administration – Division of Energy to document notes in a standardized manner to support the rationale for client receiving services. In all cases identified during this audit, the employee was income eligible to receive services and that information is inherent in the details of the application.

Program management will train staff to include notes about categorical eligibility determination (even in cases where client is income eligible) as a best practice.

### **III. W-2 Services (including Emergency Assistance) Findings**

1. W-2 staff doesn't appear to be consistent when verifying client application information, including stating what the emergency is, EA group information and financial crisis information.
2. Upon review of client files, information in client file was not consistent or uniform.
3. Goods & Services Reports were not submitted for all employees and landlord employees per CR-SDC policy.

**Total in benefits provided to employees: \$7,118.39**

### **Audit Recommendations:**

1. W-2 staff consistently verifies the information provided in the client application, including the emergency (foreclosure or eviction notice), EA group (household) information, financial information, financial crisis information and further that this documentation be kept in the client file.

#### **Management Response:**

W-2 Emergency Assistance Staff utilize the Department of Children and Families (Chapter 17) policies/procedures and forms were developed for all staff to ensure consistency in all regions. In addition, staff received refresher training to ensure compliance.

2. W-2 program management determine a consistent and uniform client documentation system to ensure that all files are complete with the necessary forms and verification.

#### **Management Response:**

We have developed a case file review checklist that will guarantee the objective and equal review of all files to ensure that all information is uniform and all documents are filed and scanned prior to check request.

We have a Quality Assurance Team that is dedicated to the success of this program by implementing the following processes through 1) EA compliance monitoring and 2) case file reviews/ECF. The Quality Assurance team includes SDC QC Coordinators and QA Divisional Manager.

Case file reviews will allow us to monitor EA activities and ensure that documents are scanned into ECF appropriately and timely. Our tool will measure the following:

- ✓ Data Entry
- ✓ Appropriateness of services delivered
- ✓ Timeliness of service
- ✓ Appropriate and timely case comments
- ✓ Internal goods and services review

This process will allow us to objectively provide tangible feed back to staff as well as DCF if required. This process is also used as a coaching mechanism to improve on quality case management, compliance and service to our clients.

3. W-2 program management complete and submit the Goods & Services Report for any employees who receive goods or services, including landlord employees per CR-SDC policy.

**Management Response:**

The eligibility and Assessment department has developed and implemented processes and a disclaimer to ensure that all Board Members and employees that apply or receive services for Emergency Assistance and/or Job access Loans complete the Goods & Services form. The process is streamlined to ensure that all forms are directed to one designated person then report will be completed accurately and timely to ensure compliance. (See Attachment A)

## II. Agency-Wide Recommendations

1. The Goods & Services policy as written is enforced by Executive per CR-SDC's Policy and Procedures manual. All programs that provide services to employees or Commissioners should be submitted on a monthly basis to Internal Audit. The HR Director also communicated via email even when there is no service provided a form should still be submitted to Internal Audit notating "zero" employees for that month. At this time, the Audit Department cannot state with 100% confidence that all employees that received services through CR-SDC were identified.

### Management Response

The Data Coordinator will ensure that appropriate staff adheres to the Goods & Services policy.

2. The Adsystem System is fully utilized to integrate all client data into the Adsystem System database. Additional training should be given to staff that are required to enter "intake" sheets (as with VITA Tax Services) or other information into the system; so there is a uniform process. **Agency management should follow through with their management response provided to the Goods & Services Audit in 2009, which stated, "The Program Directors have formed a team to address this issue".**

### Management Response

Client Data Coordinator has already created and administered an Adsystem Training Program to over 70 staff SDC staff comprised of managers, supervisors, and current users. This program is based on formal training the Data Coordinator has received from Adsystem staff and his professional experience with training social service employees in data entry and management. This program began in October 2010 and focuses on improving the skills of SDC staff that are responsible for data entry, establishing procedures for data entry, and improving the quality of data being entered into Adsystem. Future iterations will include more advanced and specific training for SDC program managers and staff. As an additional safeguard for ensuring the quality of data, the Data Coordinator will be running monthly program status reports for SDC program directors and quarterly program status reports for SDC's Chief Executive Officer. This reporting system began in the fall of 2010 and will continue indefinitely.

3. Utilizing Adsystem for "flagging" and monitoring when employees apply for CR-SDC services. An inherent risk is that an employee would not identify him or herself as an employee when obtaining services; however, if there is a mechanism in place for those employees that do identify themselves as a CR-SDC employee the system can then generate a report for the Program Manager to review to assure all guidelines were followed and authorizations were properly given prior to the employee receiving the

service. Agency management should follow through with their management response provided to the Goods & Services Audit in 2009, which stated, *“The IT Department is pursuing the possibility and practicality of entering all employee address into Adsystem as a ‘flag’ to alert intake staff that application for services must be referred to a supervisor for processing....”* In addition, the HR Director submitted a memo on February 5, 2010 regarding the input of Employees addresses in Adsystem, which to date doesn’t seem to have occurred.

### **Management Response**

Adsystem does have the ability to “flag” certain entries into Adsystem. The Client Data Coordinator will take the lead on this activity regarding administer a flagging system for SDC clients. Data Coordinator will create two check boxes in Central Intake: one box indicates that the person is an employee; the second box indicates that this employee is eligible for services. Many of SDC’s large volume programs (energy assistance, VITA, W2, weatherization) do not entered client information directly into Adsystem and/or immediately into Adsystem. Again, the Client Data Coordinator will develop a system for addressing this issue upon the direction of the CEO.

4. Establish a standard entry format for all data to be entered into the Adsystem database. (Examples, will the first initials of the first and last name be capitalized, will entry be made with all caps, format for abbreviations such as P. O. Box). **Agency management should follow through with their management response provided to the Goods & Services Audit in 2009, which stated, “The Program Directors have formed a team to address this issue”.**

### **Management Response**

A Data Entry Policies and Procedures manual has been developed by the Client Data Coordinator. This manual, along with quick reference guides (to be developed) will be distributed among SDC staff in the coming months. Manuals will include standardized data entry measures.

5. Management identify why employee names are being entered into the Adsystem System when Program Managers are later identifying these same employees as having not received services. **There were approximately 40 employee names that were identified in Adsystem as receiving CR-SDC services, but per discussion with Program Managers did not actually receive services.**

### **Management Response**

We respectfully disagree with this recommendation. Information identified in the Adsystem system is correct. QA and other staff reviewed the databases and found that

addresses listed in the ISDS system for clients and or employees are correct. However, because the database was cross referenced with HRD data-base which at times identified the same address of a client that received services and not necessarily the employee.

For example, Employee D address was used by a client who received VITA services, although Employee D did not receive services directly through VITA. Consequently, Employee E and the qualified client shared the same address.

6. Consideration may be given to the functionality of the Adsystem system and whether it is the right database to be utilized by CR-SDC for integration of CR-SDC's full suite of related programs and services.

### **Management Response**

Issues with Adsystem to date do not center on the system's functionality, which is actually a fairly useful system for a diverse social service agency. Instead, issues center on Adsystem's staff use, institutional knowledge, monitoring, and technical assistance. To date, SDC has lacked the resources to provide the necessary monitoring, quality control, and technical assistance needed. With the creation of the Client Data Coordinator position, SDC now has the staff resources to use Adsystem to its fullest potential. Additionally, the Adsystem system will be better utilized with the development of smart forms for large volume programs. The use of smart forms will streamline data entry into Adsystem, reduce data entry time, eliminate the need for imports from other data systems, and enhance SDC's ability to analysis client data by creating a more robust data sample. The estimated time of arrival for smart form (per updates from Adsystem staff) is January 2011.

## **IN CONCLUSION**

CR-SDC has policies in place to ensure that staff receiving services work directly with a Manager or Supervisor. However, there are continuous gaps in controls that need strengthening, as noted in the recommendations above.

This internal control review shows the need for testing the various databases within CR-SDC. CR-SDC does not have a common database that contains all clients who are served by the agency. Per the CR-SDC Strategic Plan, the Adsystem System was purchased with the intention of ensuring all clients who receive services by SDC are integrated into the system. However, this has not occurred to date; since 2005 CR-SDC has spent approximately \$212,521 as of December 2009 on the software as well as training. In 2010, the agency hired a Client Data Coordinator, who offers training in Aystech. Internal Audit Department highly recommends all service area Program Managers and/or staff the CEO and Executive Team feels need to be part of the process are reunited to revisit the applications and functionality of Adsystem. This will enable the agency to get the best use out of the Adsystem System and enable proper and full integration of services into the system as outlined in the CR-SDC Strategic Plan. See Exhibit A for 'History of Goods & Services Losses'. *Another option is to analyze whether Adsystem is a viable database for CR-SDC to continue to use considering its limitations and on-going gaps in controls.*

Data integrity is the main red flag concern regarding information that is obtained from Adsystem. Continuously there is a problem with employees' names appearing in the system that per management, did not receive services. If the CR-SDC will be using data from Adsystem to submit ROMA Outcomes and reporting to funders, the audit can confirm, the data is not accurate. The Adsystem system currently contain employee as well as non-employee data.

The process used by Internal Audit to obtain the information reported in this report proved to be tedious and time consuming, due to the Adsystem System not being fully integrated and functioning according to its purpose. The Internal Audit Department was not 100% confident that all employee applications reviewed were in fact reflective of the total population of staff that possibly received services. However, the process yielded results and will be performed on an annual basis.

## Exhibit A

### History of Losses Goods & Services Received by SDC Employees

	Energy	VITA	Weatherization	Head Start	W-2	Total Dollar Value		
2006*	\$ 23,276.00	\$ -	\$ -	\$ -	\$ -	\$ 23,276.00	(from report of 'Unallowable Cost')	
2007	Goods & Services Review not conducted in 2007							
2008	\$ 6,382.00	\$ -	\$ -	\$ -	\$ -	\$ 6,382.00	(from May 16, 2008 Goods & Services Audit Report)	
2009	\$ 2,358.00	\$ 125.00	\$ 8,500.00	\$ -	\$ -	\$ 10,983.00		
2010	\$ 8,587.00	\$ -	\$ -	\$ -	\$ 7,118.39	\$ 15,705.39		
						<u>\$ 56,346.39</u>		

\*Goods & Services full review not completed. Only investigation of services received by 2 specific staff was reviewed by the Audit Director and Legal Counsel. These services include both Energy and Weatherization.

### Management Response:

In review of the benefits paid out:

1. Energy Assistance benefits paid out to the 21 eligible clients totaled \$8,587.00. After research and meetings with the Energy Manager and other staff, all benefits paid were deemed appropriate.
2. W-2 benefits paid out to 15 eligible clients totaled \$7,118.39 were deemed appropriate.

Therefore, there is no financial loss for Yr. 2010. QA will further investigate this matter as necessary.

### Audit Response:

After reviewing management's responses regarding the Energy Assistance and W-2 benefits paid out a total of 19 (11- Energy and 8 – W-2) still have pending issues regarding eligibility.