



FULTON COUNTY

**FULTON COUNTY, GEORGIA
OFFICE OF INTERNAL AUDIT**

**Office of Emergency and Transitional Housing Review
Jefferson/Springdale Place/Odyssey Villas @ Vineyard Court**

May 13, 2014

TABLE OF CONTENTS

	PAGE
Introduction.....	1
Background.....	1
Objective.....	1
Scope.....	1
Methodology.....	1
Findings and Recommendations.....	2
Audit Concern(s).....	7
Conclusion.....	7
Addendum.....	9

Introduction

The Office of Emergency and Transitional Housing (OETH) is a division of the Housing and Human Services Department. At the request of the Department of Housing and Human Services we have reviewed the operations of the OETH located at 1135 Jefferson Street in Atlanta.

Background

OETH oversees the operations of Jefferson Place, the Springdale Place Comprehensive Services Center and the housing placement services at Odyssey Villas at Vineyard Court. Consequently, our review also included a review of the aforementioned locations.

Jefferson Place is one of the largest shelters serving only men. The facility provides night shelter for 125 adult homeless males and its transitional housing program provides structured living for 50 adult homeless males.

The Springdale Place Comprehensive Services Center is located at 1300 Joseph E. Boone Boulevard in Atlanta. This center is a 24-hour facility that serves women and children and provides shelter, meals, medical services, job training, counseling and referrals for direct resources for up to 150 individuals.

Part of the mission of OETH includes placement of intact families into supportive housing. The Odyssey Villas at Vineyard Courts Program located at 625 Spencer Street in Atlanta provides placement collaboration between Fulton County, the City of Atlanta and the City of Refuge, Inc.

Objective

The purpose of our review was to determine if facility operations were consistent with the terms of the Housing and Urban Development (HUD) contracts and the goals set forth by the Fulton County Board of Commissioners.

Scope

The periods covered by this review are years 2011 and 2012. The invoice processing review and food cost analysis was expanded to year 2013.

Methodology

The participants' files and financial records were reviewed to determine compliance with the grant contract and HUD requirements. The operational reports and internal processes were reviewed for efficiency and accuracy. At the request of the Housing Division Managers, a review of the food cost and the associated internal controls were analyzed to determine if industry standards and best practices were being followed. Since the grants under review included payroll expenses, a review of employees' timesheets and pay records were completed for those employees paid with grant proceeds.

Findings and Recommendations

Finding 1 – Processing time for invoice payment at Jefferson Place was excessive.

Best practices indicate that the benchmark for payment of invoices is approximately 30 days. The terms of the US Food’s contract states payment must be received within 10 days of the end of the month. A sample analysis covering an 11-month time period was conducted on invoices submitted by US Food Inc. US Food provides a large majority of the food and supplies used in the OETH programs. The invoices for Jefferson Place supply orders from January through November 8, 2013 took an average of 64 days to process. The average time that the invoices were retained in the Health and Human Services Finance Division (HHSFD) was in excess of 30 days making it the major contributing factor to the 64-day delay in processing time (Exhibit A). During our review of the invoice files, we noted that there were several duplicate invoices, no evidence of an Accounts Payable journal, no evidence of a review of an Accounts Payable Aging Report, and lack of communication between Jefferson Place and the HHSFD concerning open invoices and related budget issues. Additionally, there is no written set of policies and procedures for invoice processing. The invoice processing time in the HHSFD indicates process inefficiencies and inadequate internal controls. The 64 average days to process invoices has created a condition that is not consistent with the payment terms of the US Food’s contract with Fulton County (see Addendum).

Exhibit A

JEFFERSON PLACE US FOOD INVOICES - 64 DAY PROCESSING CYCLE							
Jefferson Place	H.H.S. Finance		F.C. Finance Dept. A/P		Mail Room-USPS		US Food
Invoice is received, verified then approved. The Courier transfers invoice to HHS Finance.	Invoice is reviewed, approved by Finance Mgrs., and the Director. Voucher is prepared- invoice posted to ledger. Transferred to Fulton Co. Finance Accounts Payable.		Invoice is approved for posting. A check is processed in the AMS ledger then printed. The check is verified and given to the mail room for transfer to USPS.		Mail Room sorts and transfers to USPS- to US Food.		US Food receives check and posts to ledger.
Approval Time - Days	16.7	Processing Time - Days	32.26	Processing Time - Days	9.06	Delivery Time - Days	2.69
Transfer Time - Days	6.17						
TOTAL TIME - DAYS	22.87		32.26		9.06	64.19 DAYS	2.69

Recommendation

The HHSFD should implement a process for reviewing and authorizing payment of invoices that conforms to best practices. Currently invoices for payment are delivered via a courier taking up to 3 days before being received by HHSFD for processing. OETH should consider authorizing payment of invoices electronically and use the email delivery system to send invoices to HHSFD for processing to improve delivery time. This process would also help in tracking the progress of unpaid invoices. The HHSFD should also consider reducing the amount of approval and verification signatures required for invoice approval to decrease the delay in processing times. Additionally, a procedure should be implemented where Division Managers and/or the Director review on a bi-monthly basis reports that reflect unpaid invoices. The HHSFD should make use of all vendor websites that provide on-line access to ensure receipt of all invoices and verify if

payments have been credited for outstanding invoices to the respective vendor; this will help to improve processing and ensure timeliness of payments. To ensure improved performance the processing should be monitored by the Housing and Human Services Division Managers and the Director on a consistent basis.

Finding 2 – Inaccurate Invoice Dates Entered Into AMS

Generally Accepted Accounting Principles (GAAP) requires that all reports and financial statements present information accurately supported by source documentation that is sufficient and relevant in content. It is also a GAAP requirement that payments and invoices be reported in the correct transaction period. There were a number of payment records reviewed that contained invoice date errors. This resulted in expenses being reported for the wrong year or period. There are no OETH accounts payable journals maintained that detail open invoices. As a result of this internal control breakdown, the AMS system produced reports that were inconsistent with the supporting invoice documents. The reporting process employed by HHSFD produced reports that do not conform to GAAP.

Recommendation

All future entries of invoices into the AMS ledger by the HHSFD personnel should list invoice dates that are consistent with the supporting invoice. Policies and procedures should be developed and implemented for entry of invoices into the AMS ledger. These procedures should be reviewed by the Fulton County Finance Department for approval.

Finding 3 – Inadequate Internal Controls for Springdale Place Food Service Program

The Association of Nutrition and Foodservice Professionals (ANFP) is an accepted industry source for practice standards in the management of food preparation services. Specifically the May 2012 practice standard “*Controlling Costs in Food Service*” sets out criteria and standards for assessment. Among the suggested requirements are the following:

ANFP – Criteria and Assessment Standards

- Physical inventory records;
- Standardized portion sizes;
- Production schedules with standardized recipe I.D. number, portion sizes and portion devices;
- Purchasing standards such as par inventory amounts;
- Standards for labeling leftovers and waste as well as keeping records of waste;
- Preventive maintenance programs;
- Employee training programs for the ANFP standards and assessment; and
- The maintenance of a par inventory.

In order to comply with ANFP standards, accurate statistics of meals and customers served must be maintained. The Springdale Place facility’s food cost per consumer was not analyzed due to failure of the facility to capture data related to the number of meals served. Based on audit observation as well as the Springdale Place Manager’s opinion, the Springdale meal data is

inaccurate. It is evident that the participants have not consistently scanned their I.D. cards to receive meals. As a result, there is no reliable historical data available to formulate an accurate estimate to prepare a food cost per participant analysis.

Recommendation

Springdale Place should immediately implement a procedure for the routine analysis of food costs and a review of inventory that is consistent with ANFP standards of criteria and assessment. There should also be written policies and procedures for food service employees to ensure that all participants scan their I.D. cards for meals or manually record their client I.D. numbers in order to have an accurate record of the number of meals served.

Finding 4 – Insufficient Staffing for Springdale Place Food Service Program

Health Department Regulations require adequate staffing to operate a food service program. However, during our audit we noted the Springdale Place food service program is staffed with one food service employee. It appears this is a result of inadequate funding being allocated to this program and may be a contributing factor to why Fulton County is presently in litigation with a former Springdale food service employee that is suing for unpaid overtime wages. Failure to adequately and fully staff the food service areas adds an additional risk for non-compliance concerning basic sanitation, pursuant to Health Department Regulations, as well as non-compliance with the Georgia Department of Labor’s overtime pay regulations.

Recommendation

To adhere to compliance requirements outlined in the Health Department Regulations and the Georgia Department of Labor, the Housing and Human Service Directors should ensure that the food service areas are properly staffed.

Finding 5 – Inconsistent and Inaccurate Internal Reports

The statistical data in the Jefferson Place Information System (JPIS) reports should be accurate, consistent and reviewed on a periodic basis. The internal reports were found to be inconsistent in the “MEALS” category. The performance reports from July and August 2012 were reviewed and compared for consistency. The reporting format was changed from a monthly format to a quarterly format. Based upon the comparison, there was a total difference of 14,579 meals served for the 1st and 2nd quarter and a difference of 503 clients served for the 1st and 2nd quarter. The charts below reflect the inconsistencies between the monthly and quarterly reporting of the statistics:

OETH REPORT NUMBER OF MEALS SERVED			
Month	Monthly	Quarterly	Difference
January	2,729		
February	2,595		
March	1,999		
Sub-Total	7,323	16,227	8,904
April	1,521		
May	1,559		
June	1,575		
Sub-Total	4,655	10,510	5,855
TOTAL	11,978	26,737	14,759

OETH REPORT NUMBER OF CLIENTS SERVED			
Month	Monthly	Quarterly	Difference
January	172		
February	171		
March	161		
Sub-Total	504	223	281
April	151		
May	136		
June	126		
Sub-Total	413	191	222
TOTAL	917	414	503

Further evaluation of detailed consumer ledgers indicated that the data had been queried incorrectly from the database for an extended period of time. There was no written manual or procedure for the creation of these reports made available for our review and the Database Specialist was not aware of the existence of a procedure manual. In addition, the Springdale Place Director and Operations Administrator indicated they had not been provided a monthly performance report for several years. Due to a lack of user review, training, improper processing and documentation, the internal performance reports are inaccurate and inconsistent.

Recommendation

The Housing and Human Services Division should request a full review by the Fulton County Information Technology Department of the database applications used for the production of the OETH Program’s monthly performance reports. A Database Administrator’s manual should be compiled that provides detailed instructions on how to perform a database query and how to produce the necessary reports. The monthly activity reports should be provided to all OETH personnel that have direct impact on the program’s statistics and performance.

Finding 6 – Poor Housing and Human Services Cash Controls

Internal controls for cash receipts should be adequate, sufficient and timely for the protection of the OETH Program’s receipt collections. The receipts collected from Jefferson Place program participants indicate a lack of adequate internal controls. Presently, there is no efficient or timely way for Jefferson Place to verify if their receipts were deposited. The OETH Program collects rental receipts in the form of money orders and cashier’s checks from employed resident clients. These receipts are forwarded to the HHSFD where they are forwarded to the Fulton County Finance Department Treasury Division for deposit. A query of the AMS system has to be performed to verify deposit of receipts. A review of the AMS records for November 2013 deposits revealed it took an average of 35.37 days for the receipts to be posted to the AMS system. This lapse of time before a deposit confirmation is made available is not considered adequate for proper cash controls. Currently, the Housing and Human Services Division does not prepare a monthly report for the OETH Manager’s review. As a result, there is no efficient

control to ensure that the facility's receipts were deposited. This lack of cash control increases the chances of theft.

Recommendation

HHSFD should compile a report of receipts deposited to the Treasury Division on a weekly basis. The weekly reports should include all of the financial activity concerning the Jefferson and Springdale Place facilities. These reports should also include invoices posted to the AMS ledger and the status of grant and budget requests. The reports should be forwarded to the OETH Administrative Coordinator within 10 days of the Treasury Division's receipt of the funds.

Finding 7 – Unbudgeted Expenses Charged to the Homeless Management Information Systems Grant (HM10) Payroll

Grant funds should only be expended for legitimate and approved employee expenses incurred in the course of the grant. An employee was paid for an "exit week" that included accrued vacation pay. This accrued vacation pay was not included in the budgeted proposal for the grant funds. As a result, the payroll for the grant was overstated. Due to this internal control breakdown, the Homeless Management Information System's funded program should be reimbursed for the unbudgeted expenses.

Recommendation

Future payroll "exit expenses" for grant funded employees should be reviewed with the Personnel Department and the Fulton County Finance Grant Administrator. If grant proceeds should be used for the purpose of paying exit expenses, then an adjustment request should be made to the Grantor in a timely manner to ensure sufficient funding is available to cover this expenditure and/or this amount should be estimated when preparing the grant budget for presentation to the Grantor. If these types of employee expenses should be paid by Fulton County, then adjustments to the grant expenditures should be made before the end of the grant period and funds must be earmarked in the department's budget to cover any anticipated exit expenses.

Finding 8 – Material Balances of Unobligated Funds at the End of the Grant Agreement

The Grant Agreements specify types of expenses that are acceptable for the disbursement of the specified grant funds. The funds allocated in the grant agreements should be spent within a specific time frame detailed in the individual grant agreements. The AMS ledger indicates that the Homeless Management Systems Grant(s) for 2011 and 2012 were underspent by 19.17%. A review of the Transitional Housing Grant shows that the 2011 and 2012 grant funds were underspent by 11%. All expenses examined were found to be in compliance with the grant agreements. However, the material level of unspent funds was not consistent with the grant agreements or the goals of the OETH program. Examinations of the expenses indicate that for the Homeless Management Information Systems Grants the employee (salaries) expenses were underspent by \$86,441.33. This difference could be traced to positions that were left vacant during the grant agreement period. A review of the Transitional Housing Grants reflects an even

spread among the Employee Salaries, Professional Services and the Resettlement Expense areas. The results indicate a failure to fill grant specific personnel positions as the primary cause of the underspent funds. The placement of personnel was not timely for the grant related positions. As a result of the low personnel expenses, the Homeless Management Information Systems and the Transitional Housing Grant expenses are materially out of compliance with the grant agreements' requirements.

Recommendation

Periodic meetings should be scheduled with the OETH Directors, and the Health and Human Service's Finance and Personnel Managers to review the timing of grant agreement funds and the process of employee placement. These meeting should include specific efforts to expedite the placement of grant-funded personnel positions. Additionally, further evaluation should be made concerning the use of the Professional Services and Resettlement Funds for the OETH outreach program.

Audit Concern – Client files (physical files) need periodic updating.

The Jefferson Place Transitional Housing Program client files should have adequate records to accommodate an external review. The Jefferson Place Transitional Housing Program's case files reviewed on a sample basis were sufficient with the exception of case notes that were not found in a large number of the active client files. A request for the information was promptly addressed due to the case notes being stored on the "PATHWAYS" software system records. It is evident that the case files are printed out and placed in the Client Folders when they exit the program. Failure to periodically update the physical files poses the potential risk of lost documentation. Failure to periodically update the client's physical file could cause OETH to be found in non-compliance.

Recommendation

It is a consensus of the Case Managers interviewed that the best method to avoid non-compliance for the case files is to update the case notes on a quarterly basis. The case notes should be printed out quarterly and placed in the respective client's case folder.

Conclusion

While the HHS's OETH program is a relatively successful public service that provides a safe and positive path for the homeless citizens of Fulton County and interactions with client participants reflect positive feedback at all facilities, there is significant room for improvement that is needed to ensure the viability of its programs. Our audit revealed several findings including: excessive payment processing times for outstanding invoices and inadequate internal controls coupled with insufficient staffing, payroll errors and underspending of grant funds. It will be vital for HHS's OETH to expeditiously develop an action plan to assist them in the development and implementation of adequate processes and procedures needed to address the deficiencies identified within the audit. We would like to thank the Directors, Managers and Staff for their assistance and professionalism during the completion of this review.

Please provide a written response to this audit within 30 days. You may email your written response to the County Manager and Brigitte Bailey, Administrative Coordinator III in the Office of Internal Audit at Brigitte.Bailey@fultoncountyga.gov. We would like to thank management and staff for their timely cooperation and assistance during this audit. The distribution of this report is reserved for the executive management of Fulton County and the Board of Commissioners.

ADDENDUM: - Finding 1

TREND ANALYSIS

US FOOD INVOICE PROCESSING – JEFFERSON PLACE FACILITY
 January through November 8, 2013 – Average 64 Days to process

