



Mayor Jim Newberry

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
Division of Internal Audit

**INTERNAL AUDIT REVIEW**

DATE: February 23, 2007

TO: Jim Newberry, Mayor

CC: Charlie Boland, Chief Administrative Officer  
Marlene Helm, Commissioner of Social Services  
Cheryl Lewis, Director of Adult Services  
Internal Audit Board Members  
Urban County Council Members

FROM: Bruce Sahli, Director of Internal Audit

RE: Adult Services Financial Assistance Programs Review

**Background**

The Division of Adult Services provides Emergency Financial Assistance (EFA) to individuals and families for payment of rent and/or utilities to prevent eviction or utility cut-off. Each applicant must sign an agreement for repayment of the interest-free loan in small monthly payments. To be eligible for this assistance, applicants must have lived in Fayette County for at least 30 days, must have a temporary complete disruption of income, must have utilized all personal resources in an effort to pay eligible debts, and must be able to verify that new income is pending. Applicants may also be assisted for reasons of protection even if they have a regular monthly income, e.g. as in the case of potential homelessness for a disabled person. In addition, individuals or families with incomes at or below 125% of the current poverty level can apply for partial payments of Sewer User Fees and Landfill User Fees (hereafter the Sewer & Landfill Program), as well as relocation assistance. The Sewer & Landfill Program is administered under guidelines set forth by Urban County Ordinance.

On March 10, 2006 the Division of Internal Audit issued an audit report on Adult Services Financial Assistance Programs. That audit was conducted at the request of Adult Services Director Cheryl Lewis due to irregularities her office had noted in payments made to a Sewer & Landfill Program recipient. This review was conducted to evaluate controls put in place by management to address those specific findings from the March 10, 2006 report as summarized below:

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- Inadequate management review of Sewer & Landfill Program
- Intentional overpayment of one Sewer & Landfill Program recipient's account
- Missing or Incomplete Sewer & Landfill Program case files
- Rent Assistance Program payments made without sufficient documentation and/or approvals

### **Scope and Objectives**

We reviewed Division of Adult Services procedures and tested a sample of EFA and Sewer & Landfill transactions to determine that effective approval and disbursement controls were in place as indicated by management. Our test samples included the period April 1, 2006 through January 19, 2007.

### **Statement of Auditing Standards**

We conducted our review in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the review to afford a reasonable basis for our judgments and conclusions regarding the organization, program, activity or function under review. A review also includes limited assessments of applicable internal controls and compliance with requirements of laws and regulations when necessary to satisfy the review objectives. We believe that our review provides a reasonable basis for our conclusions.

### **Results of Review**

In our opinion, sufficient controls were in place to provide reasonable assurance that, taken as a whole, EFA and Sewer & Landfill Program payments to recipients are properly approved and paid. Opportunities to enhance controls are included in the Summary of Audit Findings.

## **SUMMARY OF FINDINGS**

### **EFA Rent Assistance Exceptions**

We examined all EFA cases containing requests for rent or utilities assistance during the period April 1, 2006 through January 19, 2007. Six of the 39 EFA cases had missing or incomplete repayment agreements (three agreements missing, two agreements not signed by recipient, one agreement incomplete). A list of the exceptions will be provided to Adult Services management for follow up. Although Adult Services does not refer people who do not repay their obligations to a collection agency, it is still important for those receiving aid to have the understanding that they are responsible for repaying the amount of the EFA assistance. A fully completed repayment agreement conveys that expectation and also provides the necessary document to pursue such repayments either internally or externally as the need and intent arises. It is therefore recommended Adult Services complete the repayment agreements for these recipients.

Division of Adult Services Management Response: As a result of the audit of the Emergency Financial Assistance Program operated by the Division of Adult Services the following controls have been put in to practice.

All emergency financial assistance cases are reviewed and approved by the Division Director or designee, before actual payments are made. The review includes a checklist that indicates all necessary documents needed in each case file. A repayment agreement category has been added to the checklist to ensure that document is contained in file. If no repayment agreement is on file assistance will not be provided until client signs agreement.

### **Sewer & Landfill Program Exceptions**

Four of the ten Sewer & Landfill cases selected for detail testing had no files on hand. The Director of Adult Services stated this might be related to the numerous missing files associated with the former employee who had made inappropriate payments and subsequently resigned. Since all the payments related to these missing files had occurred since that employee's termination, this indicates additional payments have been made to these recipients without obtaining the necessary documentation regardless of whether they are related to the former employee. A list of the exceptions will be provided to Adult Services management. It is recommended the case files be updated to include all pertinent documentation before any future assistance is provided to these recipients.

Division of Adult Services Management Response: As a result of the audit of the Emergency Financial Assistance Program operated by the Division of Adult Services the following controls have been put in to practice.

Before clients can receive their monthly deduction off water bill, eligibility staff must ensure that there is a case file with all the necessary documentation on file. If there is no file, a deduction is not given and clients must come in and recertify for the program. If client is unable to come to the office due to being aged or disabled, a home visit is conducted by the social workers in the office. Clients must recertify for landfill and sewer program annually.

I would like to thank the auditors for their assistance. Our office has made significant accomplishments with the programs and will continue to strive for perfection. If you have any further questions, please feel free to contact me.