CITY OF RENO
AUDIT REPORT

DEPOSIT ASSISTANCE PROGRAM
JULY 2020

City Auditor's Office
Report No. 20-02

CONTENTS

OBJECTIVES

The audit objectives include an overall assessment of the Deposit Assistance Program and testing of disbursement processed during the audit scope with special attention to those processed by a former employee. Specifically, objectives include:

- To evaluate the internal controls of the Deposit Assistance Program to ensure they appropriately safeguard City funds;
- To determine if procedures are in compliance with established citywide policies; and
- To evaluate the risk of, and documentary evidence of, fraud, waste, and abuse relative to the audit objectives.

INTERNAL AUDIT MISSION STATEMENT

To provide the City of Reno with an independent appraisal function designed to assist the Reno City Council, citizens, and City management in establishing accountability, transparency, and a culture of continuous improvement in City operations.

City Auditor's Office
Emily E. Kidd, Certified Internal Auditor, Certified Fraud Examiner, Certified Government Auditing Professional
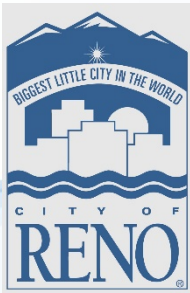
Executive Summary

Deposit Assistance Program Audit

Purpose of Audit

Information regarding a possible fraudulent check disbursement scheme surfaced during an employee's termination meeting with Human Resources. This audit was quickly initiated with the intent to evaluate the internal controls of the Housing and Neighborhood Services Division's Deposit Assistance Program, provide actionable recommendations to secure City funds for the program, and evaluate documentary evidence for fraud, waste, and abuse.

Audit Recommendations

✧ Implement a more robust supervisory review of deposit assistance disbursement requests.

✧ Conduct additional internal control procedures to allow for an appropriate level of segregation of duties.

✧ Require management approval for non-standard check processing.

✧ Adjust the financial oversight process to minimize duplicate assistance requests.

✧ Document policies and procedures for the Deposit Assistance Program.

Detailed recommendations are included in the body of the report for each of the 11 audit findings. Management agrees with the recommendations and departmental actions are being taken.

For more information on this or other City of Reno Internal Audit reports, contact InternalAudit@reno.gov.

KEY FINDINGS

✧ Based on examination of source documents and inquiries with key employees, it appears a former City employee may have willfully processed disbursement request forms with the intent to defraud the City of funds earmarked for the Housing and Neighborhood Development's Affordable Housing Trust Fund Deposit Assistance Program.

✧ The supervisory review was not robust enough to determine if the program's requirements were met regarding both client eligibility and completion of procedures required of staff.

✧ Procedures conducted to process client applications and assistance disbursements did not include an appropriate level of segregation of duties, increasing the risk of misappropriation of City funds.

BACKGROUND

The City of Reno's deposit assistance program is designed as a one-time only assistance to provide application, security, and utility deposits for permanent housing to eligible individuals and families who are experiencing homelessness.

Potential clients apply for the program at the Community Assistance Center (CAC) located at the shelter on Record Street. Staff then creates a client file to maintain the documentation needed to determine eligibility and maintain documents related to the client's transition into housing. Eligibility is determined through a combination of applicant inquiries, housing situation as stated on the application, and review of information maintained in the data system used to track homeless services in Nevada, HMIS (Homeless Management Information System).

Law enforcement has been provided the documentary evidence collected during the audit and is investigating the matter further.

BACKGROUND

Deposit Assistance Program

The City of Reno offers a deposit assistance program for community residents under certain circumstances. The program is designed as a one-time only grant assistance to provide application, security deposits, and utility deposits for permanent housing to eligible individuals and family who are experiencing homelessness. Specifically, the U.S. Department of Housing and Urban Development (HUD) offers:

"HOME Investment Partnerships Program (HOME) permits Participating Jurisdictions (PJs) to create flexible programs that provide assistance to individual households to help them afford the housing costs of market-rate units. These programs are known as "tenant-based rental assistance," of TBRA. There are many different types of TBRA programs, but the most common type provides payments to make up the difference between the amount a household can afford to pay for housing and the local rent standards. Other TBRA programs help tenant pay for costs associated with their housings, such as security and utility deposits."

The program is managed in the Housing and Neighborhood Services division of the Community Development Department. Division staff includes a senior management analyst, three management analysts, one management assistant, two program assistants, and one office assistant II. The deposit assistance program acts as a pass-through for the state's Low Income Housing Trust Funds (LIHTF). The LIHTF disbursements are monitored by the division and the Finance Department.

Deposit Assistance Program – Standard Protocol

The purpose of the deposit assistance program (DAP) is designed as a one-time only assistance to provide application, security, and utility deposits for permanent housing to eligible individuals and families who are experiencing homelessness.

Potential clients apply for the program in person at the Community Assistance Center (CAC) at the shelter on Record Street. Line level staff that process the DAP applications are based out of the CAC and are City of Reno employees under the Housing and Neighborhood Development Division of the Community Development Department. Staff then creates a "client file" to maintain the documentation needed to determine eligibility and maintain documents related to the client's transition into housing. The client files are physically maintained at the CAC.

HMIS (Homeless Management Information System) is the data system used to track area homeless services in Nevada. This web-based system is a community-wide system where homeless service points of contact can enter data for services issued. It provides a snapshot of the services that each individual is utilizing throughout the state. The system is used for reporting performance measures of the services provided by multiple organizations.

To verify the potential client is eligible for program funds, staff is to log onto HMIS and verify the applicant is currently utilizing homelessness services which are documented in their HMIS History page. Participants must be experiencing homelessness or have a referral to be eligible for the

program. Determining eligibility may include a combination of multiple sources, such as HMIS data, and is managed on a case-by-case determination. Sources may also include a referral from the shelter on Record Street, a domestic violence shelter where client is residing (i.e., CAAW, Safe Embrace), VA Healthcare for Homeless Veterans Outreach, or the Reno Housing Authority.

Documentation of eligibility, the completed application, photo identification, an executed lease, and a housing inspection check is to be maintained in the client file with the assumption that, if there were questions on the eligibility of the client, supporting documentation would be included in the physical client file (i.e., unusual circumstances or waivers to the standard process would be documented and included in the client file).

A *Disbursement Request Form* is provided to supervisory staff for approval to disburse funds for the client's application for housing, deposit for housing, or utility deposit/payment. Based on the process in place during the time of the terminated person's employment with the City, this form and a checklist only were required for supervisory signature approval. The approved form is then delivered to the Finance Department for check issuance through standard mail, USPS.

Fraudulent Check Disbursement Scheme

Based on examination of source documentation and inquiries with key City of Reno employees, it appears that a former City employee may have willfully processed disbursement request forms with the intent to defraud the City of funds earmarked for the Housing and Neighborhood Development's Affordable Housing Trust Fund Deposit Assistance Program.

Twenty five check disbursements totaling $25,402.82 issued during the employee's tenure were flagged for possible misappropriation of program funds. One of those checks was a rent deposit issued for the former employee eleven days after their date of hire; this "client" was not eligible for the program. Another check was requested on a *Disbursement Request Form* by the former employee for a rent deposit, issued to their spouse for a rental for their family per lease documentation included in the "client" file. Those two checks total $3,305. Other disbursements more directly tied to the former employee were two utility payments totaling $313.74.

The remaining twenty one disbursements that were flagged as possible misappropriations include checks issued for clients with files that were missing required documents and/or with an HMIS history that does not identify the individual as experiencing homelessness. Disbursements were also processed for the perceived benefit of the former employee's known friends; friends were documented as either the client or the vendor. Additional red flags of fraud included: disbursements to a utility in duplicate amounts of unusual dollar amounts, utility deposits picked up from finance by the former employee, multiple disbursements on the same date to the same vendor/landlord, disbursements processed while the program manager was out of the office, disbursements processed the last month of employment, and disbursements processed for clients with a missing physical client file.

The associated documentary evidence was provided to law enforcement on December 24, 2019.

AUDIT RESULTS

Audit examined source documents processed during the former employee's tenure at the City for evidence of fraud, waste, and abuse and procedures in place for the program, generally. A review of the internal controls for the program identified eleven findings. The finding types are classified as Process Improvements, Financial Management, and Policies and Procedure and are itemized in those sections below.

Process Improvements

Supervisory Review Process - Disbursements

1. The supervisory review of deposit assistance disbursements is not robust enough to determine if the program's requirements were met regarding both client eligibility and staff procedural completion. To obtain signatory approval for fund disbursements, staff at the Housing Office email program management two documents, the Disbursement Request Form and the TBRA checklist. No other documents are reviewed prior to the signatory approval of the assistance funds. The effect of this lean approval process is that funds are processed for individuals that are not eligible for the program and the fund is depleted unnecessarily. Additional verification of the prospective client's application, supporting documentation, or HMIS history information is not a component of the supervisory signature approval of fund disbursement forms.

   It should be noted that, once the possible misappropriation of program funds was identified, supervisory staff enhanced the disbursement approval review process.

   Recommendation:
   We recommend a more robust supervisory review of deposit assistance disbursement requests be implemented. These additional review procedures may include: a review of the entire client file for each disbursement, a review of the entire client file for a sample of disbursements in a predetermined period, verification of the account number associated with the client for all utility disbursements, a quarterly spot-check audit of client's receiving assistance during the quarter. The goal is to have a review process that is sustainable over time.

Client File Checklist

2. The supervisory review of deposit assistance disbursements may benefit from the use of a client file checklist to ensure all required documentation of applicant eligibility was obtained prior to financial assistance disbursements. Without a checklist completed during the review process, the eligibility of the client and the verification of

documentation is more difficult to determine. A checklist assisted supervisory review may better identify processing errors and employee omissions.

Recommendation:
We recommend a "one-sheet" be created for each client itemizing the verification of program eligibility and attested to by City of Reno staff, and it be maintained for each client file.

Segregation of Duties

3. A single employee has the ability to determine if a client is eligible for the program through a review of documentation provided by the client and review of client's history in HMIS, submit a disbursement request to the program's manager for signatory approval, and obtain the physical City check of the disbursement (see check details at finding #7). The procedural duties are not required to be segregated amongst employees. Citywide policy 304, Cash Handling, states, in part, "Proper procedures and security measures should be designed to protect the assets of the City from loss, and to ensure that errors/wrongdoings are detected and corrected in a timely manner." Without appropriate segregation of duties for fund disbursements, the risk of misappropriation of City funds increases. Indeed, it was this operational environment where the former employee may have misappropriated program funds.

Recommendation:
We recommend additional internal control procedures be implemented to allow for an appropriate level of segregation of duties.

Utility Account Verification

4. Examination of sampled client files noted some did not include a sample invoice for the prospective client's utility account although disbursements for utility deposits/payments were processed with a documented utility account number. Because the check itself does not include the account number for the documented client, the funds could be applied to any other account with that utility vendor. This possibility is exacerbated by the special handling of some checks (see check details at finding #7).

Recommendation:
We recommend verification of the client's utility account number be obtained and documented prior to the fund disbursements and included in the client file.

Housing Inspection Checklist

5. The housing inspection checklist used to document the condition of the living quarters where the client is requesting financial assistance does not include pertinent information including the address, the employee completing the list, or the date of inspection. It is unknowable if the inspection checklists within client files were completed at the location where the client requested financial assistance. Also, the employee accountable for the inspection and the date of inspection is not identifiable. The blank inspection checklist does not include a required field for this information.

   Recommendation:
   We recommend the housing inspection checklist be updated to include required fields for the address, the employee completing the list, and the date of inspection.

Financial Management

Check Disbursement Process

6. Divisional employees have been empowered to pick up disbursement checks from the Finance Department. This allows them access to a fully executed City of Reno check unnecessarily. City funds may be misappropriated if not issued with the standard methodology in place for financial disbursements, USPS. Per inquiry with divisional management, on some occasions there may be a need to obtain the fully executed check quickly. An example provided for this alternative processing was, if a housing unit's landlord is pressing for the deposit payment quicker than it would be delivered by postal mail in order to secure the housing for the client. Supervisory approval for this altered disbursement methodology is not required to release the check to employees.

   These checks are either called in by staff for pickup or are marked as *Special Handling* initially on the disbursement request form with an orange dot on the upper right-hand corner of the form with details of the employee that will pick it up. Many of the checks that may have been misappropriated include this designation on the form. In the case of utility checks, the check itself does not include an account to which it was intended to be applied and could be submitted to the utility vendor towards any utility account.

   Recommendation:
   We recommend fully executed checks be mailed to the vendor rather than picked up by employees as a standard process for the program's

disbursements. In unusual and urgent scenarios, it is recommended that management approval be required and checks be picked up by supervisory-level employees only. In addition, picking up checks to utilities is not recommended.

Documentation Standardization

7. Naming conventions documented on the disbursement form are not consistent. Noted that multiple combinations of last names with or without first names or initials are being used to document the clients' name. The differing naming conventions is circumventing some internal controls concerning financial oversight. A standard naming convention has not been required for client documentation.

Recommendation:
We recommend the naming conventions be standardized for all program disbursements to assist in the financial oversight function.

Duplicate Payment Identification Process

8. Examination of sampled client files noted some clients were issued financial assistance through the program more than once although the program is designed as a one-time only assistance for individuals and families. The standard process is for program assistants to review the client's HMIS history to determine if they have previously received financial assistance through the program and to disallow multiple requests for funds for the same client. In addition, the financial oversight methodologies used to identify multiple payments to the same individual are in place but are hampered by the non-standardization of client naming conventions (finding #7) and also when client disbursements are made in different fiscal years. The effect of this lack of duplicate payment identification is that clients and program assistants have the ability to request and process financial assistance more than once for the same individual's benefit.

Recommendation:
We recommend the financial oversight process be adjusted to allow for the identification of clients or program assistants attempting to use the program's financial assistance more than once.

Policies and Procedures

Lack of Documented Policies

9. A documented policy detailing the internal controls and procedures for the Deposit Assistance Program does not exist. Documented policies support procedures that are conducted consistently and in an equitable manner. In addition, without a documented process, the issuance of City funds can be subjective and relates to government accountability and waste.

Recommendation:
We recommend procedures be developed, documented, and communicated to applicable staff and that procedures outline all portions of the program including processing client applications, the supervisory review process, and procedures for disbursements requiring special handling.

Personally Identifying Information Security

10. Personally Identifying Information (PII) collection and documentation is necessary for the program's eligibility verification process. Employees within the division have access to this PII both physically and through their HMIS login access. However, formal training and attestation to the training is not documented. A significant amount of PII is physically on-hand within the division at the Housing Office, at City Hall, and within the record retention software *OnBase*. The security of clients' PII may be compromised with the current storage methodology. In addition, staff accountability of PII security best practices is not documented.

Recommendation:
We recommend the division obtain training on PII best practices, train new employees on this topic, and maintain an attestation form for divisional employees with access to PII. In addition, we recommend the division determine if the current safeguards in place regarding PII data maintained by the City are adequate to mitigate the associated risks.

Employee Separation – System Access

11. Employee access to HMIS, the data system used to track area homeless services in Nevada, is managed by an external business. During audit fieldwork inquiries, program staff recalled that access to a recently terminated employee had not been requested to be deactivated. Specifically, the request to deactivate the user access was made 42 days after termination. Additional inquiries with the external administrator identified two other former employees whose access was not requested to be deactivated timely.

The web-based platform for the system allows for anyone with access to login and view client files which includes a significant amount of PII; allowing former employees access to this information is not within best practices. (Per verification with the external administrator, the recently terminated employee had not accessed the system after termination.) Citywide policy 407, Employee Separation, states, in part, "All departments shall establish and implement a procedure documenting the assignment of City equipment and tracking of electronic system access."

Recommendation:
We recommend the division implement an employee separation process as required by the citywide policy to include HMIS system access deactivation.
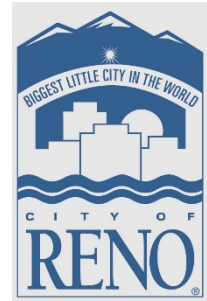
Findings' Conditions, Recommendations, and Management Responses
(Numbering Convention: Sequence corresponds to the audit findings as listed in the report.)

Supervisory Review Process - Disbursements

1. The supervisory review of deposit assistance disbursements is not robust enough to determine if the program's requirements were met regarding both client eligibility and staff procedural completion.

   We recommend a more robust supervisory review of deposit assistance disbursement requests be implemented. These additional review procedures may include: A review of the entire client file for each disbursement, a review of the entire client file for a sample of disbursements in a predetermined period, verification of the account number associated with the client for all utility disbursements, a quarterly spot-check audit of client's receiving assistance during the quarter. The goal is to have a review process that is sustainable over time.

   > What measures are planned to address this finding?
   > *In the short term, the complete client file and every disbursement will be reviewed by staff overseeing the program prior to submission of disbursements for payment. For utility deposits, staff overseeing the program will verify the account number on the disbursement matches the account number from a copy of the utility bill. Following 60 days of 100% file review, a determination will be made based on the accuracy of files whether or not to continue checking every complete file, or if the program can continue with a spot-check of weekly disbursements for eligibility. In the long term, quarterly spot-checks of a 15% sample of client files and disbursements will be completed by staff overseeing the program.*

   > When will the measures be taken?
   > *The measures started effective 5/27/2020.*

   > What will be done to avoid the issue in the future?
   > *The measures that have been put in place, and documentation of the ongoing quarterly reviews, will guarantee continuity of the review process.*

Client File Checklist

2. The supervisory review of deposit assistance disbursements may benefit from the use of a client file checklist to ensure all required documentation of applicant eligibility was obtained prior to financial assistance disbursements.

   We recommend a "one-sheet" be created for each client itemizing the verification of program eligibility and attested to by City of Reno staff, and it be maintained for each client file.

What measures are planned to address this finding?
A client file checklist will be the cover page for each client file. It will contain eligibility information, the type of assistance being requested, client identifying information, a list of file contents, and identify staff responsible for that file.

When will the measures be taken?
The client file checklist has been updated and successfully implemented, effective 11/25/19.

What will be done to avoid the issue in the future?
The client file checklist will be required for every client file on a permanent basis.

Segregation of Duties

3. A single employee has the ability to determine if a client is eligible for the program through a review of documentation provided by the client and review of client's history in HMIS, submit a disbursement request to the program's manager for signatory approval, and obtain the physical City check of the disbursement.

We recommend additional internal control procedures be implemented to allow for an appropriate level of segregation of duties.

What measures are planned to address this finding?
Upon completion of the client file, entry into HMIS, and request for disbursement, staff overseeing the program reviews the files for eligibility and accuracy prior to processing payment. A different staff member spot-checks the HMIS data. If a physical check pickup is requested by staff, only the Manager or Management Assistant is authorized to pick the check up from Finance.

When will the measures be taken?
These measures have been implemented, effective 11/25/19.

What will be done to avoid the issue in the future?
The new processes will be continued on a permanent basis.

Utility Account Verification

4. Examination of sampled client files noted some did not included documentation of the prospective client's utility account number although disbursements for utility deposits/payments were processed.

We recommend verification of the client's utility account number be obtained and documented prior to the fund disbursements and included in the client file.

What measures are planned to address this finding?
Each utility disbursement request will include a copy of the utility account statement.

When will the measures be taken?
This measure has been implemented, effective 11/25/19.

What will be done to avoid the issue in the future?
Utility disbursement requests will require a copy of the utility account statement on a permanent basis.

Housing Inspection Checklist

5. The housing inspection checklist used to document the condition of the living quarters where the client is requesting financial assistance does not include pertinent information including the address, the employee completing the list, or the date of inspection.

We recommend the housing inspection checklist be updated to include required fields for the address, the employee completing the list, and the date of inspection.

What measures are planned to address this finding?
Housing inspection checklist will include the unit address, date of inspection, and employee completing the list.

When will the measures be taken?
This measure has been implemented effective 6/4/2020.

What will be done to avoid the issue in the future?
Staff will be required to use the appropriate housing checklist on a permanent basis.

Lack of Documented Polices

9. A documented policy detailing the internal controls and procedures for the Deposit Assistance Program does not exist.

We recommend procedures be developed, documented, and communicated to applicable staff and that procedures outline all portions of the program including processing client applications, the supervisory review process, and procedures for disbursements requiring special handling.

What measures are planned to address this finding?
Procedures will be developed, documented, and communicated to all division staff members. Procedures will include guidelines for all steps of the client application process, supervisory review process, and instances of special handling.

When will the measures be taken?
Policies were drafted, distributed to staff, and discussed in detail on 5/1/2020.

What will be done to avoid the issue in the future?
Procedures will be followed and updated as needed on a periodic basis.

Personally Identifying Information Security

10. Personally Identifying Information (PII) collection and documentation is necessary for the program's eligibility verification process. Employees within the division have access to this PII both physically and through their HMIS login access.

We recommend the division obtain training on PII best practices, train new employees on this topic, and maintain an attestation form for divisional employees with access to PII.

What measures are planned to address this finding?
Management will implement PII best practices training, train new employees on PII best practices, and creation of an attestation form for divisional employees with access to PII.

When will the measures be taken?
On 6/19/2020, program staff was provided Protecting PII: Capacity Building Guidance on Protecting Privacy Information from HUD. Staff will be required to read the document and sign acknowledgment of the guidance. Management is working on securing more extensive PII training for current and future program staff by 10/1/2020.

What will be done to avoid the issue in the future?
All current and future program staff will be required to participate in the PII training.

In addition, we recommend the division determine if the current safeguards in place regarding PII data maintained by the City are adequate to mitigate the associated risks.

What measures are planned to address this finding?
Management will review current safeguards in place that protect PII, and determine if the current handling of PII data needs to be revised.

When will the measures be taken?
Measures will be in place by 10/1/2020.

What will be done to avoid the issue in the future?
Management will review new HUD guidance on PII as it is disbursed, and revise current measures in place when necessary.

Employee Separation – System Access

11. Employee access to HMIS, the data system used to track area homeless services in Nevada, is managed by an external business. During audit fieldwork inquiries, program staff recalled that access to a recently terminated employee had not been requested to be deactivated.

We recommend the division implement an employee separation process as required by the citywide policy to include HMIS system access deactivation.

What measures are planned to address this finding?
Staff has identified that the Community Development Department Admin Division uses an employee departure checklist. HAND staff has added steps to the employee departure

checklist that pertain to the HAND division, including removing departing employees' access from HMIS.
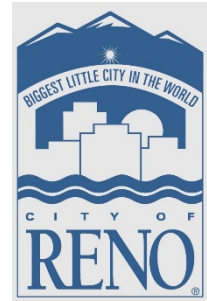
When will the measures be taken?
The new checklist will be used, effective 6/26/20.

What will be done to avoid the issue in the future?
The revised employee departure checklist will be used for every employee departure in the HAND division, and be revised as necessary to maintain compliance with the finding.

Findings' Conditions, Recommendations, and Management Responses
(Numbering Convention: Sequence corresponds to the audit findings as listed in the report.)

Check Disbursement Process

6. Divisional employees have been empowered to pick up disbursement checks from the Finance Department. This allows them access to a fully executed City of Reno check unnecessarily.

We recommend fully executed checks be mailed to the vendor rather than picked up by employees as a standard process for the program's disbursements. In unusual and urgent scenarios, it is recommended that management approval be required and checks be picked up by supervisory-level employees only. In addition, picking up checks to utilities is not recommended.

What measures are planned to address this finding?
The Finance Department will mail deposit assistance checks to the vendor. If a check needs to be picked up due to urgency or unusual circumstances (for example, a vendor is having issues receiving mail), the Finance Department will require a written explanation signed by a manager as to why special handling is being requested. Furthermore, the check must be picked up by the management analyst or her supervisor. All utility checks (deposits and arrears payments) will be mailed.

When will the measures be taken?
The Finance Department is has revised one of its written procedures to add this language regarding the handling of deposit assistance and utility deposits. The policy, Matching and Mailing of Accounts Payable Checks, *was revised on June 8, 2020.*

Document Standardization

7. Naming conventions documented on the disbursement form are not consistent, resulting in the circumvention of some internal controls concerning financial oversight.

We recommend the naming conventions be standardized for all program disbursements to assist in the financial oversight function.

What measures are planned to address this finding?
The Neighborhood Services Division is responsible for generating the disbursement requests, including the naming convention used. The Financial Department will ensure that any confusion regarding a client's name is directed to Neighborhood Services prior to entering the disbursement requests for payment.

Duplicate Payment Identification Process

8. Examination of sampled client files noted some clients were issued financial assistance through the program more than once although the program is designed as a one-time only assistance for individuals and families.

We recommend the financial oversight process be adjusted to allow for the identification of clients or program assistants attempting to use the program's financial assistance more than once.

What measures are planned to address this finding?

The financial system used by the City is programmed to detect and disallow the data entry of duplicate invoice numbers. For deposit assistance payments, the Neighborhood Services Division is responsible to assigning invoice numbers to disbursement requests based on the client's name and type of assistance (i.e., security deposit, application fee, or rent assistance). However, the Finance Department is ultimately responsible for entering the invoice numbers into the system and therefore must be consistent across staff members responsible for data entry. Consistent data entry practices will be discussed at a future Accounting Division meeting.

The Finance Department does maintain a log of disbursement requests by fiscal year so that reimbursements from the State Housing Division can be matched and recorded in the same fiscal year. This spreadsheet has been a useful tool in the past for identifying duplicate payments and if one arises, the Neighborhood Services Division is notified and questioned as to why. In the future a master sheet will be created so potential duplicate payment requests crossing fiscal years can be identified.

Scope

The audit scope included a review of the standard operating procedures for the program and an examination of sample client files processed from June 1, 2017 through October 31, 2019. Audit fieldwork began November 19, 2019 and concluded December 18, 2019.

Methodology

The audit review included inquiries with key personnel, review of standard operating procedures, examination of client files processed during the audit scope, and other auditing procedures as was considered necessary. Conclusions were reached by:

- Testing a sample set of client files processed during the audit scope for reasonableness, supporting documentation, and proper approval;
- Testing disbursements to clients / vendors that may have had a close association with the terminated employee;
- Testing disbursements issued to a utility that appeared to be for the same user account;
- Testing disbursements that expressed red-flags of fraud;
- Analyzing standard operating procedures for compliance with established policies and best practices; and
- Evaluating the risk of fraud, waste, and abuse relative to the audit objectives.

Audit Standards

We conducted this audit in accordance with standards of The Institute of Internal Auditors, sans Standards 1310-1 through 1321. 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.