

**20-02 Deposit Assistance Program Audit - Follow-up**

**Status of Corrective Actions to Management Responses**  
**As of February 2021**  
**Original Report Issuance - July 2020**  
**Follow-up result: All findings are closed.**



**City Auditor's Office**  
**Emily E. Kidd, CIA, CFE, CGAP**  
**Internal Auditor**

**Community Development - Housing And Neighborhood Development**

<b>Finding (condensed)</b>	<b>Recommendations</b>	<b>Management Response</b>
<p><b>1</b> <b>Supervisory Review Process - Disbursements</b>                      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.</p>	<p>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.</p>	<p>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. The measures started effective 5/27/2020. The measures that have been put in place, and documentation of the ongoing quarterly reviews, will guarantee continuity of the review process.</p>

**Follow-up Status:**

**Feb 2021** Due to the expansion of the rental assistance program and various funding sources for this program, all files continue to be reviewed by staff overseeing the program. Two temporary staff members are being hired to assist with the program, therefore 100% file reviews will continue for at least three months before the tiered down measures are put into place.

<p><b>2</b> <b>Client File Checklist</b>                      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 disbursement</p>	<p>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.</p>	<p>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. The client file checklist has been updated and successfully implemented, effective 11/25/19. The client file checklist will be required for every client file on a permanent basis.</p>
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**Follow-up Status:**

**Feb 2021** The client file checklist continues to be included as the first page of each client file.  
**Internal Audit Comment to Follow-up:** Examined the client file checklist; it included the information stated in the management responses. No further audit follow-up required.

<b>3 Segregation of Duties</b>		
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.	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. These measures have been implemented, effective 11/25/19. The new processes will be continued on a permanent basis.

**Follow-up Status:**

Feb 2021 The spot-check of HMIS data by a different staff member and limited staff check pickup are still in place and will continue.

<b>4 Utility Account Verification</b>		
Examination of sampled client files noted some did not include 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.	Each utility disbursement request will include a copy of the utility account statement. This measure has been implemented, effective 11/25/19. Utility disbursement requests will require a copy of the utility account statement on a permanent basis.

**Follow-up Status:**

Feb 2021 Each utility disbursement continues to require a copy of the utility account statement.

<b>5 Housing Inspection Checklist</b>		
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.	Housing inspection checklist will include the unit address, date of inspection, and employee completing the list. This measure has been implemented effective 6/4/2020. Staff will be required to use the appropriate housing checklist on a permanent basis.

**Follow-up Status:**

Feb 2021 The housing inspection checklist that includes unit address, date of inspection, and employee completing the list continues to be used for each inspection.  
[Internal Audit Comment to Follow-up:](#) Examined the client file checklist; it included the information stated in the management responses. No further audit follow-up required.

<b>9 Lack of Documented Policies</b>		
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.	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. Policies were drafted, distributed to staff, and discussed in detail on 5/1/2020. Procedures will be followed and updated as needed on a periodic basis.

**Follow-up Status:**

Feb 2021 Procedures that were previously written are still being used and updated as needed.  
[Internal Audit Comment to Follow-up:](#) Examined several policies provided by the division on February 23, 2021, *Affordable Housing Trust Fund Financial Assistance Program*, *Emergency Solutions Grant Financial Assistance Program*, and *Flexible Fund Financial Assistance Program*. No further audit follow-up required.

<b>10</b>	<b>Personally Identifying Information Security</b>		
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.	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. On 6/19/2020, program staff was provided <i>Protecting PII: Capacity Building Guidance on Protecting Privacy Information</i> 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. 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.	Management will review current safeguards in place that protect PII, and determine if the current handling of PII data needs to be revised. Measures will be in place by 10/1/2020. Management will review new HUD guidance on PII as it is disbursed, and revise current measures in place when necessary.	

**Follow-up Status:**

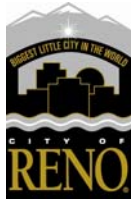
<b>Feb 2021</b>	The Homeless Management Information System (HMIS) new user training includes protection of client information and client privacy. Each staff member that works directly with clients is required to use HMIS and must complete this training to obtain access to the system. Additionally, clients are required to sign a release of information, which identifies who their information may be shared with. Staff continue to monitor HUD guidance on PII and are currently required to read the HUD manual on protection PII.		
	<u>Internal Audit Comment to Follow-up:</u> Examined the U.S. Department of Housing and Urban Development (HUD) document titled <i>Protecting PII: Capacity Building Guidance on Protecting Privacy Information</i> and also the acknowledgement form provided by the division. No further audit follow-up required.		

<b>11</b>	<b>Employee Separation - System Access</b>		
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.	Staff has identified that the Community Development Department Admin Division uses an employee departure checklist. Housing and Neighborhood Services Development (HAND) staff has added steps to the employee departure checklist that pertain to the HAND division, including removing departing employees' access from HMIS. The new checklist will be used, effective 6/26/20. 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.	

**Follow-up Status:**

<b>Feb 2021</b>	The employee departure checklist will continue to include removing a departing employee's HMIS access.		
	<u>Internal Audit Comment to Follow-up:</u> Examined the <i>CD Admin Checklist: Individual Leaving City or Reno</i> . No further audit follow-up required.		

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**Finance Department**

<b>6</b>	<b>Check Disbursement Process</b>		
<p>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.</p>	<p>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.</p>	<p>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.</p> <p>Furthermore, the check must be picked up by the management analyst or her supervisor. All utility checks (deposits and arrears payments) will be mailed. 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.</p>	

**Follow-up Status:**

**Feb 2021** The Finance Dept is following the procedures outlined above.

<b>7</b>	<b>Document Standardization</b>		
<p>Naming conventions documented on the disbursement form are not consistent, resulting in the circumvention of some internal controls concerning financial oversight.</p>	<p>We recommend the naming conventions be standardized for all program disbursements to assist in the financial oversight function</p>	<p>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.</p>	

**Follow-up Status:**

**Feb 2021** The Finance Dept is following this recommendation.

<b>8 Duplicate Payment Identification Process</b>		
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.	<p>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.</p> <p>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.</p>

**Follow-up Status:**

<b>Feb 2021</b>	<p>The Finance Dept would like to discontinue keeping the log and turn it over to the Neighborhood Services Division as this is a VERY timing consuming process, especially given the big increase in activity. Having Finance maintain a tracking sheet that Neighborhood Services should be doing has become very burdensome to the Finance Dept. The Finance Dept will continue to reconcile the grant activity via the project transaction report to ensure that reimbursements are drawn in a timing matter but would like to cease keeping the master spreadsheet.</p> <p><b>Internal Audit Comment to Follow-up:</b> Since the audit was completed, the program volume has grown with the increased community need and additional external funding occurring in 2020-21. Executive management will be provided information on this finding and management's response to determine the path forward regarding the detection of duplicate payment identification process. No further audit follow-up is required.</p>
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