



## **Audit of Utility Payment Assistance Program**

### **Follow-Up Review**

The City and Interfaith Ministries of Denton have coordinated to improve the policies and procedures related to the utility payment assistance program and established controls to ensure funds are properly managed and reconciled monthly.

Additionally, the contract has been updated to remove the extreme hardship exception.

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## Follow-Up at a Glance

### Why we did this Follow-Up:

This report is intended to provide information on what changes have been made in response to the Utility Payment Assistance Program Audit issued in April 2021. The original audit evaluated the City's utility payment assistance program including application management, pledge award administration, and program effectiveness. This follow-up review was included on the City's fiscal year 2021-22 Annual Internal Audit Plan as approved by the City Council.

### What we Found:

The City and Interfaith Ministries of Denton have coordinated to significantly improve oversight of the utility payment assistance program and established policies and procedures to ensure proper management of program applications, denials, and pledge payments. Furthermore, Interfaith Ministries has developed a process to periodically provide customer service training to staff, and controls have been implemented for the City to process program applications completed by Interfaith Ministries' employees and volunteers. Additionally, the Monthly Report and Client Log have been redeveloped to further monitor pledge fund payments and ensure monthly reconciliation of the program fund balance. The status of each recommendation is summarized below:

Recommendation	Mgmt. Response	Status
1. Provide written guidance to staff on what details should be included in HMIS case notes to ensure consistency & understandability.	Concurred	Implemented
2. Evaluate the use of the Client Log to track client info & status notes.	Concurred	Implemented
3. Collaborate with the Customer Service Division to determine if support documentation for awarded pledges should be retained by the City.	Partially Concurred	Implemented
4. Periodically review and update the Assistance Handbook.	Concurred	Implemented
5. Develop a process to ensure customer account refunds are reviewed for utility payment assistance pledge awards prior to processing the refund to ensure each case is reviewed and handled appropriately.	Concurred	Implemented
6. Evaluate the extreme hardship exception to determine if it is effective.	Concurred	Implemented
7. Develop guidelines & criteria to formally document extreme hardship justification and approval.	Partially Concurred	Implemented
8. Coordinate with City staff to develop a review process for Interfaith Ministries' employee applicants of the program.	Concurred	Implemented
9. Ensure denied applicants are provided updates so they understand the reason for being denied assistance.	Partially Concurred	Implemented
10. Establish a process to periodically provide customer service training to staff.	Concurred	Implemented
11. Develop a process to regularly track & monitor client calls for content accuracy & customer service quality.	Concurred	Implemented
12. Begin providing quarterly reports on customer service survey responses to the City as required by contract.	Concurred	Implemented
13. Establish a process to utilize the data included in Interfaith Ministries' Monthly Reports to enhance program effectiveness by identifying Program promotion opportunities and focusing on households and communities with greater need.	Concurred	Implemented
14. Obtain Interfaith Ministries' PLUS One bank statement monthly to provide further assurance that assistance funds spent appropriately.	Concurred	Implemented

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## Introduction

The Internal Audit Department is responsible for providing: (a) an independent appraisal<sup>1</sup> of City operations to ensure policies and procedures are in place and complied with, inclusive of purchasing and contracting; (b) information that is accurate and reliable; (c) assurance that assets are properly recorded and safeguarded; (d) assurance that risks are identified and minimized; and (e) assurance that resources are used economically and efficiently and that the City's objectives are being achieved.

The Internal Audit Department has completed a follow-up review of the Audit of Utility Payment Assistance Program issued in April 2021. We conducted this performance audit in accordance with generally accepted government auditing standards. Those 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.

## Management Responsibility

City management is responsible for ensuring that resources are managed properly and used in compliance with laws and regulations; programs are achieving their objectives; and services are being provided efficiently, effectively, and economically.

## Audit Objectives, Scope, and Methodology

This report is intended to provide a progress update on recommendations from the [Audit of Utility Payment Assistance Program \(April 2021\)](#), which evaluated the City's utility payment assistance program including application management, pledge award administration, and program effectiveness.

Audit fieldwork was conducted during November and December 2021. The scope of review varied depending on the procedure being performed. The following list summarizes major procedures performed during this time:

- Reviewed documentation from the issued audit to develop criteria including industry standards, best practices, policies, and procedures;
- Interviewed Interfaith Ministries and Customer Service Division Staff;
- Reviewed policies and procedures pertaining to refunds, pledge award approvals, denials, and monthly reconciliation;

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<sup>1</sup> The City of Denton's Internal Audit Department is considered structurally independent as defined by generally accepted government auditing standard 3.56.

- Reviewed Interfaith Ministries' customer service client survey and call quality assessment results;
- Reviewed utility payment assistance pledge awards for January 2021 through October 2021 to determine whether any utility payments were awarded to Interfaith Ministries' employees or volunteers; and
- Reconciled the Interfaith Ministries' Monthly Reports and Bank Statements for April 2021 through October 2021.

## Recommendation Status Update

This report summarizes the Audit of Utility Payment Assistance Program's recommendations, management responses, and the Internal Audit Department's follow-up findings, which describe to what extent City management has implemented Internal Audit's recommendations since the publication of the original report in April 2021.

### Assistance Awards Generally Supported; Some Record Improvements Needed

1. **Provide written guidance to staff on what details should be included in Homeless Management Information System case notes to ensure consistency and understandability. Periodically providing training to staff may also facilitate consistency.**

Management Response: Concur

Interfaith Ministries of Denton Comments: IFM will develop a checklist of basic items to include in case notes. Caseworkers are also provided training through the Texas Homeless Network when any changes occur in the HMIS system.

#### **Audit Follow-Up Finding: Implemented**

Interfaith Ministries has developed a Homeless Management Information System Checklist that was provided to all caseworkers. This Checklist details all documentation and information to be included within the Homeless Management Information System. Interfaith Ministries provided training to Interfaith Ministries staff on these requirements during March 2021.

Additionally, Interfaith Ministries updated the Interfaith Ministries Handbook to include Homeless Management Information System guidance.

2. **Evaluate the use of the Client Log to track client information and status notes. Consider adding columns to minimize the need for manual notes and reduce the possibility for error.**

Management Response: Concur

Interfaith Ministries of Denton Comments: We are already working with Customer Service to simplify the call log and help prevent duplication of effort. We are happy to consider the feasibility of any specific changes recommended by the City.

#### **Audit Follow-Up Finding: Implemented**

The City’s Customer Service Division and Interfaith Ministries have coordinated to improve the Interfaith Ministries Monthly Report. The Monthly Report has been updated to include a detailed Client Log to document all applicants, application statuses, and payment details if a utility payment was awarded. The Client Log has been revised to include additional columns to allow better oversight and management of client applications, including:

- Months Paid Last 12 Months
- Documentation Received
- Appointment Completed
- Status (Approved or Denied)
- Date Closed
- Number of Contacts
- Pledge Amount
- Number of Months Paid
- Deposit Amount
- Check Number
- Denial Reason
- Denial Notification Method

Based on review of the Client Log, the revised log appears to be more organized to allow better efficiency and accuracy of data entry for caseworkers and allows utility pledge award payments and denials to be accurately monitored and reconciled.

**3. Collaborate with the Customer Service Division to determine if support documentation for awarded pledges should be retained by the City.**

Management Response: Partially Concur

Interfaith Ministries of Denton Comments: IFM currently sends service pledges, copies of checks and copies of the customer bills to Customer Service. IFM is happy to send any additional documentation that Customer Service deems necessary.

Customer Service Division Comments: While Customer Service does concur that a formal backup method should be explored, we have concern for any retention of documentation for pledges by the City as those documents contain sensitive records for customers for which the City has no other purpose for possessing.

**Audit Follow-Up Finding: Implemented**

The City has revised the Supply of Utility Assistance Program Contract Scope of Work Section to contain the following provisions for Interfaith Ministries documentation retention requirements:

*“The partner agency is required to maintain documentation and case information records which demonstrate consistent application of assistance guidelines which are supported by a formalized process. The partner agency must provide means of document retention which ensures files are reasonably protected from loss.”*

Interfaith Ministries has established a record retention process that involves all case records being saved to a back-up server nightly, and

those records are backed up to a flash drive monthly, which is retained in a fire-proof safe. Records that are not retained locally are stored in the Homeless Management Information System.

**4. Periodically review and update the Assistance Handbook to ensure it reflects current processes.**

Management Response: Concur

Interfaith Ministries of Denton Comments: IFM will update the Assistance Handbook when any major change in program occurs.

**Audit Follow-Up Finding: Implemented**

The City has revised the Supply of Utility Assistance Program Contract Scope of Work Section to contain the following provisions for Interfaith Ministries documented procedure requirements:

*“Copies of documented policies, procedures, and handbooks must be made available to the City upon request. The City will make recommendations to the partner agency regarding these documents as they relate to contractual expectations for performance and consistency.”*

Based on review of the Interfaith Ministries Handbook, the Handbook has been updated to reflect current processes, including Homeless Management Information System guidance, although there did not appear to be any major changes in programs. Additionally, according to Interfaith Ministries staff, the Director of Customer Service & Public Affairs has reviewed and provided input for the Handbook.

## **Awarded Pledges Largely Applied to Utility Accounts Appropriately**

**5. Develop a process to ensure customer account refunds are reviewed for utility payment assistance pledge awards prior to processing the refund to ensure each case is reviewed and handled appropriately. Document this process and include a periodic review to update as necessary.**

Management Response: Concur

Customer Service Division Comments: Customer Service has a practice in place to address this issue; however, concurs with the recommendation to formalize the process to ensure excess pledge funds are not refunded to customer upon account closure.

**Audit Follow-Up Finding: Implemented**

The City's Customer Service Division has developed a report that identifies utility accounts with refund balances. This report is pulled every time the

Department reviews and processes customer refunds, and details if the customer account received a utility assistance pledge award payment from a charity entity (i.e. Interfaith Ministries or Texoma Council of Governments (TCOG)).

Additionally, the City's Customer Service Division has developed Standard Operating Procedure No. 4014 – Refunds – that documents the process to pull the refund report, review account balances, and how to process the refund balances.

## Assistance Restricted to Once a Year; Extreme Hardship Exception Used Frequently

### 6. Evaluate the current extreme hardship exception to determine if it is effective.

Management Response: Concur

Customer Service Division Comments: Customer Service concurs that the extreme hardship qualification is vague and ineffective. Staff will review and implement more direct language in the contract or some other alternative to ensure clarity and program effectiveness.

#### **Audit Follow-Up Finding: Implemented**

According to the City's Customer Service Division, the extreme hardship exception was evaluated by City staff and determined to be ineffective. The extreme hardship exception verbiage was removed within the Supply of Utility Assistance Program Contract. In addition, the Contract was updated to allow all applicants to be awarded assistance twice annually dependent on need instead of just once.<sup>2</sup>

The City has revised the Supply of Utility Assistance Program Contract Scope of Work to contain the following provisions for allowable funding requirements:

*"1. Denton Municipal Utility customers who qualify will be eligible for utility assistance for two payments from the Program fund during a twelve-month period. The City of Denton may, in writing, direct the contractor to amend the occurrences of assistance within a given time period based on available budget and community need, provided the exception is clearly specified for a set time period and applies to all applicants*

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<sup>2</sup> The City may allow for additional instances of assistance for applicants by providing Interfaith Ministries with written notification.

*equally. The contractor may, in writing, request the City provide direction to increase occurrences of assistance as described above."*

**7. Develop guidelines and criteria to formally document extreme hardship justification and approval.**

Management Response: Partially Concur

Interfaith Ministries of Denton Comments: IFM is working with the City to see if there is a need for hardship guidelines, since most customers assisted already fall into that category by virtue of their incomes. Once we receive written guidelines from the City, we will incorporate it into our policies. IFM requests that any changes in the guidelines and criteria be communicated in writing by the City.

**Audit Follow-Up Finding: Implemented**

As detailed in Recommendation 6, the extreme hardship exception was evaluated by City staff and determined to be ineffective. The extreme hardship exception verbiage was removed within the Supply of Utility Assistance Program Contract.

## Assistance for Program Employees Need Further Oversight

**8. Coordinate with City staff to develop a review process for Interfaith Ministries' employee applicants of the utility payment assistance program.**

Management Response: Concur

Interfaith Ministries of Denton Comments: This sounds like an excellent idea. It has been suggested by the City that IFM employee assistance requests be reviewed by the Revenue Service Supervisor and IFM is in agreement.

Customer Service Division Comments: Customer Service concurs and will partner with Interfaith Ministries of Denton to implement a means to ensure any pledges awarded to Interfaith employees and/or volunteers who require utility assistance are don so transparently, equitably when compared to other customers, and in full compliance with the program.

**Audit Follow-Up Finding: Implemented**

The City has revised the Supply of Utility Assistance Program Contract Scope of Work to contain the following provisions for Interfaith Ministries employee and volunteer utility payment assistance application requirements:

*“10. Distribution of funds to contractor employees, volunteers and/or their immediate family or household members.*

- a. Contractor employees, volunteers or the immediate family or household members of contractor employees and volunteers are eligible for funding assistance under the requirements of this scope of work.*
- b. Prior to any fund distribution to an employee, volunteer, or immediate family or household member of a contractor employee or volunteer the contractor must present the qualifications of the funding recipient.*
- c. The City will review the qualifications and, if in agreement that the recipient qualifies under the assistance program, will provide consent, in writing, to the assistance funding.”*

In addition, the City's Customer Service Division has developed Standard Operating Procedure No. 7031 – PLUS One Pledge Approval – that documents the process to review the utility payment assistance applications of Interfaith Ministries' employees and volunteers.

Based on review of the Interfaith Ministries Client Log for January 2021 through October 2021, there did not appear to be any instances of Interfaith Ministries employee or volunteer utility pledge assistance awards or applications.

## **Interfaith Has Begun Addressing Suggested Customer Service Improvements**

- 9. Ensure denied applicants are provided updates so they understand the reason for being denied assistance. Denial reasons should also be clearly documented in the Client Log even if they were denied due to non-responsiveness.**

Management Response: Partially Concur

Interfaith Ministries of Denton Comments: Potential applicants are already informed during screening and during referral by the City that failure to respond or provide requested documentation by a specific date will result in denial. However, we will also send an email to them when an email address is available.

### **Audit Follow-Up Finding: Implemented**

The City's Customer Service Division and Interfaith Ministries have coordinated to improve the Interfaith Ministries Monthly Report. The Monthly Report has been updated to include a detailed Client Log with

specific columns to notate client denial reason, denial notification method, and reason client was not notified, if applicable. This includes if Interfaith Ministries was not able to contact the client. These are each independent cells within the log and assists with providing assurance each client's application status is properly managed.

In addition, the City's Customer Service Division has developed Standard Operating Procedure No. 7032 – PLUS One Monthly Reconciliation – that documents the process to track and record the number of residents denied and the reasons for denial. According to Customer Service Division staff, during the monthly reconciliation of the Interfaith Ministries Monthly Report, denials are reviewed to ensure each denied applicant was provided notification or there is a documented reason for lack of notification. Furthermore, the Monthly Report is coded to count the number of denials and staff ensure total denials reconcile to the actual denials documented on the Client Log.

**10. Establish a process to periodically provide customer service training to staff. Attendance and training content should be documented.**

Management Response: Concur

Interfaith Ministries of Denton Comments: IFM resumed this practice on 3/17/21 with complete documentation

**Audit Follow-Up Finding: Implemented**

According to the Interfaith Ministries Executive Director, Interfaith Ministries has been administering customer service training to staff and volunteers on a periodic basis. Based on review of Interfaith Ministries' Customer Service Training Session agendas and sign-in sheets, Interfaith Ministries has provided four training sessions between March 2021 and November 2021. These training sessions have covered topics including customer record documentation and information requirements, customer care, staff communication, customer service survey results, and client call quality assessments.

Additionally, the City's Customer Service Manager has agreed to provide training to Interfaith Ministries on specific City-related programs offered through Interfaith Ministries. As of December 2021, the two entities have not had an opportunity to coordinate a date for this training.

**11. Develop a process to regularly track and monitor client calls for content accuracy and customer service quality.**

Management Response: Concur

Interfaith Ministries of Denton Comments: A review plan was developed 3/22/21. IFM's Director has begun reviewing 4-6 random calls per week for content accuracy and customer service quality.

**Audit Follow-Up Finding: Implemented**

According to the Interfaith Ministries Executive Director, approximately four calls per week are being reviewed for quality control. The calls are randomly selected and can be from any caseworker, even if discussing items with clients that are not related to the utility payment assistance program. The Interfaith Ministries Executive Director documents each call on the Interfaith Ministries Call Monitoring Log and notes the date, client name (if available), phone number, extension, and makes notes if necessary.

Based on review of the Interfaith Ministries Call Monitoring Log for the period March 2021 through November 2021, the Interfaith Ministries Executive Director reviews an average of 19 calls per month for content and customer service quality. Based on available data, there has been one instance related to customer service quality that resulted in the Executive Director speaking to the caseworker. Additionally, there appeared to be at least three instances where the client hung up the phone due to extended hold times. This issue was discussed with staff during an Interfaith Ministries Customer Service Training Session during November 2021.

**12. Begin providing quarterly reports on customer service survey responses to the City as required by contract.**

Management Response: Concur

Interfaith Ministries of Denton Comments: Our customer service survey is optional to customers. We provided 15 months of survey response results to the City Auditor. We would be glad to provide those and any future responses to the City upon clarification as to whom they should be submitted.

**Audit Follow-Up Finding: Implemented**

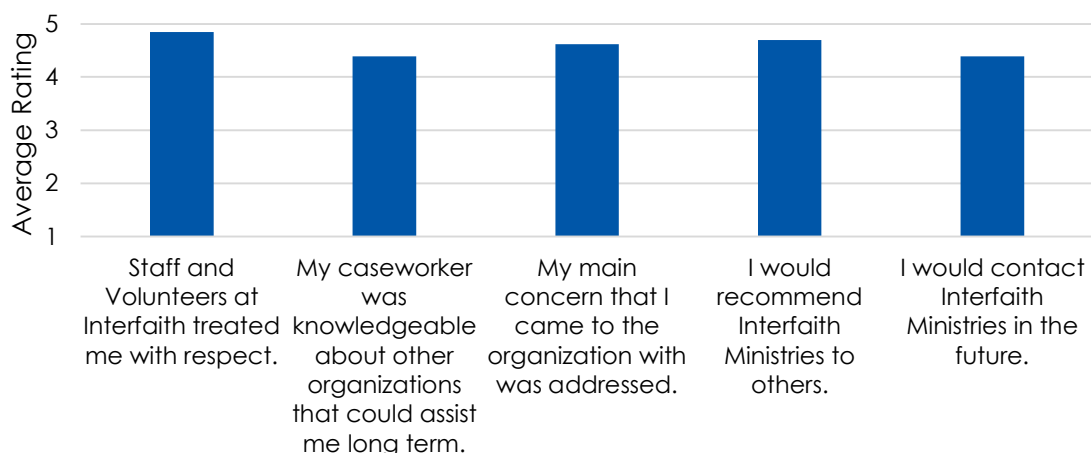
The City has revised the Supply of Utility Assistance Program Contract Scope of Work to contain the following provisions for Interfaith Ministries documentation submission requirements:

*"The contractor must provide customer survey data, on a monthly or quarterly basis, at the time of monthly report submission."*

Additionally, the City's Customer Service Division has developed Standard Operating Procedure No. 7032 – PLUS One Monthly Reconciliation – that documents the information Interfaith Ministries is required to submit to the

City on a monthly basis, including any customer service survey results. Interfaith Ministries submits this documentation through a secure file upload link setup by the Customer Service Division. This link requires submission of monthly survey data, if received. Based on review of obtained documentation, these survey results have been provided to the City accordingly. The survey results for the period July 2021 through September 2021 are summarized in Figure 1 for reference.

**Figure 1: Customer Service Survey Results<sup>3</sup>**



Furthermore, Interfaith Ministries has improved the process to obtain customer service survey responses. Interfaith Ministries has developed a customer service survey email that is sent out to clients at least monthly based on the prior month’s applications and includes a link to the complaint form. According to the Interfaith Ministries Executive Director, if no customer service survey results have been received from clients, the organization will send out follow-up emails to request feedback. Results from these surveys are discussed with Interfaith Ministries personnel during their periodic Customer Service Training Sessions.

**Public Outreach Efforts are Broadly Effective; but Not Coordinated or Data Informed**

- 13. Establish a process to utilize the data included in Interfaith Ministries’ Monthly Reports to enhance program effectiveness by identifying Program promotion opportunities and focusing on households and communities with greater need.**

<sup>3</sup> Customer Service Survey ratings are assessed on a scale of 1 through 5, with 5 being Strongly Agree, and 1 being Strongly Disagree.

Management Response: Concur

Customer Service Division Comments: Customer Service concurs. Staff agrees with the need for greater program promotion, but believes the data from Interfaith would not, in and of itself, provide sufficient guidance on how to target communications toward demographics. Customer Service will meet this recommendation by, on an ongoing basis, utilizing census housing and income information, focusing on distribution of information to other agencies which serve households that fall within assistance thresholds, and using other available resources to drive targeted communication opportunities. Staff will additionally explore any other opportunities for general communications.

**Audit Follow-Up Finding: Implemented**

The City's Customer Service Division and Interfaith Ministries have coordinated to develop a Utility Payment Assistance Program flyer that will be strategically placed within the community to provide greater awareness of the program and assist households in need. This flyer is front and back and provides program details in English and Spanish.

## Expanding Program Reconciliation Procedures Would Provide Further Assurance

- 14. Obtain Interfaith Ministries' PLUS One bank statement monthly to provide further assurance that that assistance funds spent appropriately. Bank statements should be used to enhance current reconciliation procedures, which should be updated appropriately.**

Management Response: Concur

Customer Service Division Comments: Customer Service concurs with the value of statement review and will work with Interfaith Ministries to obtain the documents monthly.

**Audit Follow-Up Finding: Implemented**

The City has revised the Supply of Utility Assistance Program Contract Scope of Work to contain the following provisions for Interfaith Ministries reporting requirements:

*"Contractor must provide monthly of activity from the Trust Fund in the form of the bank statement for the account."*

Additionally, the City's Customer Service Division has developed Standard Operating Procedure No. 7032 – PLUS One Monthly Reconciliation – that documents the required information Interfaith Ministries is required to submit to the City, including the Monthly Report

and bank statements. These procedures also detail the process to complete the monthly reconciliation utilizing the Monthly Report and bank statement. Interfaith Ministries submits this documentation through a secure file upload link setup by the Customer Service Division. This link requires submission of the Monthly Report and bank statement concurrently.

The Monthly Report is coded to automatically reconcile balances within the report based on formulas within each tab of the spreadsheet set-up by the Customer Service Division. Interfaith Ministries reconciles the Monthly Report to the monthly bank statement, and the Customer Service Division also performs a reconciliation once the documentation is received.

Based on review of the Interfaith Ministries Monthly Reports and bank statements for the period April 2021 through October 2021, all balances reconciled, and all utility pledge award payments were appropriately documented on both the Monthly Reports and bank statements.