



# BVCAA Grant Audit

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## Indigent Health Care

2014-2015

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7/31/2015

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Attachment: Management Response and Corrective Action Plan

## **Executive Summary**

The Chambers County Auditor's department has completed an audit of the Chambers County Indigent Health Care Brazos Valley Community Action Agency, Inc (BVCAA) Grant. The audit was conducted for the contract periods of January 1, 2014 through December 31, 2014 and January 1, 2015 through December 31, 2015.

We conducted this performance and compliance audit to assess and evaluate the Indigent Health Department's procedures for administering the BVCAA grant and implementation of all grant requirements.

Specific audit objectives were to:

1. Assess and evaluate the procedures in administering the grant.
2. Determine if the grant requirements are being met according to what is set out in the contract.
3. Identify any discrepancies in how the funds are distributed.
4. Determine if grantee activity is monitored periodically throughout the grant program duration.

The Indigent Health Care department staff is responsible for maintaining grant records as well as tracking and reporting grant expenditure information to Brazos Valley Community Action Agency, Inc.

## **Background**

The Brazos Valley Community Action Agency Grant allows local Chambers County qualified residents the opportunity to receive assistance for immediate financial burdens they may be facing. It is the desire of the Chambers County Commissioner's Court to provide for, on an emergency basis, the provision of such supplies and services having a measurable and potentially major impact on poverty in the county or those areas of the county where poverty is a particularly acute problem.

The grant funds are used for utilities, travel, food, housing, prescriptions and certain medical assistance with permission given by the BVCAA.

The amount awarded to each client seeking assistance depends on what type of aid they need. However, eligible recipients are only those whose income is equal to or less than 125% of Federal Poverty Income Guidelines. These amounts vary depending on the number of residents in the household.

In 2014 Chambers County was awarded \$25,000.00 in grant funds which was to be spent by December 31, 2014. An additional \$15,000.00 was awarded on March 16, 2015, amending the original 2014 contract. This additional amount was to be expended by March 31, 2015.

In 2015 Chambers County entered into the same agreement with BVCAA and was awarded \$25,000.00.

Every recipient who is given funds is to provide documentation proving they are a Chambers County resident (i.e., a bill with their name on it with a Chambers County address), a form of identification, and proof of income, if they have any. However, if the applicant does not have any income, they are to fill out a Declaration of Income. All of this documentation should be found in the client's file.

The amount awarded to each client is currently at the sole discretion of the Indigent Health Department's staff. The amount awarded is dependent upon how desperate the need. The larger the family size, the larger the amount awarded.

Once all funds are exhausted, the grant is complete.

"Grantee" is used in reference to the Indigent Health Care Department.

### **Audit Scope and Procedures**

The audit performed was designed to evaluate and test compliance with requirements set out in the contract. We interviewed staff and completed field work on both 2014 and 2015 grants.

The following procedures were used to complete our examination:

- To determine whether awarded grants followed BVCAA's grant application process with respect to approval of the grant and adherence to BVCAA's requirements.
  - That all contracts were signed by BVCAA and the grantee
  - That the grantee was compliant with reporting requirements
- Review each client file for the 2014 and 2015 contracts
  - To verify all proper documentation was included in each client file
- To determine the effectiveness of overall grantee monitoring with respect to identification of potential inappropriate use of grant funds.
  - Costs incurred are allowable under BVCAA's grant contract
  - Budget transfers were correctly filed and approved
  - Good faith efforts were used when awarding monies to each client
- Review claims for completeness and accuracy of reimbursements
  - Expenses were within contract amounts
  - Proper approval signature on vouchers
  - NetData Transaction Ledger reconciled to supporting documentation provided by the grantee

## **Observations and Findings with Related Recommendations**

During the audit, the following observations were noted:

1. **Reporting:** The contract states that Monthly Performance Reports are to be filed “no later than the tenth (10<sup>th</sup>) day of the month after the end of each month of the contract period.” The contract also states that a Financial Status Report and Final Performance Report be filed “no later than thirty (30) days after the termination of the contract”.
  - a. Findings:
    - i. 2014: The only reports filed for 2014 were Monthly Financial Reports for March and December with a corresponding Demographics Tally Sheet attached. However, the March report was not filed timely. No Final reports were filed after the end of the contract.
    - ii. 2015: The only report filed for 2015 was a Monthly Financial Report showing how much was spent during the months of March and April. There was a corresponding Demographics Tally Sheet attached with it. This report also was not filed timely. Each month should have its own report. There have been no Final reports filed because the contract period is not over.
  - b. Recommendations: The grantee should file required reports with BVCAA in accordance to the contract. We recommend that the Monthly Financial Reports that were created be more detailed and show the amount of funds spent on each category of approved expenditures (i.e., utilities, food, prescriptions, etc.). We also recommend attaching documentation of each expenditure or a print out from NetData of the Transaction Ledger.
2. **Documentation:** Each client file should have a photocopy of the client’s ID (or some other form of identification), proof of residency (a bill with their address and name on it), and source of income. If there is no source of income, a Declaration of Income form will need to be completed and signed. The source of income needs to be current. Each client file should also state the number of dependents in the household.
  - a. Findings:
    - i. For both contract periods, there were multiple client files that were either missing ID or proper proof of residency. Some client files that stated they had income, had written letters from their “employer.” Also, some had bills that there were in someone else’s name for their proof of residency. This does not prove that the client seeking assistance resides within Chambers County. Providing proof of household members varied from file to file. Some provided Social Security cards while others did not. The grantee is non-compliant when picking which income amount to use. We have found some client files where the Net pay amount was used because the Gross pay amount would have put the client over the monthly earning threshold which would deny their request for assistance.
  - b. Recommendations:

- i. Proof of Residency: We recommend accepting only utility bills in the client's name and address who is filing for assistance. If the client lives in a household where the other party has all the bills in their name, then the other household member should file. Paying a bill in someone else's name, other than the one filing for assistance is not acceptable and should not be allowed.
  - ii. Income: Only allow paystubs or letters from credible sources for proof of income (i.e., Social Security benefits letter, VA benefits letter, letter from employer with company letterhead, etc.). The grantee should use the Gross Pay amount when calculating monthly earnings. Also, if the client reports "they have no documented proof of income due to the following," the grantee should require client to expand upon the explanation to include all household member's employment status, obtain current and prior employer information when applicable, and request if client or household members have filed for, are receiving, etc. unemployment benefits.
  - iii. Household Size: The amount awarded varies based on this number and the more members, the greater the amount awarded. If a client states they have 3 household members, they should provide evidence of all members living in that household. If they do not, they should only be awarded an amount consistent with 1 household member. The grantee is inconsistent when asking for proof of other household members, and any other household income. Additionally, no line should be left blank, i.e. if there is no additional household income, the client should indicate that by writing "none."
3. **Award Procedures:** The grantee should follow established written guidelines when determining the amount of assistance to award each client.
  - a. Findings:
    - i. There is no established written schedule or limit used to determine the amount awarded to each client for food based on their household size. It is at the sole discretion of the grantee for the amount awarded. Some may receive more than others, even if the household size is the same. We found that specific clients of the grantee have been awarded more than the average client on food vouchers.
  - b. Recommendations:
    - i. The grantee should establish a written schedule to remain consistent with the amounts awarded. It is understood that utility bills, rent, etc. will vary from client to client but the one thing that can remain consistent is the amount awarded for food per member. Doing so will create consistency and fairness for all clients being served, while allowing to serve more clients.

4. **Auditing:** We found no evidence that this grant has ever been reviewed and/or audited for compliance and financial purposes. According to the contract, the grantee should “provide BVCAA with a copy of a completed audit”.
  - a. Findings:
    - i. We found that the grantee has been awarded this type of contract for over 20 years. According to the grantee, this grant has never been audited for compliance or performance purposes.
  - b. Recommendations:
    - i. An audit should be performed each year for compliance and performance purposes and a completed audit be sent to the BVCAA for their review. Requiring that each contract be audited confirms that the grantee is following the requirements set out in the contract, and also informs the County if any non-compliances exists.
5. **Extraordinary expenses:** As stated in the contract, the grantee should receive written approval from BVCAA for purchase of any personal property with a cost of \$5,000.00 or more.
  - a. Findings:
    - i. We found an expense of \$5,730.00 for dental work for one client. We were informed it was for the client to receive new dentures and this was approved verbally over the phone by BVCAA.
  - b. Recommendations:
    - i. Even though the grantee was told verbally that this expense was allowed, written approval should be obtained. We recommend that any extraordinary expense, whether considered “personal property” or other, have written approval by BVCAA and Chambers County Commissioners’ Court. This provides for additional refund prevention for the County in the event BVCAA decides that verbally approved expenditures of this nature do not qualify.
6. **Fraud, Waste, Abuse:**
  - a. Findings:
    - i. We found multiple receipts that suggest that some clients are abusing the assistance, such as: receipts that include multiple t-bone steaks, ribeye steaks, and chips, excessive candy purchases, fresh shrimp, Blue Bell ice cream, beef briskets, etc. Also, some utility bill reimbursements are inconsistent, excessive, include late fees, and suggest wasteful use of assistance.
    - ii. We found multiple receipts that suggest that some clients are being wasteful with the assistance such as excessive candy, deserts, etc. Also we found multiple receipts that suggest that quality generic brand products may have been available but name brand products were purchased.
    - iii. Findings referenced throughout this report warrant further investigation to determine if any client misrepresentation has occurred. The

Chambers County Auditor's Office will contact clients as required to obtain information needed to verify client eligibility.

- b. Recommendations:
  - i. Grantee should establish more specific guidelines for prohibited purchases and communicate such to the vendors.
  - ii. Grantee should more closely monitor purchases to assure funds are being used prudently in order to serve as many potential clients as possible.

**7. Other Recommendations:**

- a. Currently no specific client files exist. The "client files" are each claim for the client. There is no filing system or organization to the files. We recommend an organized filing system to keep track of each client and their paperwork. This will help in locating particular clients and any requested information.
- b. Reviewing the claims, the majority of applicants were from mid-county. This grant is for all areas of Chambers County and we feel as though this grant is not helping those in need in other areas of the county. We recommend communication of some sort, informing other residents outside of Anahuac of this assistance.
- c. The Authorization for Payment form needs to be updated. It is currently naming a previous County Treasurer and some of the fields of information are not being used because they are irrelevant to this grant.
- d. All paperwork contained in the client files needs to be completed. We found many cases of incomplete paperwork. If the paperwork is required, it should be completed, so that information is available for eligibility verification.

In conclusion, we thank the grantee for their assistance and cooperation with this audit. A copy of the report was provided to the grantee on August 14, 2015 for review, and requested written response. Any such response is included with this report. If there are any questions related to this report please direct them in writing to the Chambers County Auditor's Office.



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August 18, 2015

Re: Response to BVCAA Grant Audit

In response to the observations and findings listed in the 2014 and 2015 BVCAA Grant Audit.

1. Reporting:

Because of the mass case load that we have when we begin to help people with grant money, we had a verbal approval from BVCAA for an extension for the monthly report. Some monthly reports were not made because sometimes we move cases around and were not necessarily intended to come out of that particular grant. Therefore, when we make the monthly report, cases from different months may appear. We have not filed a final report because our contract has not been terminated. It was recommended that our monthly financial reports be more detailed, but the reports that we give is exactly what the BVCAA grant ask from us. We have more detailed reports in our office that show how much money has been spent for each person and each category. We have documentation for each expenditure that is paid out, but do not attach them to each individual case because we feel that it is extra paperwork and we are trying to go paperless as possible. We have the documentation filed with our monthly claims that have been turned in for payment.

2. Documentation:

Of the cases with findings – listed below are the responses  
ID – 12 cases (9 cases had either Birth Certificates, Social Security Cards, or other form of ID already attached; 2 cases we attached ID to, and 1 case had the ID attached to the original file.)

Residence - 29 cases (7 cases had letters from their landlord and/or friend stating where they live, 16 cases had light/water bills in other people's names. Sometimes the bills are in other people names because the client doesn't have the money for deposits to get the bill transferred into their own name. 4 cases signed a Declaration of Residency form, 1 light bill was attached, and 1 case did have different addresses.)

Income – 7 cases (3 cases works odd jobs and signed a Declaration of Income Statement, 2 cases have already been taken out of the program, 1 had a letter from the employer, and 1 had income attached to the original case, but didn't get copied.)

Incomplete file – 1 case (already taken out of program)

Over income limit – 2 cases (these two cases were intended for other program and will be taken out.)

Sometimes when we copy cases for the different programs, the copy machine will pick up too many pages at once and may not copy each page.

3. Award Procedures:

The Indigent Health Care Office generally try and follow the same guidelines for each household for food. Sometimes it could vary depending on the amount of money we have or based on the known need for someone that is diabetic or pregnant. Out of about 175 cases for 2014 and 2015, there were 5 to 6 cases that had more or less than the average award amount for food.

4. Auditing:

We are required to submit each client file and documentation to BVCAA for auditing purposes with our monthly reports.

5. Extraordinary Expenses:

In the middle of March, 2015, BVCAA contacted me and asked if we could spend \$15,000 before the end of the month. They had additional money from 2014 that needed to be spent. I asked them if we could do the dentures for one of the clients that would be over \$5,000 and Cynthia gave me a verbal approval over the phone.

6. Fraud, Waste, Abuse:

We agree that certain food items are extravagant and excessive and could be taken as abuse, but BVCAA has not specified the food items that are not eligible for purchase. Each grocery store has a variety of cashiers and it would be difficult to inform each one of the "items" not eligible. How do we decide what is eligible? We are open for recommendations on how to control this issue. (Maybe possible disqualification for the next funding period?) The BVCAA program helps with whatever is needed to get the client out of the immediate emergency.

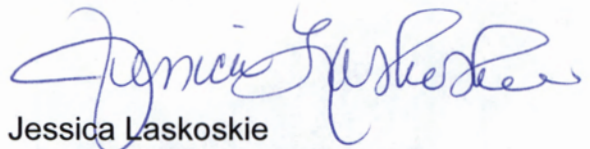
7. Other recommendations:

a. We file our grant program cases in a labeled penda flex folder by each year per grant. At one time, we did file each case in a folder by itself per client, but have found that the way we do it now is more easily accessible for our department and for various other reasons works best for us.

- b. We have never posted the particular day that we are going to start helping people with the grant. When one person walks in and we help, the word spreads quickly. So many people feel entitled to the funds and therefore bombard our office to the point we have had to have the law come for crowd control. The money is a first come first serve basis, however we do try and help people from all areas of the county.
- c. We will update the Authorization for Payment.
- d. All paperwork that BVCAA needs is completed correctly. We have a short application that we use for office purposes that does not necessarily have to have every single space completed.

Most of the findings from the audit could have been easily cleared up prior to the issue of becoming a "finding" had the internal audit been done in our office. Instead, our client files were taken from our office and kept off site for at least 2 weeks. I feel I am at a disadvantage for two reasons; One; I was only given two days to give a response to the audit findings before being presented to the immediate upcoming commissioners court and secondly, most of the findings would have actually been cleared up and should not be reported as such.

Respectfully,



Jessica Laskoskie  
Indigent Health Care Director

## Jessica Laskoskie

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**From:** Bryan Jones <bdjones@bvcaa.org>  
**Sent:** Tuesday, August 18, 2015 11:11 AM  
**To:** Jessica Laskoskie  
**Cc:** Cynthia Solis  
**Subject:** CSBG Funds 2015

Jessica,

In reference to your direct service question, yes dentures are an allowable program expense with CSBG funds. That being said, as long as the applicant has been deemed income eligible for the program any service provided to client is eligible except mortgage payments. Any dollar amount or the numbers of times you assist the client will at your agency's discretion. If you have any other questions please call me I'll be glad to assist you.

--

Bryan D. Jones  
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