

INTERNAL AUDIT REPORT

CITY OF MANCHESTER

NEW HAMPSHIRE



**Audit Follow-up of the
Welfare Department Audit for the Period Ended
16 Months Ended October 31, 2001**

**Prepared by
City of Manchester, NH – Finance Department
Internal Audit Division**

**INTERNAL AUDIT REPORT
CITY OF MANCHESTER, NEW HAMPSHIRE
WELFARE DEPARTMENT FOLLOW-UP AUDIT
16 MONTHS ENDED OCTOBER 31, 2001
TABLE OF CONTENTS**

PAGE

INTRODUCTION	1
OBSERVATION STATUS OVERVIEW	3
INTERNAL AUDIT REPORT OF PRIOR AUDIT OBSERVATIONS	5
APPENDIX A: PRIOR YEAR OBSERVATIONS AND CURRENT STATUS	6

INTRODUCTION

Governmental Audit Standards require that an audit organization have a quality control and assurance system in place to be in compliance with the standards. As part of quality assurance the audit organization should provide continuing attention to significant findings and recommendations to ensure that the benefits of the audit work are realized. The City of Manchester Internal Audit Office (IA) conducts follow-up audits of any audit reports that contain significant audit findings.

In April of 2002 IA presented to the Committee on Accounts, Enrollment and Revenue Administration (COA) an audit report on the Welfare Department for the 16 Months Ended 10/31/01. The audit report contained 14 observations and at the time of the audit expenditures at the Department had greatly exceeded the original appropriation.

Organization

The State of New Hampshire Revised Statutes Annotated (RSA) Chapter 165:1 states “Whenever a person in any town is poor and unable to support himself, he shall be relieved and maintained by the overseers of public welfare of such town, whether or not he has a residence there.” By city charter the responsibility to administer and direct public welfare programs has been assigned to the Welfare Department. The Welfare Department is under the executive direction of an elected Commissioner of Welfare. The Welfare Commissioner is elected in the municipal general election by nonpartisan ballot to a two-year term.

Responsibilities

The Department of Welfare is responsible to administer and direct public welfare programs, including emergency and continuing assistance programs and shall perform such other duties as are prescribed by federal and state law.

By State law (RSA 41:46) the overseers of public welfare shall:

- Keep full and accurate records of the assisted persons fully supported, persons relieved and partially supported, and the travelers and vagrants lodged at their expense together with amounts paid by them for such support and relief.
- Act on behalf of the Commissioner of the State of New Hampshire Department of Health and Human Services when requested in the administration of old age assistance, aid to families with dependent children, and aid to the permanently and totally disabled.
- Assist applicants of the programs listed above with completing the applications, verifying statements on applications and recertifying recipients as required by law.
- Adopt and maintain written guidelines relative to general assistance.

Funding

The City Welfare Department is funded entirely from appropriations in the City's General Fund. The cost of direct aid to welfare recipients is partially reimbursed from clients, the State of New Hampshire and other towns whenever possible. Reimbursements for the years ended June 30, 2001, June 30, 2002 and ended June 30, 2003 were \$49,345, \$91,665 and \$107,019 respectively. Expenditures of the Department for the years ended June 30, 2001, June 30, 2002 and ended June 30, 2003 were \$1,401,741, \$2,146,723 and \$1,352,285 respectively.

In addition to the Internal Audit, members of the City Clerks Office and the Finance Department were also brought in and issued a report of their findings on December 11, 2001. This review while less in scope than an audit revealed 8 findings. These findings became part of the audit findings of the audit report.

Audit Objectives and Scope

The primary objective of the this audit was to determine the current status of the fourteen audit observations noted in the prior audit report of the Welfare Department for the sixteen months ended October 31, 2001.

OBSERVATION STATUS OVERVIEW

IA conducted its audit of the status of prior year observation by first interviewing management to determine their understanding of the current status of the observation status. IA then updated internal control documentation over the areas affected by the audit observations and designed tests of controls of the areas of concern. IA then selected a random sample of cash receipts and client files to test for compliance with the control points noted.

Of the 14 observations noted in the previous report 12 are considered to be completely resolved, 1 is considered to be substantially resolved and one is unresolved as noted in the following chart:

#	OBSERVATION TITLE	STATUS
1	UNRECORDED CASH COLLECTIONS AND EXPENDITURES	RESOLVED
2	CONTROLS OVER CASH RECEIPTS	RESOLVED
3	PROCEDURES OVER CLIENT FRAUD DETECTION	RESOLVED
4	COMMISSIONER'S LEAVE ACCRUAL	UNRESOLVED
5	TIMELY DETERMINATION OF STATE AID	RESOLVED
6	RECOVERY OF AID FROM WORKING CLIENTS	RESOLVED
7	REQUIRED WORK SEARCH AND WORK PROGRAM	RESOLVED
8	RECOVERY FROM OTHER TOWNS	RESOLVED
9	SANCTIONS DUE TO VIOLATION OF REQUIREMENTS	RESOLVED
10	REQUIRED AID FROM FAMILY MEMBERS	RESOLVED
11	CITY WELFARE GUIDELINES	RESOLVED
12	MANAGEMENT OVERSIGHT AND CONTROL	RESOLVED
13	COMPUTERIZED CASE MANAGEMENT SYSTEM	SUBSTANTIALLY RESOLVED
14	HELD PRESCRIPTION VOUCHERS	RESOLVED

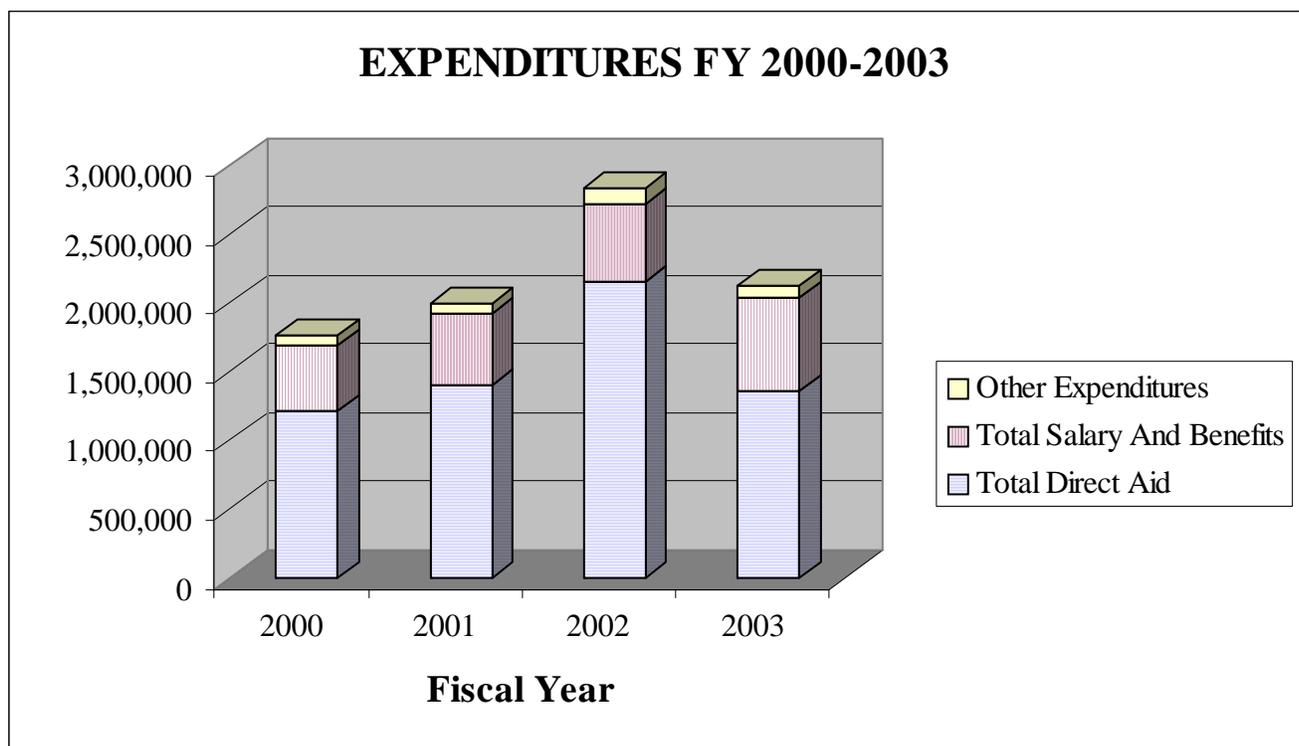
The observations, recommendations, auditee responses and current status can be found in Appendix A of this report.

The prior audit was triggered by an alarming jump in direct client aid in the first three months of FY 2002. The increase was due to an increase in the caseload combined with the Department not enforcing eligibility rules or aggressively pursuing fraud by applicants. Since the audit a change in management has occurred and even though the amount of applicants has not decreased substantially, the amount of direct monetary aid has decreased significantly and reimbursements from clients have increased. The chart on the following page shows the change in revenues and expenditures over the prior four years.

Welfare Department Revenues and Expenditures FY 2000 through FY 2003

Description	2000	2001	2002	2003
Total Revenue	\$ 35,099	\$ 49,345	\$ 91,866	\$ 107,019
Direct Aid	\$ 660,790	\$ 812,994	\$ 1,462,010	\$ 586,328
Salary and Benefits	\$ 480,594	\$ 514,230	\$ 567,671	\$ 681,623
Other Expenditures	\$ 70,994	\$ 74,517	\$ 117,042	\$ 84,333
Total Expenditures	\$ 1,212,378	\$ 1,401,741	\$ 2,146,723	\$ 1,352,285

The total caseload has been reduced slightly from 8,687 cases in FY 2001 to 7,425 cases in FY 2003 (2002 caseload statistics are incomplete). Of greater significance is that the total number of cases referred to other agencies has increased from 1,649 in FY 2001 to 2,794 in FY 2003. While the caseworkers see slightly less clients than in prior years they have indicated that they now spend more time with each client verifying information, counseling and seeking alternatives to using City funds. In prior years vouchers for rent, hotels and food were issued to a large percent of clients where currently many clients are referred to shelters and food pantries to meet immediate needs.



Internal Auditor's Report on the Status of Prior Audit Observations

To The Committee on Accounts, Enrollment & Revenue Administration:

Internal Audit (IA) having previously audited the Statements Of Revenues And Expenditures – Budget And Actual – General Fund of the City of Manchester NH Welfare Department for the year ended June 30, 2001 and the 4 months ended October 31, 2001, and has issued its report thereon dated January 31, 2002, which contained fourteen (14) audit observations and recommendations. In order to be in compliance with *Government Auditing Standards*, IA conducted a review of the current status of the prior observations as of June 30, 2003.

In IA's opinion the Welfare Department has implemented and is in full compliance or substantially full compliance with 13 out the 14 observations noted in our prior audit of the Statements Of Revenues And Expenditures – Budget And Actual – General Fund of the City of Manchester NH Welfare Department for the year ended June 30, 2001 and the 4 months ended October 31, 2001 dated January 31, 2002.

This auditor's report on compliance with prior observations is intended solely for the information and use of the management of the Welfare Department and the Board of Mayor and Aldermen through the Committee on Accounts, Enrollment, & Revenue Administration and is not intended to be and should not be used by anyone other than these specified parties.

Kevin M Buckley, CPA
Internal Audit Manager

September 5, 2003

Appendix A

Prior Observations and their Current Status

Internal Control Comments

Material Weakness

Observation No. 1 - Unrecorded Cash Collections and Expenditures

Observation

The Department collects cash from clients who have been referred to the Manchester Emergency Housing shelter (MEH) and have enough income to contribute to their housing.

- The Department did not have any legal authority to collect and hold these funds. Board of Mayor and Aldermen (BMA) approval is necessary for this type of activity.
- There is some question as to whether or not these monies are a trust fund or a reimbursement to the Department for housing clients at MEH, as any unused fund are deposited into the reimbursement account. If it is determined that these funds were actually a reimbursement, the Department failed to deposit them to the revenue account and has made “off book” expenditures. This, in essence, circumvents controls over appropriations and increases the spending authority without BMA approval.
- RSA 165:1 (III) states “whenever a town provides assistance under this section, no such assistance shall be provided directly to a person or household in the form of cash payments”. If this account is a reimbursement and not a trust fund the Department may have violated RSA 165:1 (III) by providing cash to clients.
- The Department violated the City revenue policy that requires daily deposits of receipts unless the amounts are less than \$100.
- These funds were not recorded thereby understating cash, revenues and expenditures in the City’s financial statements.
- Because no complete records of these transactions are kept it cannot be determined how much money passed through the account. The amount of cash being held at December 4, 2001 totaled \$8,081.

Recommendation:

- The status of this account should be determined and appropriate BMA action taken. If the Department intends to keep these funds as a trust fund BMA approval should be sought.
- All cash should be deposited into a bank account immediately.
- All transactions at the Department should be recorded in the accounting records.
- If these are considered to be reimbursements the funds should be deposited in the Department's reimbursement revenue account immediately and any further expenditures recorded in the City financial system.

CURRENT STATUS:

The Department no longer holds these funds. All cash received at the Department is deposited daily into the City's bank account.

This observation is determined to be resolved.

Other Reportable Conditions

Observation No. 2 – Controls over Cash Receipts

Observation:

An incompatible duty is one that would put an individual in the position to both commit an error or irregularity and then conceal it. In practice, three types of functions are commonly considered to be mutually incompatible: authorization, record keeping and custody. Ideally no individual should be able to 1) authorize a transaction, 2) record the transaction in the accounting records and 3) maintain custody of the assets resulting from the transaction. From the review of procedures over the cash receipts procedures at the Department we have noted the following weaknesses in the internal control system that does not reduce to a relatively low level the risk that an error or irregularity can be committed and not discovered in the course of an employee's regular duties in a timely manner.

- The Account Specialist II at the Department collects all cash receipts, prepares the deposit, and posts the revenue to the HTE system. It does not appear that anyone performs a check to ensure that all funds collected are remitted to the bank.

The City revenue policy states that receipts should be deposited daily unless the amount collected is less than \$100. The revenue policy also states that all checks should immediately be restrictively endorsed. The following weaknesses were noted from the review of revenue collection procedures.

- Any number of people in the Department may initially receive cash collections. Clients will pay reimbursement in cash directly to the caseworker. In addition, caseworkers also receive reimbursement checks directly from lawyers and the State of New Hampshire Department of Health and Human Services. By allowing the caseworkers to handle the collection of cash it increases the risk that the cash receipts may get misplaced prior to recording by the Account Specialist II.
- In some cases the checks are received directly by the Account Specialist II who will pass them on unrecorded to the caseworker. The caseworkers will then hold on to receipts, sometimes for several days, before giving them back to the Account Specialist II. This is in violation of the City revenue policy. In addition, when the Account Specialist II passes a check on to the caseworker it is not restrictively endorsed in violation of City revenue policy.
- It is the Department's policy that cash and checks are held at the Department until Thursday when the deposit is made. This is in violation of the City revenue policy.

Recommendation:

- The duties of collecting cash receipts, preparing the deposit, making the deposit and recording the transaction should be segregated in such a way as to minimize the risk that receipts could be misappropriated.
- Caseworkers should not be allowed to make cash collections. One central location for the collection of cash receipts should be used and a daily log of collections maintained. Copies of checks and pre-numbered cash receipts could then be sent to the caseworker for inclusion into the case files. The caseworkers should not be holding cash or checks.
- The person making the cash collections should restrictively endorse all checks immediately upon receipt or opening the mail.
- The Department should follow the City revenue policy and deposit cash and checks daily unless the amount is less than \$100.

Auditee Response:

The above recommendations have been implemented. All monies are brought to the Administrative Services Manager. The Administrative Services Manager completes a Cash Receipt to record the transaction, distributes the copies of the Cash Receipt, and turns the monies over to the Accounting Specialist for depositing.

CURRENT STATUS:

All funds were deposited into the reimbursement account. The department no longer holds funds on behalf of clients. New procedures require checks to be immediately stamped “for deposit only” and deposited daily.

This observation is determined to be resolved.

Observation No. 3 - Procedures over Client Fraud Detection

Observation:

From the sample of 60 case files reviewed it was noted that several files had evidence of misrepresentation by clients on their applications. Most of these were minor omissions of information but in two cases what appears to be client fraud is evident.

In neither case was the client suspended or restitution for assistance given under false pretenses sought.

Recommendation:

The Department should establish formal fraud deterrence and detection programs and have a formal written fraud reporting policy included in its Welfare Guidelines. This policy should clearly be communicated to the client.

The attributes of an effective fraud reporting policy include:

- the policy is in writing
- the policy describes fraudulent activities and the actions required when fraud is suspected or detected
- the policy is communicated to all employees and
- management obtains assurance from each employee that the policy and related reporting mechanism is understood.

The Department should vigorously investigate all cases of suspected fraud. When fraud is proven, all assistance should be suspended and prosecution sought. The Department should seek restitution for any assistance given under fraudulent circumstances.

Auditee Response:

The Commissioner has already given the Manchester Police Department a case involving fraud. The Commissioner is asking for an additional caseworker, so that a complete review of existing cases can be accomplished. This will ensure only qualified individuals are receiving assistance and those abusing the system will be prosecuted.

CURRENT STATUS:

A new policy manual has been written and has a section on the caseworker's responsibility for detecting and reporting fraud. New procedures have been put in place and existing procedures that had not been enforced are now a regular part of the intake process. Testing revealed no cases of uninvestigated fraudulent activities. This observation is determined to be resolved.

Compliance Comments

Observation No. 4 – Commissioner’s Leave Accrual

Observation:

Per the City Code of Ordinances Chapter 33.022 (A) “the provisions of 33.020 through 33.082 of this chapter shall not apply to elected officials...” These sections deal with the position classification and compensation plans and among other things dictates the classification, compensation and leave time of City employees. The Commissioner is an elected City official and, as such, is specifically exempt from these requirements. This would appear to exempt the Commissioner from submitting time sheets and leave slips, receiving evaluations or accruing leave. The HTE system tracks the time of the Commissioner as if the position followed the requirements of Chapter 33. This overstated the year-end vacation accrual balance by \$4,620 in the City’s FY 2001 CAFR. It was noted that other elected City officials do not have leave accruals in the system. The accrued balance of the former Commissioner that was paid out upon leaving office amounted to approximately \$5,000. Per the current ordinances this may not have been an entitlement of the position. In addition, since February the former Commissioner had not been recording any leave time taken even though she rarely reported to the office. Because the former Commissioner was not required to submit timesheets it is impossible to determine if she was working at night, working from home, or on leave that is not being reported.

Recommendation:

The City should seek a legal opinion on the status of the Commissioner’s position and the City Ordinances or charter should be changed to clarify the treatment of the position. If the position is subject to accrual of leave time it should also be subject to accounting for its time through the submission of time and leave sheets.

Auditee Response, Welfare:

Welfare Commissioner Martineau will get clarification from the City Solicitor.

Auditee Response, Human Resources:

No Response

Auditee Response, City Solicitor:

No Response

CURRENT STATUS:

The Commissioner still accrues sick and vacation time in the payroll system. This appears to be in violation of the City Code of Ordinances Chapter 33.022 (A). The City Solicitor should clarify the status of elected officials as far as leave time is concerned. If elected officials are to be charged with leave time and are able to cash out unused leave it should be clarified in the City Ordinances.

This observation remains unresolved and may require action by the BMA in order to clarify the ordinance.

Observation No. 5 – Timely Determination of State Aid

Observation:

RSA 165:20-c states “If any person receiving general assistance from a town or city under the provisions of this chapter is deemed to be eligible for assistance under the provisions of RSA 167, the Commissioner of Health and Human Services shall reimburse such town or city the amount of assistance provided by the town or city as a result of the Commissioner of Health and Human Service’s delays in processing within the federally mandated time periods”. Reimbursement is done annually and the statute limits the total reimbursement statewide to \$100,000 per year.

The Department does not track the delay in processing State welfare applications and consequently does not apply for reimbursement from the State. It was noted during the testing of sixty case files that occasionally delays do occur that could warrant reimbursement from the State.

Recommendation:

The Department should look into the feasibility of tracking the time it takes the State to process applications for aid. This would be difficult at the present time, as the Department does not have a case management system in place (see Observation No. 13) that would aid in the tracking of application processing. In addition the mandated \$100,000 cap may make the effort not cost effective. If the Department determines that the effort is cost effective, they should incorporate a means of tracking and compiling the information into a case management system.

Auditee Response:

Our office tried to utilize the NH MAPS (Municipal Assistance Program) software however, the system did not accommodate our needs. The software could not handle the volume this office deals with on a daily basis. Too many changes would have been required and certain statistics we keep could not be implemented in using the MAPS software.

CURRENT STATUS:

The caseworkers are now responsible for tracking this information. Policies and Procedures are in place to ensure compliance.

This observation is determined to be resolved.

Observation No. 6 - Recovery of Aid from Working Clients

Observation:

RSA 165:20-b states “Any town or city furnishing assistance to any person who is returned to an income status after receiving the assistance which enables him to reimburse the town or city without financial hardship may recover from such person the amount of assistance provided”.

Recovery from a client is not always possible. The client must be sufficiently recovered that the reimbursement will not cause an undo financial burden. Out of the sixty client files tested the majority either had not gone back to an income status or the income status appeared to be barely enough to meet basic needs. It was noted however that 5 out of the 60 files selected might have been able to pay back their obligation to the City. These cases typically involved clients who were out of work for a short period of time and later found adequate employment. The amount of aid given was a relatively small amount and it did not appear to be unreasonable to require reimbursement. It should be noted that every applicant signs a statement agreeing to repay the City if they become able.

Recommendation:

The Department should set up specific guidelines for when to seek reimbursement from a client. A follow up letter could be sent after the client has a few weeks of employment reminding them of their obligation.

Auditee Response:

The recommendation is seriously noted, and as Commissioner, I will pursue every means to ensure repayment by clients.

CURRENT STATUS:

The Application for Assistance has been amended to cite RSA 165, which covers reimbursements to the City, by clients. The Department has sent reminder letters to clients prior to the 2002 federal income tax refunds being issued reminding them of their obligation. As part of the new investigative process the Department contacts relatives to determine the ability to help in support of clients. Reimbursements have increased over 116% from \$49,345 in FY 2001 to \$107,019 in FY 2003. A review of FY 2003 files revealed no instances where reimbursement was not considered.

This observation is determined to be resolved.

Observation No. 7 - Required Work Search and Work Program

Observation:

RSA 165:31 allows the overseer of public welfare to “require any person who is receiving support under this chapter and who is physically able to work, to participate in the municipality’s work program as a condition of continued eligibility for assistance”. This is also listed as one of the applicant’s responsibilities in the Manchester City Welfare Guidelines.

Of the 60 files reviewed 20 clients appeared physically able to participate in a work program but were not required to participate. There was no evidence in 5 of the 20 clients who appeared to physically be able to work that they were required to conduct a job search or went out on any job searches.

Recommendation:

The Department should institute the work program again and require all able-bodied clients who are not working or actively seeking employment to participate. The Department should also require that all able-bodied persons conduct a reasonable job search and document the search in the files. The Department should revise and use the existing job search form.

Auditee Response:

The Commissioner has re-established the work program. The work program had 71 hours worked in December 2001 compared to 390 hours worked in January 2002. As of February 13, 2002, 449 work hours have been assigned for the month of February.

CURRENT STATUS:

Forms associated with the work program were reviewed and updated where necessary. All able-bodied clients must now submit work search documentation that is verified by the caseworker. Our review of FY 2003 case files revealed no instances of able-bodied workers not completing work searches.

This observation is determined to be resolved.

Observation No. 8 - Recovery from Other Towns

Observation:

RSA 165:20 states, “If a town, city or county.... spends any sum for the support, return to his home, or burial of an assisted person having a residence in another town or city, such sum may be recovered from the town, city...”.

RSA 165:1a states, “Any person in a town or city who is poor and unable to support himself shall be known as a town or city assisted person, and shall be relieved and maintained at the expense of the town or city of residence”.

RSA 21:6-a defines residence as “a person’s place of abode or domicile. The place of abode or domicile is that designated by a person as his principal place of physical presence for the indefinite future to the exclusion of all others. Such place of residence or residency shall not be interrupted or lost by a temporary absence from it, if there is intent to return to such residence or residency as the principle place of physical presence”.

During our test of 60 files we noted two instances where the persons intent was to live in another town and the Department either did not charge the other town or the other town refused to reimburse the City. Testing also revealed three instances where the person moved directly from another town in order to collect benefits. When a homeless person arrives from another town, the town of original residence generally is charged the initial thirty days of aid. The Department has paid the initial 30 days for Manchester residents that have relocated to other towns.

Recommendation:

The Department does not appear to be consistent in its treatment of clients that are moving into or out of the City and collecting benefits. There also appears to be some confusion over what is considered to be a person’s residence and who is ultimately responsible for the assisted person. The Department should seek legal advice to determine whom they are responsible for and institute controls to ensure that all cases are treated the same. Reimbursement should be obtained from other towns in accordance with existing law.

Auditee Response:

Again, the recommendation is seriously noted and as Commissioner I will diligently pursue repayment from other communities.

CURRENT STATUS:

The Department has been pursuing reimbursement from other localities in accordance with RSA 165:20 and the Ethics Resolution of the NH Local Welfare Administrator’s Association. This observation is determined to be resolved.

Observation No. 9 - Sanctions Due to Violations of Requirements

Observation:

State law allows for sanctions to be assessed against welfare recipients who violate the following conditions:

RSA 165:1-d voluntary termination of employment- may be ineligible to receive assistance for 90 days.

RSA 165:1-b noncompliance with guidelines, disclosure of income, participation in work programs, reasonable work search, application for other assistance programs – 7 day suspension 1st offense, 14 day suspension 2nd offense.

RSA 167:82 when the State reduces benefits for violation of rules “a city or town may consider the amount as deemed income for purposes of calculating eligibility for the amount of general assistance”.

From our review of 60 files we noted several instances of noncompliance with statutory provisions and notices of decision that did not result in any action by the Department.

Recommendation:

The Department should follow State statutes and suspend benefits to clients who constantly ignore the rules of the Department. Reductions of State aid should be considered income to clients in determining the amount of aid if the reduction in aid can easily be cured or is the result of the client’s actions.

Auditee Response:

The Commissioner concurs with the recommendation, and again this is an area that needs to be pursued.

CURRENT STATUS:

The Department has included the provisions of RSA 167:82, VIII in its General Assistance Guidelines. Our review of FY 2003 case files revealed several instances of sanctions ranging from warnings to suspensions being issued.

This observation is determined to be resolved.

Observation No. 10 - Required Aid From Family Members

Observation:

RSA 165:19 states, “The relation of any poor person in the line of father, mother, stepfather, stepmother, son, daughter, husband or wife shall assist or maintain such person when in need of relief”. The RSA further states, “Should a relation refuse to render such aid when requested to do so by a county commissioner, selectman, or overseer of public welfare, such person or persons shall upon complaint of one of these officials be summoned to appear in court”.

From our sample of 60 case files reviewed it was noted that 17 clients did not appear to have family members who were in a position to assist them. Forty of the case files reviewed either had relatives who were contributing or who were asked to help but were not in a position to help. However, two of the case files showed evidence that the relatives were in a financial position to help but the file showed no evidence that they were ever contacted.

Recommendation:

The family members of all people applying for aid should be informed of their obligation to assist and asked to help in any way they can. If it is evident that the family member is in a position to help but refuses the Department should seek legal action.

Auditee Response:

The Commissioner concurs with the recommendation and again this is an area that is being pursued. Caseworkers are now instructed to ascertain financial responsibility of relatives to assist the client in providing for their needs.

CURRENT STATUS:

The caseworkers now contact family members as a normal part of client processing. Our review of FY 2003 case files revealed no instances where contact with family members was not initiated to seek reimbursement where applicable.

This observation is determined to be resolved.

Observation No. 11 - City Welfare Guidelines

Observation:

RSAs 165:1 (II) and 165:4-b set certain requirements that must be included in written welfare guidelines. Based on a review of the guidelines currently in use at the Department it is noted that the following requirements are missing:

- A statement that qualified State assistance reductions under RSA 167:82, VIII may be deemed as income
- Rules governing the policy which specifically sets out which bill shall be offset and notification procedures to be used when the City uses the rental offset provisions of RSA 165:4-a. These provisions would allow the City to use payments owed to landlords for rental assistance to be offset against any outstanding delinquent sewer, water or tax payments to the City.

Recommendation:

The Department should adopt these provisions into their guidelines and adopt a procedure for monitoring changes in relevant State laws so that the City guidelines are kept current.

Auditee Response:

The Commissioner is in the process of updating the guidelines and they will be presented to the Board of Mayor and Aldermen for adoption. Upon approval of the Board of Mayor and Aldermen, the guidelines will be made available online. A printed copy will be available for review in the Manchester City Clerk's Office and at the Carpenter Memorial Library.

CURRENT STATUS:

These changes have been incorporated into the Department's General Assistance Guidelines.

This observation is determined to be resolved.

Management Issues

Observation No. 12 – Management Oversight and Control

Observation:

The head of a department serves the important internal control function of setting the tone of the organization and influencing the control consciousness of the employees. Management oversight is the foundation for all other components of internal control, providing discipline and structure to the overall effectiveness of policies and procedures that management has established.

In the later part of fiscal year 2000 the Commissioner was out on an extended leave. The Commissioner returned from leave in late February but was rarely in the office.

In August of 2002 the Deputy Commissioner accepted employment elsewhere and this position has been left open since that time.

The Administrative Services Manager, who heads the accounting department, went out on medical leave in November of 2001 and did not return until January 2, 2002.

Recommendation:

All members of the management team should be put in place as soon as possible after a new Commissioner starts a term. It is important that a new Commissioner become actively involved with the Department on a regular basis.

Auditee Response:

The new Commissioner was sworn into office on January 2, 2002. The Administrative Services Manager returned from medical leave on January 2, 2002. The Commissioner is in the process of filling the Deputy Position. The Welfare Specialist did not handle the accounting functions during that time period. The Accounting Specialist handled these functions.

CURRENT STATUS:

All positions have been filled and the management structure at the Department appears intact and functioning as designed.

This observation is determined to be resolved.

Observation No. 13 – Computerized Case Management System

Observation:

It is important from a management perspective that current, relevant information be readily available to the decision-makers at the Department. The ability to analyze client statistics in order to spot trends and problems becomes more important as the population of clients increase, especially in a weakened economy. The Department tracks client statistics in a number of ways. Our audit work has revealed that different staff members have recorded the same information up to three times.

The individual attending to the front desk records case statistics manually daily on a paper log then transfers some of this information to an Access database that we do not believe is currently being used for anything. The Accounting Specialist II uses the daily log to create a daily statistics log on an Excel Spreadsheet. The daily log totals are then added together on a calculator and the product is input to a weekly log on an Excel spreadsheet. A similar exercise is done to create a monthly log.

The caseworkers record case statistics daily on a manual log. The Administrative Service Manager uses these logs to create caseworker reports on Excel spreadsheets. These reports are done weekly and monthly.

All of these logs and reports use much of the same information in slightly different ways. The caseworker log is the same as the front desk daily log only with the amount and type of aid added. The caseworker reports use the same information as the weekly and monthly log reports with amount and type of aid statistics added. By entering and manipulating the same information several times the Department is creating a lot of unnecessary work.

Recommendation:

The type of information being collected is perfect for some form of database application. The Department should look into purchasing case management software to reduce some of this work. The software will have to be accessible to all users including the caseworkers. After the front desk worker enters the basic information and opens a case in the system then the caseworker would only have to call up the case and add their information. Reports could be designed that would take this information and create the daily, weekly and monthly reports that the Department requires. If a request were made for the information in a different format the Department would only have to design a query. The log could also be used to track vouchers. It is recommended that all potential users have input into what they need out of a case management system prior to its design.

Auditee Response:

Previous years' budgets reflected an amount in the "Special Projects" line item. The amounts ranged from \$10,000 to \$20,000 per year. The prior Commissioner informed the Administrative Services Manager that this money was being set aside to cover the costs of the Department of Information Systems to purchase or develop a database meeting the data capture and reporting needs of the Department. The former Commissioner had met with the Information Systems Director for the City to discuss her basic requirements. To the best of my knowledge, the Department of Information Systems has not begun work on the project due to his assignment to higher priority projects.

The current Commissioner has submitted the paperwork and payment to license the New Hampshire Municipal Assistance Program's software (NH MAPS) for the Department. Based upon the information he has obtained on the product, it should be able to meet the Department's data capture and reporting, and document generation requirements. The software has yet to arrive, but it is anticipated that NH MAPS will be tested in the Department sometime in February 2002.

NH MAPS is a software package that has been specifically developed for New Hampshire communities for daily maintenance of municipal welfare administration and our day to day business needs. The cost was \$25.00 to cover the expense of the CD-ROM and mailing.

CURRENT STATUS:

The front desk intake worker no longer transfers information from logs or other documents to an Access database. The Accounting Specialist no longer uses the daily log to create a daily statistics log on an Excel spreadsheet. Daily log totals are no longer added together on a calculator nor input to a weekly log on an Excel spreadsheet. The monthly stats are developed from the Front Office Daily Log Sheet and the Welfare Specialists' daily sheets.

The Administrative Services Manager no longer uses the daily logs produced by the Welfare Specialists to create weekly and monthly Welfare Specialists' Reports on Excel spreadsheets. Under the current procedure, monthly the Deputy Commissioner reviews the Daily Logs and Welfare Daily sheets, then in conjunction with the Administrative Services Manager enters the number of intakes, the number of appointments, no shows, intake expenses, appointment expenses, number of adults, number of children, household type and the number of homeless into an Excel spreadsheet. This information is maintained by Welfare Specialist and rolled up to a department level monthly. Statistics are also kept (not by the Welfare Specialist) of primary assistance requested and client income (if any). Under the new statistics the amount of information duplication has been kept to a minimum.

Since the audit, the casework forms most frequently used have been modified and made available online to the Welfare Specialists. All notices of decision forms are available as pdf files for online data entry and printing on Welfare Specialists' printers. The voucher forms have also

been converted to online usage as pdf files, but have not yet been implemented. Implementation is tentatively scheduled for October 2003. The pdf versions of the online forms were created based upon requirements developed by the department's administrative Services Manager and the Welfare Specialists. Forms such as the *Request for Bank Account Information*, *Promissory Note*, *the Client Update Sheet*, etc. have been re-created as Excel files and are available online for printing on the Welfare Specialists' printers. Only the *Client Card* and *Client Payment Card* are not available online because of the heavy weight paper they require. These forms are normally printed by the Manchester School of Technology to minimize printing expenses.

The Information Systems Department is working on a project to develop a Welfare database and streamline the capture of data.

Most of the problems noted in the observation have been addressed and resolved. The Department is actively working on computerization issues.

This observation is determined to be substantially resolved.

Observation No. 14 – Held Prescription Vouchers

Observation:

If a voucher that is issued for prescriptions has a chance of being reimbursed by State Medicaid the caseworker will hold onto the voucher even after the pharmacy has filled the prescription and submitted their copy for payment. If the prescription is eligible for Medicaid reimbursement the State will reimburse the pharmacy directly. When the outstanding vouchers were counted on December 7, 2001 they totaled over \$27,000. Of this amount \$3,398 were from vouchers issued in FY 2000. These represent an unrecorded potential liability to the City. In addition the Department should be trying to foster good relationships with their vendors. If vendors have to wait months to receive payment they may be less willing to give the City the best price available.

Recommendation:

The time lag for processing these vouchers is unacceptably long. The Department should work with the State Department of Health and Human Services to try and reduce the time lag between requesting reimbursement and receiving the funds. Instead of making the pharmacy wait on payment, the City should consider paying all of the invoices in a timely manner and then seeking reimbursement from the State. This could be used as a negotiating tool in setting prices with the pharmacies.

Auditee Response:

The Commissioner met with the manager and representatives of the New Hampshire Health & Human Services office in Manchester to discuss "charge pendings". The Commissioner was provided with the name of a person that Manchester City Welfare could use to follow up on the

Medicaid status of clients. It is anticipated that this contact will expedite matters at the State level.

Internally, the Accounting Specialist will maintain the pink copies of the “charge pendings” vouchers in a follow up tickler file. Clients with vouchers open for 60 days will be listed on a spreadsheet and the spreadsheet containing the client’s name and Social Security Number will be forwarded to the contact person at New Hampshire Health and Human Services.

The Commissioner will be exploring the possibility of arranging a payment plan with the pharmacies processing “charge pendings” to accept a payment equal to what they would receive from Medicaid. Arrangements would then be made with Medicaid to reimburse City Welfare for the approved expenses.

CURRENT STATUS:

The Department has an agreement with Best Drug Pharmacy whereby the pharmacy is reimbursed at the Medicaid rate in return for being considered the vendor of choice. In return Best Drug is paid twice per month. Other pharmacies when used are still handled as before but they are used rarely.

This observation is determined to be resolved.