



Audit Report Number No. 2006-08
City of Richmond
Department of Public Utilities
Audit of the MetroCare Program
Program Year 2005

Prepared by
CITY AUDITOR
Richmond, Virginia

Submitted to
The Honorable Members of City Council
November 22, 2005

CONTENTS

| | <u>Page</u> |
|--|-------------|
| City Auditor’s Report | 1 |
| Executive Summary | 4 |
| FINDINGS AND RECOMMENDATIONS | 6 |
| 1. Develop Program Goals | 6 |
| 2. Update Memorandum of Understanding (MOU)..... | 6 |
| 3. Develop procedures for application process and monitor agencies to ensure that the guidelines are being followed | 7 |
| 4. Redesign the program application..... | 8 |
| 5. Ensure eligibility requirements are enforced..... | 9 |
| 6. Review program strategy to increase participation and decrease the undistributed fund balance | 10 |

The Honorable Members of City Council
Richmond City Audit Committee
City of Richmond, Virginia 23219

City Auditor's Report

SCOPE

We conducted an audit of the MetroCare Program of the Department of Public Utilities (DPU), covering the program year 2005. We reviewed and evaluated the internal controls in place during the same period to the extent considered necessary.

OBJECTIVES

Our audit objectives were to:

- Ensure that all cash received for the program is accounted for and disbursed properly.
- Ensure the agencies follow the MetroCare guidelines as designed by DPU.

We also identified opportunities for improvement in the internal control structure. Our testing did not indicate any internal control weaknesses that would allow material misstatement in the records processed and maintained by the City to go undetected.

METHODOLOGY

We conducted our audit in accordance with Government Auditing Standards for Performance Audits issued by the Comptroller General of the United States. During the course of our work, we reviewed supporting documents, evaluated the internal control structure, and conducted other appropriate tests. We believe that our audit provides a reasonable basis for our conclusions regarding the internal control structure and our recommendations.

The management of the City of Richmond, Virginia, is responsible for maintaining the financial records of the City. It is also responsible for establishing and maintaining a system of internal accounting control and management control. In fulfilling this responsibility, management is required to assess the expected benefits and related costs of control procedures.

CONCLUSIONS

Based on the results of our audit, we concluded that:

- Internal controls appeared adequate. However, the Department does not have any clearly defined program goals and performance measures for the MetroCare program.
- DPU has not updated the program's Memorandum of Understanding (MOU), signed July 1999; it expired three year's later in July 2002. A new MOU was signed on August 26, 2005.
- The application process used by the three Intake/Disbursing agencies is not consistent among them and each agency is not requesting the same information from the clients. DPU does not properly monitor this process to ensure that the guidelines are being followed.
- The current program application is not conducive for documenting support for all of the program guidelines, including explanations to support the waiver process.
- The Intake/Disbursing agency staff did not apply the eligibility requirements as stated in the procedures manual.
- The MetroCare program has an increasing balance of undistributed funds left in the account at year end. Further, in a time of increasing utility prices, the level of participation in this program has decreased. DPU management needs to review the current program strategies and to find a way to increase the awareness of the program, as well as to decrease the undistributed funds not being used to help participants in the current program year.

We discussed the attached comments and recommendations with management throughout the audit and formally on November 17, 2005. We have included management responses from the responsible officials.

We would like to thank the departmental management and staff for their cooperation and assistance during this audit.

This report is intended for the members of the Richmond City Council, the City Audit Committee and City and departmental management; it is a matter of public record.

Respectfully submitted,

Randi L. Ricco-Clifford, CPA, CIA, CGAP
Interim City Auditor

Yolanda Tennessee
Auditor II

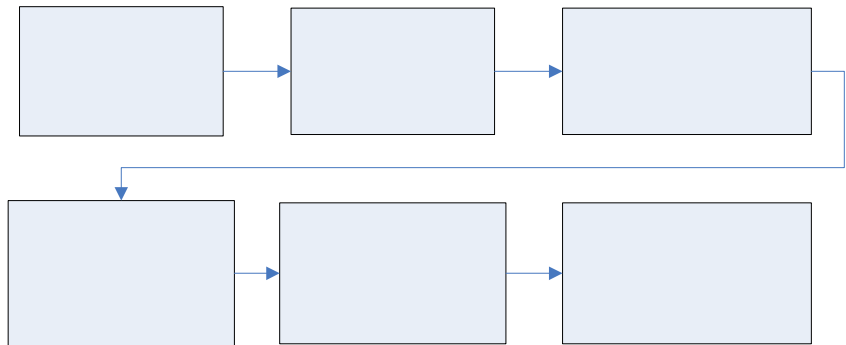
October 27, 2005

Executive Summary

BACKGROUND

MetroCare is a City of Richmond, VA, sanctioned program funded by Department of Public Utilities customers to assist in paying heating bills for families and individuals experiencing special needs or hardships. All donations are used to aid in the payment of primary home heating bills that may include, but not be limited to natural gas, electricity, propane, wood, coal or water (hot water or steam). No funds contributed are used for administrative expenses. DPU's Program Manager, to better serve the changing needs of our community, will periodically review MetroCare assistance criteria. MetroCare will cover Richmond and surrounding counties that make up the utility service area.

MetroCare is a complimentary program that will allow eligible persons access to assistance after all other funding sources are used or exhausted and a need remains. Here is a basic flowchart of how the program works:



RECOMMENDATIONS TO IMPROVE OPERATIONS OR EFFICIENCY

There were several weaknesses in the program. In order to improve operations and the program's objectives, we have made the following recommendations for management's consideration:

1. **Develop program goals for the MetroCare program.**
2. **Update the Memorandum of Understanding (MOU).**
3. **Develop procedures for application process and monitor the agencies to ensure guidelines are being followed.**
4. **Redesign the program application.**

5. **Ensure eligibility requirements are enforced**
6. **Review the program strategy in order to increase participation and decrease undistributed funds.**



FINDINGS AND RECOMMENDATIONS

1. Develop Program Goals

DPU established high-level goals at the onset of the MetroCare program. Now that the program has been in operation for 5+ years, DPU should develop clearly defined goals and organizational performance measures that can be tracked in order to provide an objective basis for evaluating progress and reporting results.

Written goals and performance measures should be available to enhance the effective operation of the department. Written goals and performance measures:

- Provide justification for the program;
- Help management to measure the performance against the procedures to ensure that the undeniable need is being met;

RECOMMENDATION

We recommend that the Department develop program goals for the MetroCare program that reflect current practices as noted above. They should be specific to the Department's operations.

MANAGEMENT RESPONSE

Management agrees that the MetroCare program should have goals. High level program goals are currently included in the "Purpose" subsection of the MetroCare Procedures Manual. We will review these goals and make any revisions necessary to fully cover our objectives. The DPU MetroCare Program Administrator will be responsible for this activity to be completed by 12/31/05.

* * * *

2. Update Memorandum of Understanding (MOU)

The last Memorandum of Understanding (MOU) that is on file signed by all the agencies is dated July 1999.

The memorandum was in force for three (3) years from the date signed. It expired as of July 2002.

RECOMMENDATION

We recommend that DPU developed a new Memorandum of Understanding which includes all agencies involved that shall be signed immediately.

MANAGEMENT RESPONSE

Management has updated the Memorandum of Understanding and it was signed and dated by all agencies on August 2005.

* * * *

3. Develop procedures for application process and monitor agencies to ensure that the guidelines are being followed

The application process used by the three agencies is not consistent among them and they are not requesting the same information from the customers. See the chart below which shows the files that are maintained at the different agencies:

| | Agency 1 | Agency 2 | Agency 3 |
|--|-----------------|-----------------|-----------------|
| Application | ✓ | ✓ | ✓ |
| Disconnect notice/bill | ✓ | ✓ | ✓ |
| Photo Identification | ✓ | ✓ | |
| Lease or Rent receipt | ✓ | | |
| Pay stub/income info | ✓ | ✓ | |
| Info on other fuel assistance provided to client | ✓ | | |
| SS card | ✓ | ✓ | |
| Invoice for Finance to pay | ✓ | | ✓ |
| Copy of receipts for payments made by client | ✓ | ✓ | |
| Family service intake form | | | ✓ |

✓ = represents document found in file

In order to determine if the eligibility guidelines were being met and followed, this documentation should have been maintained by each agency.

In addition, DPU does not properly monitor the entire process of the Intake/Disbursing agencies to ensure that the guidelines are being followed. We observed the following weaknesses:

- the majority of the individual files we requested at one of the agencies were missing;
- there was inconsistency in the types of files being maintained among the agencies;
- one customer who was ineligible for the program was still accepted;
- one customer received two heating assistance awards in the same heating period.

RECOMMENDATION

We recommend that DPU provide written steps for the agencies to follow as to how the application process should be handled, including documentation that should be obtained from the clients. DPU needs to monitor the agencies to ensure that all of the guidelines are being followed.

MANAGEMENT RESPONSE

Management agrees that the intake agencies should be provided written procedures for handling the MetroCare program. Each agency was given a procedures manual and provided an overview of its content when the program was first implemented. DPU will provide each agency a copy of the newly revised procedures manual. We will review eligibility requirements and reporting guidelines with the appropriate people at each agency. The DPU MetroCare Program Administrator will be responsible for this activity to be completed by 12/31/05.

* * * *

4. Redesign the program application

The program application is not conducive for documenting support of all of the program guidelines. There is not adequate space for a waiver section on the application that ties into the guideline where a client must assume some responsibility of the utility bill. Our office also observed that the assistance history section of the application is not always completed, but could assist in determining if other assistance was provided through other agencies.

RECOMMENDATION

We recommend that the application is updated to reflect the current practices and that DPU ensure that the guidelines are being met based on the information provided on the application.

MANAGEMENT RESPONSE

Management agrees that the program application needs to ensure that the program guidelines are being met. The DPU MetroCare Program Administrator will review the applications with the intake agencies and make any necessary modifications to meet this objective by December 31, 2005. The Administrator will redesign the application form in time for the 2007 program year.

* * * *

5. Ensure eligibility requirements are enforced

The MetroCare program stipulates certain guidelines for heating assistance. In summary:

- applicants must assume some responsibility for payment of the bill. In extreme cases, this requirement may be waived with proper documentation;
- applicants must provide a disconnect notice (with service in their name); and
- applicants must meet a household income requirement.

In reviewing the eligibility requirements to determine if they are adequate, we tested 45 files from the three agencies (15 from each agency) and noted the following deficiencies:

- 10/15 of the files at one of the agencies were missing and not available for our review
- 26/35 applicants did not contribute funds toward the payment of the bill
- 4/35 applicants did not provide a copy of a disconnect notice
- 16/35 applicants did not provide anything to support their income

RECOMMENDATION

We recommend that DPU reinforce their program guidelines. Also, the guidelines need to be reviewed periodically to ensure that they reflect current operations.

MANAGEMENT RESPONSE

Management agrees that MetroCare program guidelines need to be closely followed. The DPU MetroCare Program Administrator will distribute the revised MetroCare Procedures manual to each intake agency and review its contents with the appropriate people. This activity will be completed by 12/31/05. The Administrator will also schedule periodic visits with the agencies to review and reinforce the program guidelines. The Administrator will also evaluate each intake agency's compliance with the program guidelines and work with the managing agency to address any deficiencies or select different intake agencies.

* * * *

6. Review program strategy to increase participation and decrease the undistributed fund balance

There is a large dollar amount left over at the end of the year in the MetroCare account which has been classified in the MetroCare financial report as undistributed funds. As shown in the chart below, while the amount of undistributed funds has increased over the years, the number of family units helped has decreased.

| Program | Family Units | *Funds | *Funds | Balance from | Undistributed |
|----------------|---------------------|-----------------|------------------|---------------------|----------------------|
| Year | Helped | Received | Disbursed | Prior Season | Funds |
| 2000 | 92 | \$15,768.36 | \$15,000 | \$0.00 | \$768.36 |
| 2001 | 167 | \$48,775.40 | \$33,174 | \$768.36 | \$15,829.76 |
| 2002 | 187 | \$40,744.97 | \$37,000 | \$15,829.76 | \$19,574.73 |
| 2003 | 186 | \$31,235.07 | \$37,200 | \$19,574.73 | \$13,609.80 |
| 2004 | 141 | \$35,196.61 | \$28,400 | \$13,609.80 | \$20,406.41 |
| 2005 | 138 | \$30,153.21 | \$27,750 | \$20,406.41 | \$22,809.62 |

*Funds received by DPU through customer contributions and by United Way through pledges and donations; funds are disbursed to program participants. There are no administrative fees in this program.

Undistributed funds are generally high at the end of the program period due in part to the fact that the MetroCare Golf Tournaments is usually held during May (May 20th for 2005) and the MetroCare program period ends on May 15th. The funds are moved from Undistributed Funds to Balance Forward from Prior Season during November in preparation for the next program period beginning December 15th. In 2005, the MetroCare Golf Tournament provided approximately \$16,000, which was the highest contribution amount since inception of the program.

In this time of increasing utility prices, DPU management needs to review the current program strategies and to find alternative ways to increase program participation while decreasing the undistributed funds that could have helped additional customers during the program year.

RECOMMENDATION

We recommend that DPU review the program strategy to increase participation and decrease the undistributed fund balance.

DPU may want to consider the following: 1) holding the golf tournament prior to May 15th so that the funds are available prior to the end of the program period, and 2) considering more marketing techniques to get the message out that the funds are available.

MANAGEMENT RESPONSE

Management agrees that the program strategy should be reviewed each year once final program year results are available. DPU finds that May is a good month for the MetroCare golf tournament for several business and weather related reasons. Management also agrees that program marketing directly impacts program success. DPU uses several channels to inform both beneficiaries and benefactors of the MetroCare program:

- Utility bill messages and check-off boxes to solicit customer contributions
- Articles at least twice annually in the DPU quarterly newsletter; Utility Talk
- Conduct major fund raising events (MetroCare Golf Classic and MetroCare Run-Walk)
- Showcase the MetroCare program during the United Way campaign
- Implement a MetroCare matching funds program by DPU
- Distribute MetroCare flyers and brochures throughout the community and in city offices
- Run TV and other media advertisements
- Participate annually on NBC Call 12 program

The DPU MetroCare Program Administrator will review the program objectives with the managing agency and develop a plan to minimize the undistributed fund balance at the end of the program year. This item will be addressed no later than 12/31/05.

* * * *