



Fairfax County Internal Audit Office

**Neighborhood & Community Services
Countywide Coronavirus Relief Funding Distributions to Third
Parties Audit – Basic Needs Support - CBO Distribution
Program
Final Report**

March 2022

"promoting efficient & effective local government"

Introduction

The Internal Audit Office (IAO) performed audits of COVID relief funding distributions to third parties. The Basic Needs Support, Community-Based Organizations (CBO) Distribution program, overseen by the Fairfax County Neighborhood & Community Services (NCS), was selected as one of the programs to perform substantive testing of grant awards distributed after the receipt of CARES Act Relief funds in April 2020. The primary purpose of the Basic Needs Support program was to work with the County's non-profit partners to support basic needs in the community. The County's long-established Coordinated Services Planning (CSP) hotline for residents facing emergency need difficulties saw significant call volume increases since the start of the COVID-19 public health crisis. To address the community's need, funding was allocated to the existing network of CBOs directly connected to the CSP model. Funds were awarded to existing CSP community-based organizations because they had the capacity and protocols in place to disburse funding quickly and were able to comply with necessary data requirements. Funding supported direct client assistance, focused on food and housing assistance. Food assistance included providing funds to the CBOs to purchase and distribute grocery store gift cards and purchase food for their pantries. Housing assistance was provided to meet the following needs: rent, mortgage, security deposits, housing fees (late, condo, HOA, etc.), and utilities.

NCS and CBOs expended \$20 million as part of this program. NCS was tasked with allocating the funds to CBOs, receiving calls from clients, verifying that the client met grant eligibility requirements and that payees were legitimate, making referrals to CBOs, and verifying the funds were applied as intended. Grant eligibility requirements were established by the Board of Supervisors. NCS processed over 6,000 referrals, while dealing with time and resource constraints, including staffing and technology-related challenges. CBOs were expected to process the referrals and report monthly to NCS on how funds were used while dealing with increased demand for services.

Executive Summary

In general, we found that NCS' and the CBOs' disbursement procedures and controls were adequate over referral decisions; outcomes met grant eligibility requirements; referral decisions were properly documented and supported; and funds were used for allowable expenses. Specifically, referral requests were well documented with the reasons why assistance was being requested by the clients. The requests also included all relevant data points, including names, amounts, sources, vendors, and addresses. Referral decisions and outcomes were made in compliance with federal, state, and local funding regulations. All referrals and outcomes reviewed were for either food or housing-related assistance. We commend the NCS staff for addressing both the public needs and the need to set up proper systems of accountability for funding received and disbursed.

Our testing did not identify any evidence of fraud, waste, or abuse, nor was any evidence of duplicate payments identified. While the internal controls over the process were

adequate, we did note some exceptions where internal controls could be strengthened for similar future programs that use government pandemic funding:

- Controls over the support and documentation of referral decisions could be strengthened.

There were some data entry errors in recording the categories of assistance in the Assist database, and documentation supporting assistance given was sometimes either incomplete or inaccurate. NCS has developed an enhanced training plan and implemented a quality assurance review process by supervisors for all referrals. In addition, NCS is implementing a dedicated Quality Assurance team to address these issues moving forward.

Transactions for other programs were commingled in the reporting for the Basic Needs program. For future COVID relief funding distributions, NCS will upgrade its IT systems to ensure the ability to meet all reporting, reconciliation, and data collection needs.

- Controls over the monitoring of CBOs' use of allocations could be strengthened.
 - a. The distribution of food assistance by CBOs, and the reporting of food assistance by NCS, were not consistent. Food gift card amounts were not always noted in the Assist database and food delivery/food pantry assistance noted as being given for nine clients could not be verified as they were not noted on CBO reports. In addition, food gift card dollar amounts provided to similar households varied by CBO.

For future COVID relief funding distributions, NCS will ensure that assistance amounts are consistent with family size and other criteria that has been established. CSP will re-train staff and will ensure that the client database reflects the value of assistance given.

- b. The reconciliations of total amounts of assistance disbursed and the individual amounts provided to clients by CBOs, were not documented. The reconciliation of CBO reports to county referral reports has been implemented for the current relief programs and has been added to the program policy and procedures document.

Scope and Objectives

This audit was performed as part of our fiscal year 2021 Annual Audit Plan and was conducted 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. Our audit objectives were to

determine whether:

- Referral decisions and outcomes were made in compliance with federal, state, and local funding regulations,
- Assistance was provided to eligible recipients,
- Referral decisions were sufficiently supported and documented,
- CBOs' use of allocations was monitored to ensure that funds were used for allowable and intended purposes.

Methodology

Our audit approach included interviewing the appropriate staff to obtain an understanding of the Basic Needs Support - CBO Distribution program processes and controls over verifying needs of clients and providing the assistance. We also performed substantive testing to determine the risks of duplicate amounts of assistance provided on behalf of the same client; referrals for non-basic needs were processed and paid; and referral decisions and outcomes for housing, food, and utilities did not meet grant eligibility requirements (including those with higher dollar amounts).

We obtained the population of all referrals and outcomes that was generated from the Assist database by NCS. Housing and utility assistance was provided for up to four months. Food assistance was primarily determined based on the size of the client's household; however, the amount of such assistance was determined by the CBO. Each referral or outcome was recorded by an Assist case number that was assigned to each client.

We tested for duplicate assistance by judgmentally selecting a sample of case numbers that had referrals for the same amount on the same day. For each referral, the type of assistance was categorized by each CSP specialist. We also tested 100% of the referrals for which the type of assistance did not appear to qualify as a basic need. Additionally, we randomly selected samples that were categorized as food assistance and samples that were either housing, food, or utility assistance. Lastly, we judgmentally selected 15 outcomes with the highest dollar amounts, ranging from \$12,000 to \$28,100.

The Fairfax County Internal Audit Office is free from organizational impairments to independence in our reporting as defined by Government Auditing Standards. We report directly and are accountable to the County Executive. Organizationally, we are outside the staff or line management function of the units that we audit. We report the results of our audits to the County Executive and the Board of Supervisors.

Findings, Recommendations, and Management Response

1. Referral Categorization & Documentation

There were data entry errors in recording the categories of assistance in the Assist database, and the documentation supporting assistance given was either incomplete or inaccurate:

- a. Incorrect assistance categories were recorded in the Assist database by specialists for 10 referrals that did not qualify for basic needs. The four categories were: Refugee Resettlement Services, Recreation Center, Bus Fare/Gas Money, Recreational Activities/Sports. Per NCS, these categories of needs were unrelated to any financial assistance and should not have been selected. Per NCS, staff training to address these errors is ongoing. Upon further review of these items, it was determined that all of this assistance was erroneously recorded, and the amounts paid were for allowable types of assistance - rent or food.
- b. In 12 out of 67 samples tested, totaling \$43,396, referral amounts were not fully supported by complete documentation from the landlord or property manager indicating how much the tenant owed. In some cases, the NCS specialist had reached out to the landlord, but the record of the conversation was not documented in the Assist database.
- c. For one rental assistance amount of \$5,550, the documentation provided by the landlord was deemed to have been insufficient as the lease was several years old and the lease extension period was unclear.
- d. In two instances, pledge letters were not sent to landlords. For another client, the pledge letter did not include the correct amount as compared to the amount that was ultimately provided.

Per the *2 CFR Part 200, Appendix XI Compliance Supplement Addendum*, “recipients may not use payments from the Fund to cover expenditures for which they will receive reimbursement from other sources.” Per the *2 CFR Part 200, Appendix XI Compliance Supplement*, “the 2 CFR section 200.303 requires that non-federal entities receiving federal awards establish and maintain internal control over the federal awards that provides reasonable assurance that the non-federal entity is managing the federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal awards.” It also states that an objective of internal control over compliance as found in 2 CFR section 200.62, is to determine that “transactions are properly recorded and accounted for in order.”

Incorrect categorization of assistance and assistance decisions that are not reasonably documented, increase the risk of grant funds being used for unallowable types of assistance; fraud, waste or abuse; and penalties due to noncompliance with federal stimulus funding requirements. Transactions in these categories pose a higher risk for fraud/error and should be verified as appropriate.

Recommendation: We recommend NCS develop sufficient training materials so that program requirements can be properly followed, and decisions properly recorded. For future COVID relief funding distributions, internal reports should be reviewed on a

regular basis for transactions with ineligible categories and with miscellaneous/undesignated categories.

We also recommend NCS develop written, formalized review procedures of supporting documentation, such as selecting a specific number or percentage of referrals to be reviewed each month; setting dollar thresholds of expenses to be reviewed; and identifying additional staff who could assist in a secondary review. These procedures would help to ensure that referral amounts are properly supported with required documentation. The reviews of supporting documentation should be performed timely to ensure that discrepancies are identified and more easily resolved. Staff should be properly trained in these requirements.

Management Response: NCS has since developed an enhanced training plan, implemented a quality assurance review process by supervisors for all referrals to ensure accuracy and identify discrepancies. In addition, NCS is implementing a dedicated Quality Assurance team (5 FTE), along with written procedures, to address these issues moving forward. The Quality Assurance Unit will work with program design and implementation for any NCS programs that involves disbursement of funds to community providers for food and/or rental assistance. Management anticipates completing these actions by September 1, 2022.

2. Food Assistance

The distribution and reporting of food assistance was not consistent.

- a. Food gift card amounts were not consistently noted in the Assist database. Fourteen of 24 sampled food assistance transactions in the Assist reports did not include the dollar value of the food assistance provided. After further research, we found that 6 of the 14 were for gift cards and the other eight were for food pantry or delivery assistance (see below). Overall, on the Outcomes report generated from Assist, there were 392 of the 452 transactions designated as “Emergency Food” that did not include dollar amounts.
- b. Food delivery/food pantry assistance noted as being given for nine clients could not be verified as they were not noted on CBO reports. For six, neither the client ID nor the amount of assistance were noted on the report; and for the other three, the client IDs were listed, but without associated amounts. CBOs included line items of food purchases; however, the purchases were not tied to specific clients but were general in nature.
- c. Food gift card dollar amounts provided to each household varied by CBO. As an example, for one client, which included an adult and a teenager with a disability received \$100, while another client which was a household of one, received a \$500 gift card from a different CBO. No explanations were provided for the discrepancies. Per NCS, CBOs were given the discretion to determine the amounts of food assistance to provide based on client needs.

Per the 2 CFR Part 200, Appendix XI Compliance Supplement, “the 2 CFR section

200.303 requires that non-federal entities receiving federal awards establish and maintain internal control over the federal awards that provides reasonable assurance that the non-federal entity is managing the federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal awards.”

Inadequate and incomplete documented support for assistance provided increases the risk of grant funds being used for unallowable expenses; fraud, waste or abuse; and penalties due to noncompliance with federal stimulus funding requirements. Inconsistent food assistance increases the risk of inequitable provision of grant funds, potentially decreasing the impact of the assistance.

Recommendation: NCS should train staff to properly capture food assistance amounts in Assist. Proper reporting instructions should also be clearly communicated to any third parties that partner with the county in administering an assistance program. Gift card distribution should include amounts and, if possible, purchasing documentation. Food pantry distribution documentation should include list of clients who received distributions and time period of food assistance.

For future COVID relief funding distributions, we recommend NCS develop formal procedures for food assistance to ensure that assistance amounts are consistent, according to household size and other related criteria, by establishing standard assistance amounts, with business justifications noted when assistance amounts need to be adjusted based on client situation.

Management Response: When NCS is responsible for creating and setting up a food program with a community provider, NCS will ensure that assistance amounts are consistent with family size and other criteria. CSP will ensure that for exclusively county-funded food programs, staff are re-trained, and the client database reflects a dollar figure of the food allotment, or the gift cards disbursed by the CBO food provider. Management anticipates completing these actions by March 31, 2022.

Note: Gift cards for food are not currently being provided in other county-food programs, including those being administered with ARPA funds. For those programs that are administered by the CBOs, they will distribute gift cards in accordance with their operating guidelines.

3. Assist Database Reports

During our review, exceptions were identified in the reporting of referrals and outcomes.

- a. It was difficult to match referrals and outcomes based on the reporting available in the Assist Database. The Referral and Outcome reports used to track and verify financial assistance spending had data fields captured/tracked that could not be reconciled between the two reports. The CARES Financial Assistance Referrals report (Referrals report) included all the financial assistance types but did not include food assistance, while the Outcomes report was inclusive of all outcomes related to the referral financial assistance types but did include food

referrals. The Referrals report also included 6757 referrals, totaling \$21.8M, while the Outcomes report included 6594 outcomes, totaling \$19M. The Referrals report included multiple referrals for the same assistance, including instances when the initial CBO could not provide assistance and the same referral was made to another CBO. For additional examples, see finding #2 (Food Assistance) above.

- b. During our testing, it was determined that three disbursements, totaling approximately \$8,000, were misclassified in the Assist database as Basic Needs Support Program General County CARES Act fund though two of them were provided using Community Development Block Grant (CDBG) funds and another was referred to the Virginia Rent & Mortgage Relief Program. This occurred as costs from CDBG were temporarily being posted to Basic Needs until the program was set up in the Assist database. For the entirety of the Basic Needs Support Program, there were 211 outcomes, totaling over \$750K, that were incorrectly captured on Basic Needs system reports; however, the assistance was captured on CDBG reports. Internal Audit was able to verify that the assistance was not paid with Basic Needs CARES Act funds as NVFS was not provided such funds until November 2020. The assistance was paid by CDBG fund.

Per the *2 CFR Part 200, Appendix XI Compliance Supplement*, “the 2 CFR section 200.303 requires that non-federal entities receiving federal awards establish and maintain internal control over the federal awards that provides reasonable assurance that the non-federal entity is managing the federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal awards.” Per the *2 CFR Part 200, Appendix XI Compliance Supplement Addendum*, “recipients may not use payments from the Fund to cover expenditures for which they will receive reimbursement from other sources.”

Inadequate reporting and not having all applicable programs set up in the Assist database increase the risk of grant funds not being properly accounted for; fraud, waste or abuse; and penalties due to noncompliance with federal stimulus funding requirements. The risk that clients do not receive the assistance that was pledged to them by county staff also increases. Additionally, the figures on reports used to monitor the program and make decisions could be inaccurate.

Recommendation: For future COVID relief funding distributions, we recommend NCS work with DIT to develop a report within Assist that capture both referrals and outcomes into one report that could be reviewed for discrepancies. Enhancing internally generated reports will help facilitate the completion of reconciliations performed on reports from third parties.

We also recommend NCS ensure that systems of records are properly set up with the appropriate programs and referrals so that expenses related to each program can be clearly identified. If due to resource constraints, temporary arrangements need to be made for NCS to process and record referrals in another program, those transactions in the system of records should be properly designated in the system to indicate which

items are not applicable to the program for which it is temporarily recorded.

Management Response: NCS will upgrade its overall IT systems, including replacing the Assist database, to ensure the ability to meet all the reporting, reconciliation, and data collection needs. Management anticipates finalizing the contract by the spring of 2022.

4. Lack of Documented Reconciliations

Per NCS, CBO reports were reviewed by informally comparing the total amounts disbursed by CBOs to NCS' records on a periodic basis. The reviews were not documented. In addition, the reconciliations of assistance provided for each client were not documented and maintained throughout the duration of the Basic Needs Support program for any of the 19 Community CBOs that provided assistance during our testing. During our food assistance testing, we found that three provisions of food card assistance were not included in the CBO reports, and for another, the amount of food gift cards given per the CBO report did not equal the amount on the referral.

Per the 2 Code of Federal Regulations (CFR) Part 200, Appendix XI Compliance Supplement, "the 2 CFR section 200.303 requires that non-federal entities receiving federal awards establish and maintain internal control over the federal awards that provides reasonable assurance that the non-federal entity is managing the federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal awards."

In addition, per *Memo OIG-CA-20-021, Office of Inspector General, Coronavirus Relief Fund Reporting and Record Retention Requirements*, issued by the Department of the Treasury, "records shall be maintained for a period of five (5) years after final payment is made using Coronavirus Relief Fund monies. These record retention requirements are applicable to all prime recipients and their grantees and subgrant recipients, contractors, and other levels of government that received transfers of Coronavirus Relief Fund payments from prime recipients."

Also, per *Financial Policy Statement (FPS) 100, Financial Internal Controls*, agencies should have a periodic reconciliation process of "routinely comparing transactions to supporting documentation, ensuring the accuracy and validity of financial information."

Inadequate documentation of reconciliations increases the risk of grant funds being used for unallowable types of assistance; fraud, waste or abuse; and penalties due to noncompliance with federal stimulus funding requirements. The risk that clients do not receive the assistance that was pledged to them by county staff also increases.

Recommendation: For future COVID relief funding distributions, we recommend NCS develop written, formalized review procedures that outline the responsibilities of staff and the frequency of reviews of assistance provided by third parties including periodic sample reconciliations of referral, outcome, and CBO reports. These procedures would help to ensure that amounts of referral assistance noted on internal reports are properly distributed to the benefit of the intended clients. The reviews of

reports should be performed timely to ensure that discrepancies are identified and resolved in a timely manner. In addition, the reviewer should document the review by signing/dating the reports. The reports should be kept in the department for future audits.

Management Response: Since the implementation of the CARES Basic Needs Program, NCS has put several processes and program enhancements in place to ensure the accuracy and integrity of distribution of relief funds. This includes new CSP positions approved by the Board of Supervisors for quality assurance review and documentation and implementation of reconciliation processes carried about by the NCS financial staff. Reconciliation includes monthly comparison of all CBO report data to the County's referral reports to identify discrepancies, and sampling of checks written by the CBOs to verify the accuracy of payment amounts and that those payments have cleared. These processes have already been implemented for the current relief programs and will be added to the program policy and procedures document.

Note: *During the audit, IAO verified that NCS updated their policy and procedures, therefore, no follow-up will be performed for this item.*