



Fairfax County Internal Audit Office

Department of Administration for Human Services
Alcohol Safety Action Program
Final Report

November 2014

"promoting efficient & effective local government"

Introduction

We performed an audit of the Department of Administration for Human Services (DAHS), Alcohol Safety Action Program (ASAP). This ASAP is one of 24 ASAPs in Virginia where client attendance is court ordered, DMV referred, or voluntary. The core programs are state mandated and include: intake, assessment, rehabilitative alcohol/drug education, referral for treatment, and case management to individuals charged with, or convicted of, driving under the influence of alcohol (DUI). In addition, ASAP provides alcohol/drug education programs for habitual offenders, first-time drug possession offenders, and adolescent substance abusers.

ASAP was created to be a self-supporting agency, funded entirely by client fees with the county providing indirect support through office space and utilities. The state of Virginia imposes a \$400 fee ceiling on each individual client for the state-mandated core program. The agreement between the ASAP Policy Board and the Fairfax County Board of Supervisors provides that ASAP will endeavor to develop a reserve fund balance sufficient to avoid deficit status during periods where referrals, and therefore client fee revenues to ASAP, decline. Should surplus client fees exceed the balance required for a sufficient reserve fund to become available in any fiscal year, the ASAP Policy Board will reimburse the county for the indirect costs noted above, or may request permission from the Fairfax County Board of Supervisors to expend such funds on the program. In FY 2014 ASAP brought in approximately \$1.66 million in revenues and incurred \$1.65 million in expenses.

Executive Summary

Our audit focused on risks associated with revenue collections and operational process inefficiencies. We found that revenue collected during our audit period was properly deposited; bank reconciliations were performed; adequate documentation was on file for revenue collections and the operational process was effective. Some areas which could be strengthened were as follows:

- An administrative fee was not applied to delinquent customer accounts after the first notice of delinquency as stated by Virginia Code §58.1-3958.
- Transaction fees for Program credit card payments were not charged to customers as allowed by new credit card regulations.
- Filing cabinets containing confidential financial records were accessible to unauthorized individuals.

Scope and Objectives

This audit was performed as part of our fiscal year 2014 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. This audit covered the period from January 1, 2013, through December 31, 2013, and our audit objectives were to determine that:

- Adequate controls were in place to maximize revenues and contain costs.
- Program efficiencies were optimized.
- Revenue owed to the county was accurately billed and collected.
- Cash receipts were properly deposited, posted, and reconciled in a timely manner.
- Proper separation of duties within the revenue billing and collection processes existed.
- Accounts Receivable was properly processed.

Methodology

Our audit approach included interviewing management and staff in areas responsible for billing, recording and collection of revenue for ASAP to obtain an understanding of internal controls over the collection of revenue deposits. We also carried out walk-throughs of processes, performed various reconciliations, obtained samples of revenue collection, fee schedules, deposit documentation, and related accounting system reports.

Findings, Recommendations, and Management Response

1. Administrative Fee Not Charged

The DAHS ASAP program did not charge an administrative fee after 30 days of delinquency and instead applied this administrative fee to each customer's delinquent account after the account was sent to the collection agency in accordance to the collection agency contract which was greater than 180 days past due. The administrative fee, as regulated by Virginia Code §58.1-3958, states that the customer shall be charged after 30 days of delinquency. By not charging the delinquent account after the first notice (30 days) of delinquency, there was a potential for lost revenue from administrative fees not collected. Virginia Code §58.1-3958, also states that county, city, and towns shall charge the delinquent account this administrative fee to recover administrative costs.

Recommendation: The Internal Audit Office (IAO) recommends the agency comply with the Virginia Code 58.1-3958 and apply the charge of the administrative fee as soon as the account becomes 30 days delinquent. This will potentially increase the revenue for the agency and help to minimize the risk of a shortfall in revenue.

Management Response: The Fairfax ASAP Office maintains a database of all clients who enter into payment agreements with our office. We will continue to use this database to track and monitor the accounts of clients. This process includes routinely checking the Inferno information system, and ASAP's case management and financial monitoring system, to ensure payments have been made in accordance with the payment agreement. Clients who have not made payments in accordance with their payment plans in over 30 days will incur a \$30 administrative fee on their account and noted in the Inferno information management system.

The ASAP will begin informing clients that failure to pay their accounts in accordance with their payment plans will result in this \$30 administrative fee. Written documentation will be placed in clients' handbooks notifying them of this charge and billing letters will be revised to notify clients that effective November 3, 2014, all ASAP intake client service accounts with an outstanding balance will be charged an additional \$30. Written communication will be provided to ASAP Office staff to explain this charge.

This charge will not be applied retroactively to accounts with an intake date prior to November 3, 2014. For these clients, this fee will be assessed on their account only if their case is sent to debt collection, which is in accordance with ASAP's former financial policy. The anticipated completion date is November 30, 2014.

2. Credit Card Fees Charged to the Agency Budget

The ASAP Program is absorbing credit card charges which could be passed on to their customers. The ASAP program fees can be paid by check, money order or credit card. The checks and money orders are free of collection fees and have no effect on the budget. However, credit card transactions incur collection fees to be paid to the credit card companies. The credit card transaction fees are paid by the agency, not the clients. In 2013 the rules and regulations from credit card companies changed allowing the county to pass on these collection fees to their customers. In FY 2013, credit card charges for the program totaled \$23K. Collecting this fee will help to reduce expenses for the program.

Recommendation: IAO recommends ASAP consider passing credit card fees on to clients. They should contact the Department of Finance, Investment & Cash Management Division (ICM) for a better understanding of the new regulations pertaining to these fees, and receive the necessary support to make this effective immediately. IAO also recommends keeping up-to-date on legislations and regulations that affect programs to better explore new opportunities, cut costs and reduce fees so that a shortfall does not occur.

Management Response: DAHS Director contacted the Department of Finance (DOF) for guidance on this matter. As a result, the Fairfax ASAP Office is currently working with the DOF to develop a strategy to pass credit card fees onto the clients paying their ASAP fees using Visa or MasterCard. The anticipated completion date is June 30, 2015.

3. Unsecured Financial Information

We found that filing cabinets containing confidential financial records were open and accessible to non-authorized individuals. All financial records should be kept in a secure location and only authorized staff should have access to this information. Accounting Technical Bulletin (ATB) 10040, *Guidelines for Financial and Accounting Records Retention*, revised May 2010 states that, "Custodians of records must ensure that information in confidential or privacy protected records is protected from unauthorized disclosure through the ultimate destruction of the information."

Confidential financial information as well as other sensitive information such as: bank account numbers, customer sensitive data and Inferno reports could be viewed by unauthorized individuals with the potential for fraud and misuse.

Recommendation: The files containing confidential information should be kept secure at all times and only authorized personnel should be provided access.

IAO verified that management took appropriate steps to ensure that the records were immediately secured. No follow-up action is required for this item.