Internal Audit Report
House Aurora Partnership

Contents

Auditor's Opinion

October 8, 2019

Internal Audit has completed the House Aurora Partnership engagement. We conducted this engagement at the request of Council Member At Large, Angela Lawson.

The audit objectives were to:

- Ensure House Aurora Partnership spent its funding in accordance with the program's overall mission.
- Review the effectiveness of the House Aurora Partnership, if possible.

To these ends, Internal Audit:

- Reviewed policies and procedures.
- Reviewed processes for controls.
- Reviewed processes for efficiency and effectiveness.
- Reviewed payments made through HAP for appropriateness.
- Interviewed key personnel.

Expenditures in Accordance with Mission
During our test work we identified eight exceptions that lacked sufficient supporting documentation. While these eight errors were within our allowable error rate, there is a 5% risk that the actual rate of deviations may exceed 4.8%.

HAP Effectiveness
Surveyed partner organizations rate the program highly. While it is apparent that HAP is assisting many individuals in need, there are no standards against which to measure HAP's effectiveness. Consequently, we cannot offer a conclusion on HAP's effectiveness.

Wayne C. Sommer Internal
Audit Manager, CPA, CGMA

Audit Profile
Audit Team

Wayne Sommer – Manager   Sheree Van Buren

Michelle Crawford

For purposes of this engagement, we combined the milestone and fieldwork reports under the overall opinion report.

Background

The House Aurora Partnership (HAP) was developed to both prevent and end homelessness for Aurora residents. It was specifically developed to support lower vulnerability households experiencing housing instability or homeless individuals who have sustainable income to pay their rent after overcoming a temporary crisis or gaining employment/benefits that can sustain housing.[1]

In the summer of 2017, many of the King's Inn Motel residents found themselves priced out of the increased rental rates.[2] To assist, the City approved $80,000 in marijuana tax revenue to assist displaced families with security deposits, first and last months' rents, short term hotel stays (bridge housing), or transportation tickets if families wanted to move from Colorado.

As a result of the King's Inn crisis, the Program Director realized a need for a program that would continue to aid Aurora residents experiencing homelessness or a housing crisis who fall through the gaps of current housing or federally funded programs. In June of 2017, the Program Director requested the City establish a "flexible housing fund." The program assists individuals who are employed or have a source of income and may be experiencing a crisis of some sort that affects their ability to obtain stable housing or remain stably housed.

The program assists within four categories:

1. Rehousing: providing money for security deposits, first/last month's rent, application fees, and other expenses needed to secure housing
2. Eviction Prevention: providing money to pay past due rent and fees to prevent eviction
3. Homeward Bound: providing transportation funds (bus tickets or gas money) to an individual/family wanting to relocate to viable resources (friends or family)
4. Miscellaneous assistance: provides assistance in areas that would ultimately affect an individuals' ability to pay for housing or remain housed. As an example, in the early days, the program would pay for six months of an individuals' Xcel Energy bill, affording the individual the ability to apply their personal funds to rent. The program would also pay for U-Haul storage for belongings or truck rentals to move belongings between homes.[3]

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[1] As presented in the July 22, 2019 program update to City Council Study Session.
[2] https://www.westword.com/news/aurora-resettles-kings-inn-motel-residents-with-pot-tax-funds-9498028
[3] As the program has refined its requirements, these activities became less frequent.

Program Administration

The House Aurora Partnership was developed and implemented as a public/private partnership. The City's Homelessness Program (HP) provides the financial resources to match the supportive services of our partners to work with households to prevent or end their homelessness with short-term financial assistance. Case Managers from all partner agencies are required to attend HAP training prior to having access to the program application.[4]

Applicants present themselves to one of the HAP partner agencies. The case managers complete the application on their behalf. Applications must include proof of income, a lease copy, eviction notice (if applicable), W-9 (from landlord), a Vulnerability Index – Service Prioritization Decision Assistance rating (VI-SPDAT),[5] and a security deposit return agreement (requested but not required). The City of Aurora Homelessness Program approves or denies applications. If approved, either the City of Aurora, Aurora Warms the Night (AWTN), or Mile High Behavioral Healthcare (MHBHC) issue a check directly to the landlord.

Homelessness Program Philosophy

The overall philosophy of the City of Aurora's Homelessness Program and its initiatives reads as follows:

> *Every program funded by the City of Aurora's Homelessness initiative is working toward permanent solutions to homelessness.* **We seek to make homelessness rare, brief, and non-recurring.[6]** *Therefore, the most important outcome measured is that individuals and families experiencing homelessness exit our programs into permanent safe and stable housing situations.[7]*

HP collaborates with city departments, Aurora@Home partners, regional collaboratives such as the Metro Denver Homeless Initiative, and other governmental agencies, to develop, implement, sustain, and evaluate a crisis response system that strives to reach the over-arching goal of making homelessness rare, brief and non-recurring.[8] The HAP program is only one of many initiatives created to address homelessness.

Funding Source

Marijuana tax revenue is the primary funding source for HAP. Since inception, HAP has received $1,440,000 from the marijuana fund. The below chart depicts the amount of funding received for the years 2017 and 2018, and the budgeted amount for 2019. HAP also received $9,187 from Spirit of Aurora donations and returned security deposits.[9]

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[4] See Appendix A for a list of current partner agencies

[5] The VI-SPDAT assesses if the HAP program is appropriate for an individual or if they require other assistance programs.
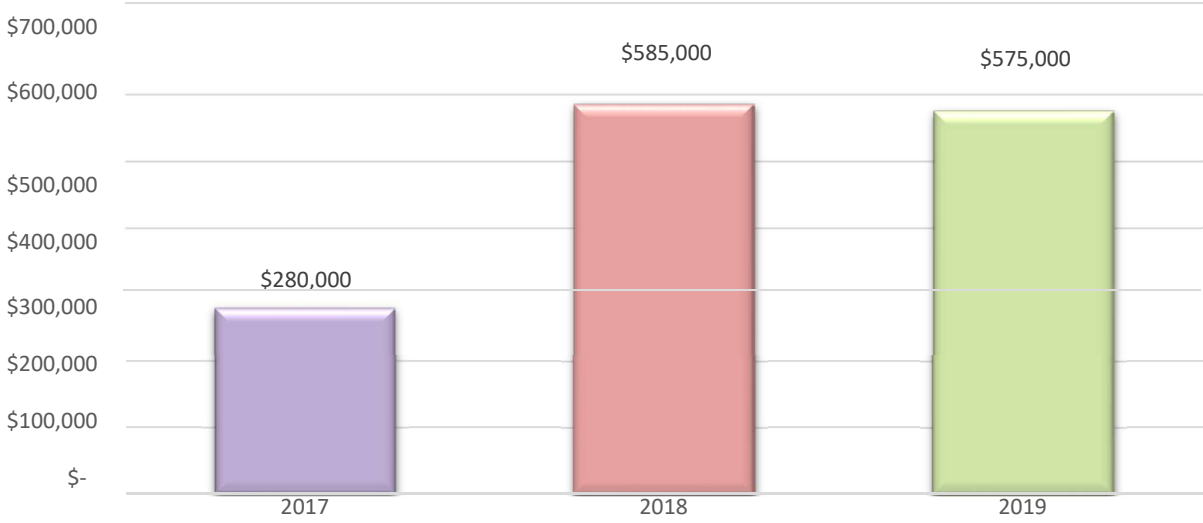
[6] "We must design community responses that prevent homelessness whenever possible. When we aren't able to prevent it, we must make sure it's a rare, brief, and one-time experience." https://www.usich.gov/goals/

[7] As presented in the July 22, 2019 program update to City Council Study Session.

[8] https://auroraathome.org/

[9] This information provided by City of Aurora Finance Department.

Marijuana Tax Revenue

Year	Revenue
2017	$280,000
2018	$585,000
2019	$575,000

Spirit of Aurora
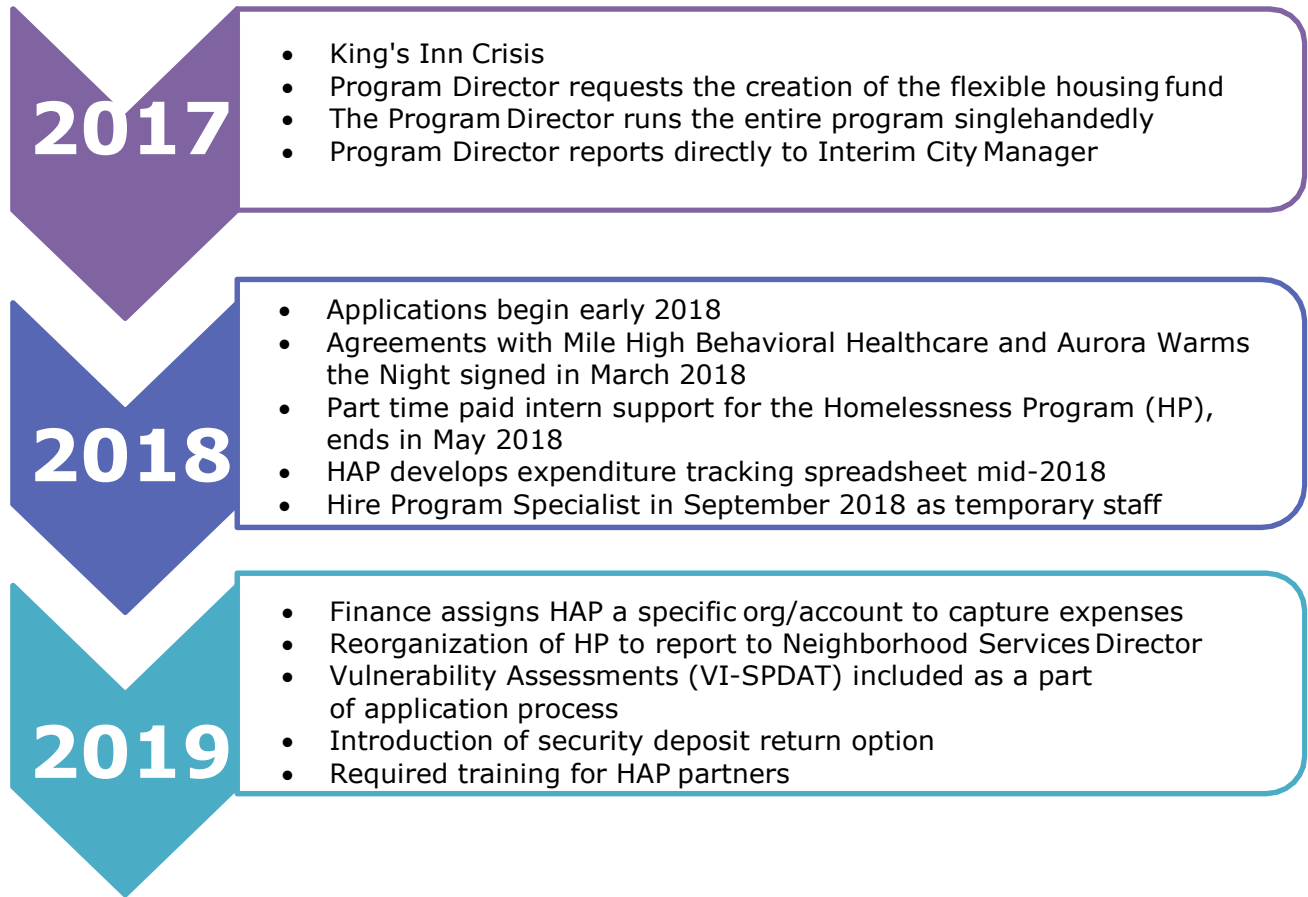
	Value
	$3,225
	$2,732
	$3,230
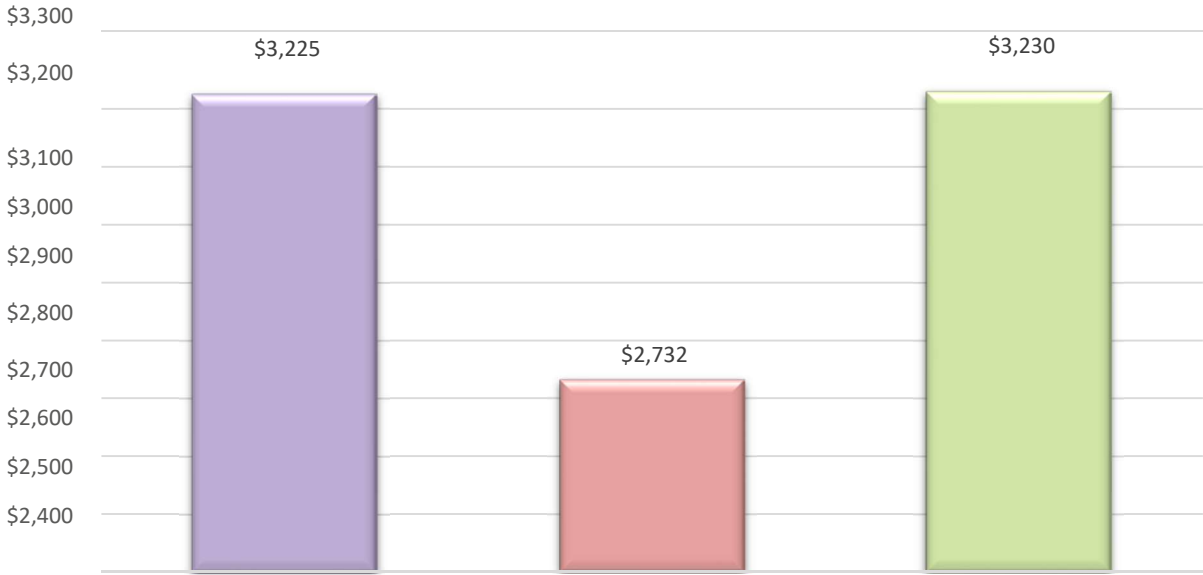
HAP Timeline:

HAP was developed very quickly. The below image depicts the significant events and enhancements that have occurred since program's inception. Over the years, the program has developed formal practices to better administer assistance.

2017
- King's Inn Crisis
- Program Director requests the creation of the flexible housing fund
- The Program Director runs the entire program singlehandedly
- Program Director reports directly to Interim City Manager

2018
- Applications begin early 2018
- Agreements with Mile High Behavioral Healthcare and Aurora Warms the Night signed in March 2018
- Part time paid intern support for the Homelessness Program (HP), ends in May 2018
- HAP develops expenditure tracking spreadsheet mid-2018
- Hire Program Specialist in September 2018 as temporary staff

2019
- Finance assigns HAP a specific org/account to capture expenses
- Reorganization of HP to report to Neighborhood Services Director
- Vulnerability Assessments (VI-SPDAT) included as a part of application process
- Introduction of security deposit return option
- Required training for HAP partners

Scope
Our audit work covered the period between August 2017 and May 2019.

Milestone Reports	Issued Date
Milestone 1 Engagement Letter	October 8, 2019
Milestone 2 Client Evaluation	October 8, 2019
Milestone 3 Process Controls and Efficiency	October 8, 2019
Milestone 4 Risks	October 8, 2019
Fieldwork	October 8, 2019

BACKGROUND

In Milestone 2, we gain a deeper understanding of HP's operating environment and issues that may affect the engagement objectives and influence subsequent engagement procedures. We accomplish this by reviewing policies and procedures, performance measures, and statistics.

Procedures	Conclusions
Review policies and procedures	House Aurora Partnership could benefit from documented internal policies and procedures; see finding below.
Review performance measures	House Aurora Partnership program could benefit from performance measures; see finding below.

Issue Details

ISS.1 - Gmail account use

At the time of our audit, HAP was using a Gmail account to receive applications. We verified with staff that the Gmail account was not set up through Information Technology. The reason provided for the Gmail account was when a city account was originally used they did not receive all applications, possibly due to City firewall issues. The applications sent through the Gmail account include personally identifiable information (PII).

Using a non-government Gmail account is less secure than an approved City email account and increases the risk that PII could be inappropriately accessed or stolen. This creates an unnecessary reputational and financial risk for the city. Using a City-provided and secured email account protects PII and secures emails behind the City firewall.

Recommendation

Work with IT to resolve any firewall issues and discontinue the use of the Gmail account.

Management Response

HP submitted an IT ticket immediately after Internal Audit brought the security risk of using a Gmail account to our attention. We expect not to use the Gmail account for collecting and/or storing PII by January 31, 2020. This is in line with when we expect to have the HAP application integrated into the Homeless Management Information System (see ISS.3).

Recommended Implementation Date: January 31, 2020
Issue Owner: Shelley McKittrick
Issue Final Approver: Malcolm Hankins

ISS.2 - Policies and procedures

The House Aurora Partnership (HAP) program lacks documented policies and procedures. The HAP program has documented some guidance for partner agencies but does not have any other written policies or procedures for internal processes.

Policies are a direct link between an organization's vision and their day-to-day operations. Policies identify the key activities and provide a general strategy to decision-makers on how to handle issues as they arise. This is accomplished by providing the reader with limits and a choice of alternatives that can be used to guide their decision-making process as they attempt to overcome problems.

The ultimate goal of every *procedure* is to provide the reader with a clear and easily understood plan of action required to carry out or implement a policy. A well- written procedure will also help eliminate common misunderstandings by identifying job responsibilities and establishing boundaries for the jobholders.

Good procedures allow managers to control events in advance and prevent the organization (and employees) from making costly mistakes.[10]

Well-constructed and documented policies and procedures also ensure consistent operations during periods of staff turnover.

The program should have policies addressing key activities and the strategy for meeting program goals. The program should have procedures addressing internal processes including applications, reviews, approvals, fund distribution, data collection and sharing, tracking outcomes, and reporting.

Recommendation
Develop and document policies and procedures for key activities including but not limited to:
- Program terminology
  - Ex. Clearly defining what qualifies as "rehousing expenses"
- Application reviews
- Application approvals
- Fund distributions (including miscellaneous expenses)
- Data collection and sharing
- Outcome tracking
- Reporting

Management Response
HP will develop, and document policies as suggested by Internal Audit staff.

Recommended Implementation Date: December 31, 2019
Issue Owner: Shelley McKittrick
Issue Final Approver: Malcolm Hankins

ISS.3 - Performance Measures
While HP monitors and tracks HAP client data and current living status, there are no formal performance measures or targets that monitor whether the HAP program is achieving its performance goals or making sufficient progress toward achieving them. Performance measures allow for the identification of trends and areas for improvement by measuring progress against organizational goals, desired outcomes, and operational standards. Staff can use the performance measure data as the necessary proof needed to reallocate and/or acquire resources, or to change processes.

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[10] http://www.pcg-services.com/are-your-policies-and-procedures-a-barrier-to-growing-your-company/

Recommendation

We recommend developing performance measures for the Homelessness Program, as a division, and the House Aurora Partnership, as a program. Below are some suggestions to consider:

1. Outcome-focused: Percentage of all clients remaining housed after an appropriate time interval (set by the Homelessness Program, Management, or Council) will be:
    *   Eviction Prevention: >xx%
    *   Rehousing: >xx%
2. The City of Aurora Homelessness Program playing an active role in the Metro region achieving 'functional zero'. Achieving functional zero means a community (region) has ended chronic homelessness and there is a well-coordinated and efficient community system that assures homelessness is rare, brief, and non-recurring. This does not mean that there are no people experiencing homelessness in the community, but that there is a crisis response system that is able to provide shelter on demand, immediate re-housing, and homelessness prevention strategies like HAP. The Homelessness Program would need to clearly describe what their role might be, then develop and sustain programs to that end.

3. The Homelessness Program would reduce to an acceptable floor the number of duplicated residents served using HMIS data. This figure correlates with the number of residents receiving the support needed to sustain housing on their own, through partner agencies.

Management Response

The City, first through community development and then the HP, has been an active member of the HUD 7-county Continuum of Care (COC), the Metro Denver Homeless Initiative (MDHI). The HP Director has been on the Board of Directors since the fall of 2016 and is the recent past president. MDHI is the lead agency and administrator of the Homelessness Management Information System (HMIS). The Homelessness Program is targeting January 2020 to begin shifting from tracking data and client follow-up in an Excel spreadsheet to this sophisticated state-wide database. This will help us develop and report on performance measures for the Homelessness Program and HAP.

1) As set by the Homelessness Program:
    Outcome-focused: Percentage of all clients remaining housed at one year from time of assistance will be:
    > Eviction Prevention: >70%
    > Rehousing: >70%
2) The Homelessness Program is already apart of Community Solution's 'Built 4 Zero' campaign. We can better clarify our role in the campaign. As a member of the CoC and in coordination with MDHI and Community Solutions' national "Built for Zero" Campaign, Aurora is an active partner in coordinating our service delivery system to align with and utilize evidence-based, data-driven best practices in solving homelessness across the region.

3)   This is very feasible. HMIS' user base is quickly expanding with their recently upgraded software. The Homelessness Program will implement a progressive engagement model to support stabilizing a household that requires assistance more than one time in a year. This evidence-based best practice progressively engages with the client, using the lightest touch possible until there is evidence that a more intensive intervention is needed. For the HAP, this means having access to a prevention case manager (we have none at this time) who will step in and support households that come back for assistance a second time in a year. HMIS will support the implementation of the progressive engagement model. For it to be successful, Aurora@Home will need a prevention case manager position added to the cadre of services currently offered.

Recommended Implementation Date: December 31, 2020
Issue Owner: Shelley McKittrick
Issue Final Approver: Malcolm Hankins

ISS.4 – Strategic Planning

The City of Aurora is part of the Aurora@Home collaborative. Aurora@Home is a group consisting of multiple local agencies working to address homelessness. The collaborative's last strategic plan was for the years 2010 - 2014. Based on our review of initial Council actions establishing HAP, we do not believe that sufficiently clear direction or oversight was provided to HP regarding how to execute program efforts or define program success. There was no formal strategic plan for the program.

A strategic plan is a carefully thought-out road map that details the "what, why, how, and who" of the actions needed to achieve success. It is a document used, at a minimum, to communicate the goals of the program and the actions needed to achieve those goals.[11] Additional elements may include the:

- Definition of success
- Program performance measures and targets
- Identification of the partners/major players
- Identification of resources needed
- Timeline to achieve goals (prioritize the goals.)

A strategic plan outlines the vision for the program for a future period such as the next 3-5 years or beyond.

Recommendation

We recommend that the Homelessness Program develop a strategic plan, inclusive of any programmatic efforts, such as the House Aurora Partnership[12].

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[11] https://strategymanage.com/resources/strategic-planning-basics/
[12] There isn't a Citywide strategic plan. Once the City formulates a strategic plan, departments and divisions will be able to develop supporting plans accordingly. These efforts are currently underway.

Management Response

The City of Aurora's Homelessness Program, inclusive of HAP, is a part of the Aurora@Home strategic plan. Aurora@Home, with the support of the HP's Capacity Building and Training funding, will be creating the next five-year plan in early 2021. The Homelessness Program is currently working on an internal strategic plan.

Recommended Implementation Date: December 31, 2019 (internal plan); December 31, 2021 (Aurora@Home plan)
Issue Owner: Shelley McKittrick
Issue Final Approver: Malcolm Hankins

Internal Controls

In Milestone 3, we determine whether appropriate controls exist for key processes and whether these processes are efficient. We flowchart and perform walkthroughs of key processes, identifying missing controls and process inefficiencies.

Procedures	*Conclusions*
Flowchart key processes. Evaluate key processes for missing or weak internal controls, efficiency issues, and IT related issues. • *Client data collection* • *Partner organization set up* • *Rehousing program* • *Eviction Prevention program* • *Homeward Bound program* • *Miscellaneous expenses* • *Invoicing process*	There is room for improvement. We have detailed our recommendations below.
Determine any impact on fieldwork procedures.	There will be no impact on the planned fieldwork procedures. Internal Audit originally planned for and will perform testing over the appropriateness of HAP expenditures.

Issue Details

ISS.5 – Partner Performance

There are no articulated partner performance standards or metrics in place by which House Aurora Partnership (HAP) can measure and monitor a partner's performance.

Establishing and monitoring performance metrics is how organizations ensure that their programs are accomplishing the objectives for which they were established. Without them, success is a subjective measure. In the absence of performance measures, staff and partners lose a useful tool for improving service delivery efficiency and effectiveness. Performance measures can also be useful in making resource allocation decisions, ensuring that those partners that best produce the desired outcomes with the greatest efficiency have sufficient resources to advance the program objectives.

Leading-edge organizations, whether public or private, use performance measurement to gain insight into, and make judgments regarding, the effectiveness and efficiency of their programs, processes, and people. These best-in-class organizations decide on what indicators they will use to measure their progress in meeting strategic goals and objectives, gather and analyze performance data, and then use these data to drive improvements in their organization and successfully translate strategy into action.

Recommendation

We recommend that the City develop success measures for the Homelessness program. Then, in conjunction with HAP partners, develop realistic performance standards and related metrics by which to monitor partner performance toward accomplishing HP goals. The standards and metrics should be documented within the partner agreements (see ISS.9). One metric to consider is a success rate for clients remaining housed after participating in HAP (see ISS.3). This would require partner organizations to perform client follow up activities as noted in the partner training documents.

We further recommend that the City develop procedures by which the metrics can inform funding allocation decisions to ensure the best application of City resources.

Management Response

These measures will be included in HAP contracts starting in January 2020.

Recommended Implementation Date: January 31, 2020
Issue Owner: Shelley McKittrick
Issue Final Approver: Malcolm Hankins

ISS.6 – Feedback Process

There is no formal feedback process for collecting complaints or compliments from clients or partners regarding the House Aurora Partnership program. The program is missing out on important information about the program from those operating closest to its point of impact. A formal feedback process provides a mechanism for making meaningful service improvements.

Recommendation

Develop a method to collect formal feedback for the HAP program.

Management Response

The House Aurora Partnership will develop an annual client and provider satisfaction survey. In addition, we will add a suggestion "box" (link) to gather ongoing feedback on the application portal.

Recommended Implementation Date: June 30, 2020
Issue Owner: Shelley McKittrick
Issue Final Approver: Malcolm Hankins

ISS.7 – Segregation of Duties

City staff running the eviction prevention portion of the HAP program can submit, review, and approve the applications. For the eviction prevention portion, the City and one partner accept all applications. According to the Program Specialist, since September 2018, she has completed, reviewed, and approved all eviction prevention applications for clients that come directly to the City.

When staff can approve funding applications that they themselves have generated (submitted and reviewed), an inappropriate segregation of duties exists, which increases the opportunities for fraud and errors to occur. An independent review by an uninvolved party decreases the risk that staff would submit a false application to misappropriate program funds and improves the potential for catching errors such as the absence of required information or data entry errors.

According to the American Institute of Certified Public Accountants, "Segregation of Duties is a basic building block of sustainable risk management and internal controls for a business. The principle is based on shared responsibilities of a key process that disperses the critical functions of that process to more than one person or department. Without this separation in key processes, fraud and error risks are far less manageable."[13]

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[13] Resource - https://www.aicpa.org/interestareas/informationtechnology/resources/value-strategy-through-segregation-of-duties.html

Recommendation

We recommend segregating the application submission activity from the application review and approval activities.

Management Response

HP agrees with Internal Audit's recommendation to segregate application completion and approval duties.

Recommended Implementation Date: September 30, 2019
Issue Owner: Shelley McKittrick
Issue Final Approver: Malcolm Hankins

ISS.8 – Program/Partner Handling of Data

Partners of the HAP program collect client data to provide appropriate services. This data can include personally identifiable information, mental health information, and other data that should be kept secure and confidential. The Homelessness Program (HP) has access to this data collected by its partners. In discussions with the HP Director, we learned that there is no agreement between HP and the partnering organizations outlining the responsibilities related to data use and protection.

At the end of the application, each client must sign-off on the below statement:

> *Statement of Release* I hereby authorize Aurora @ Home and its partners, to share in good faith any information contained in this application for the purpose of helping the parties disclosed in this application obtain housing or preventing an eviction. I will hold Aurora @ Home, it's partners and any other persons speaking on their behalf free of liability for the use of this information and any other reasonable and necessary information incident to this application process.*

The statement does not absolve the partners or the affiliates of Aurora@Home from the due diligence needed to secure the collected data. Without written agreement, the City is at risk of a partnering organization not handling the data appropriately or securely. Having written agreements with specific requirements protects the City and the partnering organizations.

Per discussion with the City of Aurora Chief Information Security Officer, the consumer data practices, which must now adhere to Colorado HB18-1128, "Concerning Strengthening Protections for Consumer Data Privacy," apply.[14]

Recommendation

We recommend HP adopt a policy that addresses the use and protection of collected data. We also recommend that the City require that partners abide by the same policy via the partner agreement.[15]

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[14] https://leg.colorado.gov/bills/hb18-1128, see Appendix A for highlights
[15] The City of Aurora Chief Information Security Officer, with outside counsel, is drafting a Data Use Agreement for City partners.

Management Response

HP migrating to HMIS will cure most of this issue, as it is a secure and Health Insurance Portability and Accountability Act (HIPAA) compliant database. We will also implement partner agency agreements concerning personally identifiable information (PII).

Recommended Implementation Date: December 31, 2019
Issue Owner: Shelley McKittrick
Issue Final Approver: Malcolm Hankins

ISS.9 – Administrative Fee Lacks Supporting Rationale

The City currently pays a 15% administrative fee to HAP partnering organizations. The agreements with Aurora Warms the Night and Mile High Behavioral Healthcare state that the partner organization "submits an invoice to the City for reimbursement of all direct financial support for clients participating in the House Aurora Partnership along with a 15% administrative fee based on the total of each invoice." There is no documented rationale by which to determine the fee's reasonableness.

The City could be over- or under compensating partner organizations, either resulting in fewer resources available for the HAP program, or, inhibiting their partners' ability to effectively discharge their missions.

Under the current fee structure, the relationship between the amount expended and the level of effort required to administer the program appears inconsistent incongruous. A more appropriate basis for establishing an administrative fee would involve some relationship to the processing entity's cost structure and the level of effort required to process the applications. This could vary by entity. Estimates or averages could be applied in determining level of effort. The partner organizations could submit proposed fees as a basis for negotiations with the City. Submissions should include supporting cost data and level of effort information as well as any related assumptions.

Recommendation

We recommend that the City develop a rational, supportable administrative fee to compensate the partner organizations for their program administration efforts under HAP.

We also recommend the HP Director assess the viability of bringing the administrative duties in-house. This would create the opportunity to hire an additional staff member and free up program funds for more direct financial support.[16]

HP can utilize the agreement when distributed.

[16] The program has budgeted ~$74k per year for administrative fees. Per discussion with the Finance Department, with the proper policy in place, Accounts Payable can apply a level of urgency for HAP check requests. If the City brings the administrative duty of mailing the checks to landlords in-house, MHBHC and AWTN would essentially do what the other eight organizations do, which is just submitting the applications. At that point, there would not be any compensation to them needed as we do not compensate the other orgs for just completing the applications.

Management Response

It is impractical to bring administrative duties in-house due to the time sensitive nature of re-housing people experiencing homelessness and preventing evictions for
those at imminent risk of homelessness. HP worked with the City Attorney's office to develop a new structure for administrative fees. HP proposes a $150 fee per application approved paid for by a partner agency.

Recommended Implementation Date: January 31, 2020
Issue Owner: Shelley McKittrick
Issue Final Approver: Malcolm Hankins

ISS.10 – Partner Agreements

The House Aurora Partnership agreements are missing elements and require more specific details outlining the current partner responsibilities. Internal Audit obtained two agreements, one between the City of Aurora Homelessness Program House Aurora Partnership and Aurora Warms the Night and another with Mile High Behavioral Healthcare. These two organizations partner with the City to provide direct financial support on behalf of HAP clients[17]. The city reimburses the organizations for their HAP direct financial support expenses and pays an administrative fee (see ISS.9). Currently, there are ten organizations who can participate in submitting applications to HAP. The eight organizations who solely submit HAP applications do not have partner agreements.

Example effects of unclear or undocumented agreements may include:
1. Unclear responsibilities of each party
2. Unclear expectations of each party
3. Unrealistic expectations of each party

Without complete and clearly written agreements, an organization risks not getting what it intended, making commitments it didn't intend, or even breaching a contract without realizing it.[18] Written agreements minimize disputes, resolve any problems or misunderstandings, is legally enforceable, and protects all parties involved.[19]

Recommendation

We recommend the HAP program obtain written, signed agreements from all participating organizations. We also recommend a revision to the current agreements. Please see Appendix B for the table of recommended changes.

Management Response

HP agrees and is in the process of upgrading and implementing new agreements.
Recommended Implementation Date: December 31, 2019
Issue Owner: Shelley McKittrick
Issue Final Approver: Malcolm Hankins

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[17] According to HP, these two organizations have the resources and flexibility to issue checks at the speed needed to address client needs.
[18] (https://gretchenmccordlaw.com/legal-services/general-contract-law/)
[19] (https://www.itcontracting.com/contracting-written-contract/)

Risk

In Milestone 4, we assess the impact of identified risks on the engagement objectives, scope, and planned test work procedures. We accomplish this by discussing risk in key areas with the client and comparing risk responses to leading practices.

Procedures	*Conclusions*
Assess IT Risk	No issues noted.
Assess Governance Risk	We assessed the governance level as "good." There are effective governance activities in place, but they are mostly informal and undocumented.
Assess Fraud Risk	We assessed the fraud risks and controls. The division can benefit from segregating duties and developing procedures to stay within budget, as discussed in Milestone 3. We did not identify additional fraud risks or general risks that would impact the planned audit objectives or fieldwork procedures.

Fieldwork

In Fieldwork, we obtain sufficient, competent, evidential matter to afford a reasonable basis for drawing conclusions on the engagement objectives. We accomplish this by performing tests, data analysis, and any other means necessary.

Objectives	*Conclusions*
Ensure House Aurora Partnership spent its funding in accordance with the program's overall mission.	Based on our test work, we identified eight exceptions totaling $1,609.42 (.41% of all program expenses in our scope) that lacked sufficient supporting documentation (all found before the hire of the Program Specialist). Based on these results, we can estimate with 95% confidence that it is likely that 4.8% ($66,000) of total program disbursements may not meet the HAP mission.
Review the effectiveness of the House Aurora Partnership, if possible.	Internal Audit is unable to assess the level of the program's effectiveness based upon available information.

Issue Details

ISS.11 – HAP Tracking Spreadsheet

The Program Specialist manually tracks the resident application information, amount disbursed, assistance provided, partner organization information, demographic information, and other personal data collected during the application phase in a spreadsheet (created in mid-2018). We identified several concerns with the spreadsheet.

Data integrity

The spreadsheet does not include all HAP expenditures. When HAP was created, its expenditures were charged to shared org accounts within OneSolution (the City's financial system.) A separate org number for HAP was created in 2019 to track HAP expenditures. Finance was unable to provide a report from OneSolution of all of HAP expenditures. To determine the total HAP expenditures within OneSolution, Internal Audit, with Finance assistance, identified all org numbers related to HAP. Internal Audit and Finance staff then reviewed batches in those org numbers to identify HAP payments. Internal Audit could not reconcile expenditures in the HAP spreadsheet to the accumulated OneSolution data. The HAP spreadsheet included less expenses than OneSolution.

Data tracking

Spreadsheets can be useful in analyzing data; however, they can become unwieldy as databases. As the HAP program has evolved, so has the types of data collected. The changing spreadsheet versions have made it difficult to track activity over time as the amount of data collected has become overwhelming. The HAP program lacks a software application that would allow it to readily track program activity including key reporting information such as demographics.

Manually recording program data on a spreadsheet increases the risk of inaccurate and incomplete information. The inability to reconcile information tracked on the HAP spreadsheet to the City's financial system results in inaccurate program reporting.

Recommendations

Data integrity

We recommend a reconciliation of the 2019 spreadsheet data to the 2019 OneSolution data collected during the audit. After reconciliation of the 2019 data, the Specialist should perform a monthly reconciliation of the spreadsheet to OneSolution. The Neighborhood Services Financial Support Technician should review the reconciliations for accuracy.

Data tracking

We recommend HP look further into the Homeless Management Information System (HMIS) capabilities when the software becomes available to the City of Aurora. Beyond HP's current desires to use it as an information sharing database and to track homelessness throughout the region, if HP can use it as the dedicated platform for managing all aspects of the program, it would improve the data

integrity and reliability.

Should HMIS not be able to provide the data management functions, we recommend the program obtain a management database.

Management Response

HMIS should be a viable management database to suit client data tracking needs for the House Aurora Partnership. Cross referencing purely financial data with the Neighborhood Services Financial Support Technician monthly is also a feasible solution to our financial tracking issues.

Recommended Implementation Date: March 31, 2020
Issue Owner: Shelley McKittrick
Issue Final Approver: Malcolm Hankins

ISS.12 - Homeward Bound Program

Our audit identified several concerns with the Homeward Bound Program.

Budget

Budgeting is the process of creating a plan or estimate of costs, revenues and needed resources during one period to manage financial conditions and performance in a succeeding period.
HAP does not have a fixed budget for Homeward Bound against which to manage overall expenditures. For the two other HAP programs, HP approves the expense prior to the organization incurring it. For Homeward Bound, HP does not pre-approve expenses prior to the partner organization incurring them.

The partnering organization identifies the clients, verifies the viability of potential support (family, friends, and relatives), provides the transportation relocation funds via a ticket or gas cards, and verifies the client's arrival at their destination. The partnering organization then requests reimbursement, via invoice, from the City for the expenses. HAP has an obligation to pay the Homeward Bound invoice regardless of funding availability.

Without pre-approval or a budget, HAP is at risk that closer to year end its funds may be exhausted, yet it may still have reimbursement obligations for Homeward Bound, resulting in overspending its *total* program budget.

Expense pre-approval combined with budgeting are tools for effectively managing expenditures.

Application

There is no application for the Homeward Bound program. The current HAP application has a drop-down menu for rehousing and eviction prevention. Homeward bound is not included in this menu.

For the homeward bound invoices, the partner organization submits the ticket or

receipt as proof of purchase. Normally, the ticket includes the client name and itinerary. There is no information to certify that the client is experiencing homelessness or receiving homelessness services in Aurora. There is also no certification that the partner organization confirmed viable support resources for the client prior to expending relocation funds.

Without applications verifying client information, just like other programs within HAP, there is a risk that funds may be spent on clients who are not Aurora residents or receiving services in Aurora.

Recommendation
Budget
We recommend establishing a monthly or annual budget for the Homeward Bound program along with procedures that allow the partnering organization to verify fund availability prior to purchasing Homeward Bound resources.
Application
As Homeward Bound does not require the same detailed information as the rehousing or eviction prevention disbursements, we recommend developing a specific Homeward Bound application.

Management Response
When the House Aurora Partnership first was implemented, a form existed to document Homeward Bound client/travel information. We can re-implement this document and provide our partner agency managing Homeward Bound with a monthly allocation rather than having retro-active invoicing.

Recommended Implementation Date: January 31, 2020
Issue Owner: Shelley McKittrick
Issue Final Approver: Malcolm Hankins

ISS.13 – Inadequate Supporting Documentation
Program expenditure supporting documentation was sometimes inadequate. Our review of 306 expense invoices identified 107 expenses that did not contain complete supporting documentation, could not be linked to an Aurora resident, or the administrative fee was not correctly applied. Examples included:

- No client information included on hotel receipts (bridge housing assistance)
- No documentation identifying the client as an Aurora resident for Homeward Bound
- No documentation to confirm the client received miscellaneous assistance (i.e. food gift cards, RTD coupons)
- No documentation to explain a dollar difference between the amount requested and the amount paid
- Lack of explanations outlining the details of the miscellaneous disbursement (i.e. explanation of why we paid a client's U-Haul or Storage Space)
- Misapplication of the administrative fee to a non-direct client

assistance disbursement (application website subscription fee)

We also identified eight expenses with no supporting documentation (see charts in opinion report). We could not determine whether the claimed expenses were paid in accordance with the HAP mission.

Complete and accurate supporting documentation substantiates program disbursements and provides accurate, necessary information for the HAP tracking spreadsheet. It allows for accountability and demonstrates good stewardship over the program funds. Requested reimbursements should not be paid without the necessary supporting documentation.

As this program is unique and requires that certain criteria be met, each disbursement should include documentation:
- That the client is a non-Aurora resident but is receiving homelessness services in Aurora
- Of any exceptions made due to extenuating circumstances
- Of any miscellaneous disbursements (i.e. U-Haul expenses, other housing related payments, gift cards), including client information and the purpose for the miscellaneous disbursement
    - In the case of gift cards and RTD coupons, a client signature is appropriate to show they received the support
- Of the client's name on hotel stay receipts for any bridge housing assistance
- Of the reasons for differences between the amount requested and the amount disbursed
- Of any lost receipts using a 'Receipt Replacement' form
- On the purchasing card log that includes the vendor, date, description of purchase, reason for purchase, amount, and client name.

Recommendation
We recommend the Homelessness Program thoroughly review and ensure each partner invoice contains complete and accurate supporting documentation to ensure disbursements are appropriate and relate to HAP. We further recommend that the Homelessness Program develop and implement a checklist to help the clients ensure, prior to expending HAP funds, that each expense meets the mission of HAP and includes adequate supporting documentation.

Management Response
Management agrees to implement the recommendation.

Recommended Implementation Date: December 31, 2019
Issue Owner: Shelley McKittrick
Issue Final Approver: Malcolm Hankins

Appendix A: Current HAP Partners

- City of Aurora
- Mile High Behavioral Healthcare
  - Comitis Crisis Center
  - Aurora Day Resource Center
  - Colfax Community Network
- Aurora Warms the Night
- Aurora Mental Health Center
- Aurora Housing Authority
- Family Promise of Greater Denver
- Community Housing Partners
- Veteran's Administration – Community Resource and Referral Center
- Children's Hospital Colorado
- CUHealth (UCHealth) University of Colorado Hospital
- ArapahoeDouglas Works!

(Anticipated to grow by three (or more) agencies before 2020.)

Appendix B: Internal Audit Results

Audit sampling is "the selection and evaluation of less than 100 percent of the population of audit relevance such that the auditor expects the items selected (the sample) to be representative of the population, and thus, likely to provide a reasonable basis for conclusions about the population."[20]

When planning our audit sample, we considered the following:
- We would sample from the population of payment batches recorded in the City's general ledger system. Each batch contained multiple individual invoices. We concluded that our sample would cover an adequate number of transactions.
- We expected that all disbursements would meet the HAP mission, therefore, we selected a zero-expected deviation rate.
- We also selected a 5% tolerable deviation based on our planning work and conversations with the Program Director and Specialist.
- We desired a 95% confidence level that had we tested 100% of the program disbursements, the results would be within ± 5% of the sampled population results.

We pulled a random sample of 59 invoice batches. We performed our test work on each invoice contained within the selected batch resulting in the review of 306 invoices. Using the number of invoices tested (306) and our 5% tolerable deviation rate, we determined that our expected error rate was between 2.75% and 3.0%. We interpolated within the table and produced an expected error rate of 2.93% or 8.8 (9) exceptions.

For purposes of this test, we assessed each invoice for the following criteria:

- Does the expense meet the HAP mission?
- Is support for the expense adequate?
- Is the disbursement of funds linked to an Aurora resident?
- Is the administrative fee correctly applied?

Internal Audit identified eight exceptions that lacked sufficient supporting documentation. While these eight errors were within our allowable error rate, there is a 5% risk that the actual rate of deviations may exceed 4.8%. Internal Audit notes that each error was found before the Homelessness Program Liaison's hiring.

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[20] The American Institute of Certified Public Accountants (AICPA) Professional Standards, AU-C section 530

This table compares the dollar amount of exceptions to the total disbursements by partner organization since program inception.

Exceptions to Total Disbursements

	Total Exceptions by Organization	Total Disbursements by Partner Organization	%
Comitis/MHBHC	$589	$260,123	0.2%
Aurora Warms the Night	$1,021	$954,165	0.1%
Total	**$ 1,609**	**$ 1,214,289**	**0.1%**

The table below compares the total dollars tested to total program disbursements by year.

	Tested Amount	Total Program Disbursements	% Tested
2017	$ 4,637.52	$ 153,920.18	3.0%
2018	$ 321,127.79	$ 962,141.51	33.4%
2019	$ 63,418.86	$ 261,495.67	24.3%
	$ 389,184.17	**$ 1,377,557.36**	**28.3%**

The following table provides an explanation for each exception identified.

Vendor	Date	Breakout of invoice	Expense Type	Reason for exception	Exception Type
AURORA WARMS THE NIGHT	3/1/2018	$150.00	Rehousing	There is no 'Receipt for Application Fee' for this as proof of payment.	Proof of Payment
AURORA WARMS THE NIGHT	5/18/2018	$840.00	Eviction Prevention	There is no application to support this disbursement. It looks like eviction prevention, as a 3-day notice was mentioned in email. This family was housed in September but needed eviction prevention help in March 2018 and May 2018.	Missing Application+
COMITIS CRISIS CENTER	12/1/2017	$273.00	Miscellaneous	The e-mail communication describes a payment for Cube Smart storage made for a client; however, there is no receipt or other proof of payment.	Proof of Payment

Vendor	Date	Breakout of invoice	Expense Type	Reason for exception	Exception Type
COMITIS CRISIS CENTER	2/28/2018	$157.50	Homeward Bound	The invoice cover sheet references a disbursement for Greyhound bus tickets; however, there is no receipt or other proof of payment.	Proof of Payment
COMITIS CRISIS CENTER	10/15/2018	$22.50	Miscellaneous	There is gas station receipt; however, there is no documentation as to why this purchase was made, for whom it was made, or how it serves the mission of HAP.	Unclear Expense Purpose
	12/31/2017	$135.50	Homeward Bound	The Comitis invoice cover page shows an American Express charge for a Greyhound ticket; however, a copy of the confirmation e-mail was not included as support.	Proof of Payment

Vendor	Date	Breakout of invoice	Expense Type	Reason for exception	Exception Type
	3/10/2018	$25.00	Miscellaneous	There is a receipt for Alta Convenience gas station; however, there is no documentation as to why this purchase was made, for whom it was made, or how it serves the mission of HAP.	Unclear Expense Purpose
	3/10/2018	$5.92	Miscellaneous	There is a receipt for McDonalds; however, there is no documentation as to why this purchase was made, for whom it was made, or how it serves the mission of HAP.	Unclear Expense Purpose

Appendix C: Colorado HB18-1128
Concerning Strengthening Protections for Consumer Data Privacy Highlights

Per Colorado HB18-1128, "Concerning Strengthening Protections for Consumer Data Privacy, any data processing and handling disclosure should consider:

1. Enforcing a "Minimum Necessary" collection and retention methodology
2. Defining what sensitive, consumer, private, and personally identifiable information (PII) looks like in layman terms (refer to 6-1-716(IV)(g)(I)A)
3. Receiving approval prior to use of data – whether research, reporting, analysis, etc.
    – the consumer must understand PRIOR to providing their data what the intended use will be and the process for notifying and getting approval beyond the intended use.
4. Having a clause for no sale or commercial use
5. Stating where data will be stored, and the controls used to secure it in place and transfer it
6. Stating how long their data will be retained and how it will be destroyed when no longer required (ad infinitum is not acceptable, must be time boxed)
7. Disclosing who will be allowed to access the data and for what reason(s), this includes explicitly listing all partners or data exchanges and the reason for each
8. Disclosing any regulations or legislation that provides the consumer protections for pulling back their data or requesting its destruction or removal ahead of retention schedules.
9. Stating how and when consumers will be notified in the event of a breach of their information (a definition of breach)

Appendix D: Proposed Partner Agreement Enhancements

NOTE: Some of these recommendations are substantive while others relate to form. HP will need to address the substantive recommendations while legal can address the form changes.

Agreement Text	Recommendations
This section is to "set forth…respective responsibilities for implementing the goals of the House Aurora Partnership."	We recommend a clear statement of the goals, either under *Background* or in a section entitled *Goals*. The purpose would be to ensure the partner entities are aware of and in agreement with the goals. These goals would also be a basis for developing program success measures.
HAP is responsible for "financial administration" and "fiscal oversight."	We recommend some specificity as to what tasks are to be included under the financial administration and fiscal oversight headings.
Respond within 48 hours per application submission with approval status.	We recommend clarification as to whether "48 hours" refers to business or calendar hours and days.
HAP is charged with "integrat[ing] service provider feedback to streamline the application process."	We recommend a corresponding responsibility of the partner organization to provide feedback in a systematic form. **(See ISS.6)**
HAP is responsible for data collection to facilitate reporting.	We recommend a statement as to what specific data or information is to be collected to ensure that the data is captured and available on a timely basis.
Pay invoices within 45 days of receipt.	We recommend a clarification as to whether these are 45 business days or calendar days. A review of historical data may indicate whether this is an appropriate target.
Reserve for cash flow purposes	We recommend specifying the: • Purposes for which this reserve can be used • Safeguards required to ensure the reserve is only used for the purpose(s) for which it is intended • Expectations as to whether those reserves will be returned, in whole or in part, at the end of the partnership • Any other related program restrictions

Agreement Text	Recommendations
Inform [partner organization] if any federal funds are used for the financial assistance through HAP.	We recommend that this expectation be clarified as to meaning and intent.
The partner is to "identify clients that are eligible to participate in the HAP."	We recommend specifying eligibility requirements either here or in an operational policies addendum.
For "write a check for expended funds on every Monday of a week…" and "follow process for purchasing tickets…"	We recommend these, and other related operational requirements of the program not specifically stated in the agreement, be detailed in an operational policies addendum to the agreement. This would clarify expectations and ensure consistency across program partners.
For "follow process for paying deposits and returning to the City upon moveout…"	We request a legal opinion on the viability of having the client beneficiary agree to return the deposit if the landlord returns it to them.
Application of the administrative fee	We recommend a definition of "direct financial support" for partner organizations to ensure that the City does not expend fee money on non-qualifying payments. *(See ISS.9)* Relatedly, it should be made clear that invoices to the City for reimbursement under HAP should only include HAP-support reimbursement requests. Reimbursement requests for other partner expenditures that do not qualify for the application of the administrative fee should be submitted under a separate invoice. Internal Audit identified an invoice for non-direct financial support (123FormBuilder). An administrative fee was applied to this invoice.

Agreement Text	Recommendations
Termination of Agreement	We recommend procedures for how outstanding applications at a point of termination will be handled, such as who is responsible for their completion, etc. At termination, we recommend the partner organization be required to provide a full accounting for any reserve distributions, including any offsets for outstanding invoice amounts due from the City. The City should have the right to audit, if they so desire, in case any charges against the reserve are questioned, and to require reimbursement for any charges that cannot be adequately substantiated by the partner organization. There should be a time frame by which the reserve funds and the accounting must be returned to the City. We also recommend a termination for cause/convenience clause.
Term of Agreement	We recommend that the term not be open-ended, but that the City and partner agree to review ongoing participation on an annual basis.
Operational Policies Addendum	We recommend an Operational Policies and Requirements addendum. The addendum should include any processes parties are required to follow.
Definition of Confidential Information and Nondisclosure	We recommend a clause that addresses the use and protection of client data. *(See ISS.8)*
Performance Standards and Metrics	We recommend partners agree to meet performance measures and metrics and have these requirements outlined in the operational policies addendum. *(See ISS.5)*
Case Managers will complete the online application and submit all supplemental materials (including copy of lease, budget sheet, etc.)	We recommend specifying and listing 'all supplemental materials'. We also recommend including language that applications will not be approved without the supplemental material.

Agreement Text	Recommendations
Right to Audit/Examination of Records	We recommend including a "right to audit" clause.