



AUDIT OF UTILITY PAYMENT ASSISTANCE PROGRAM

ABSTRACT

The City has entered into a contract with Interfaith Ministries of Denton to administer its utility payment assistance program. Assistance generally appears to be effectively awarded through this program. Further clarification of contract terms, updated procedures, and additional monitoring of program reports and funds would provide further assurance that assistance awards are reviewed and approved in accordance with program terms.

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Audit at a Glance

Why we did this Audit:

Over the last three fiscal years, the City has expended about \$0.5 million as part of its PLUS One Program. These funds must be disbursed effectively and equitably in order to ensure residents are properly assisted. In addition, this audit was included on the City's fiscal year 2020-21 Audit Plan as approved by the City Council.

What we Recommend:

Recommendations 1, 2, 4 & 9

Interfaith should update its Assistance Handbook and evaluate its Client Log.

Recommendations 3 & 8

Interfaith should collaborate with the City on document retention & their employee assistance approval process.

Recommendations 5 & 14

Customer Service should reconcile Interfaith's monthly bank statements & update its refund procedure.

Recommendations 6 & 7

The City should clarify the extreme hardship assistance limit exception.

Recommendations 10, 11, & 12

Interfaith should continue training & reporting on customer service quality.

Recommendation 13

The City should utilize Interfaith's Monthly Reports to improve Program effectiveness.

What we Found:

The City has established the Prevent Loss of Utility Service, or PLUS One, Program to assist residents in need. The City contracts with Interfaith Ministries, a non-profit organization, to administer this Program. Our findings are summarized below:

Assistance Application Processing. Interfaith had retained adequate documentation to support awarding assistance to most recipients reviewed; however, inconsistencies were noted and all documentation prior to Sept. 2018 has been lost. The City's Customer Service Division generally applied pledged awards appropriately.

Finally, some PLUS One assistance was awarded to Interfaith's employees. While all applicable Denton residents should be able to receive assistance, Interfaith and the City should collaborate to ensure these applications are reviewed and approved appropriately to avoid the appearance of a conflict of interest.

Customer Service Quality. All surveyed PLUS One Program applicants, including those denied assistance, stated they believed Interfaith treated them with respect and dignity. Furthermore, Interfaith has begun implementing customer service quality control and assurance procedures; results of these efforts should be reported to the City.

Program Monitoring & Contract Clarity. The City's contract generally limits assistance to residents to once a year; however, it allows those designated as an extreme hardship to receive additional assistance. This exception is not well defined by the contract. In addition, restricting assistance may negatively impact Denton residents with greater need.

Moreover, Interfaith provides monthly reports to the City on applicant demographic information; however, this information is not regularly analyzed or reviewed to inform program direction or public outreach efforts.



Introduction

The Internal Audit Department is responsible for providing: (a) an independent appraisal¹ of City operations to ensure policies and procedures are in place and complied with, inclusive of purchasing and contracting; (b) information that is accurate and reliable; (c) assurance that assets are properly recorded and safeguarded; (d) assurance that risks are identified and minimized; and (e) assurance that resources are used economically and efficiently and that the City's objectives are being achieved.

The Internal Audit Department has completed a performance audit of the utility payment assistance program. We conducted this performance audit 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.

Management Responsibility

City management is responsible for ensuring that resources are managed properly and used in compliance with laws and regulations; programs are achieving their objectives; and services are being provided efficiently, effectively, and economically.

Audit Objectives, Scope, and Methodology

The Internal Audit Department has completed an audit of the City's utility payment assistance program including application management, pledge award administration, and program effectiveness. This report is intended to provide assurance that the City has established adequate processes and procedures to ensure the utility payment assistance program is managed efficiently, effectively, and in accordance with contract terms.

Audit fieldwork was conducted during January, February and March 2021. The scope of review varied depending on the procedure being performed. The following list summarizes major procedures performed during this time:

- Reviewed documentation to develop criteria including contract terms, documented policies, and procedures;
- Developed process narratives to identify current control activities in the utility payment assistance process;
- Interviewed Customer Service and Interfaith Ministries of Denton staff;
- Inspected a statistical sample of 100 pledge recipients and 100 denied applicants² to ensure they were awarded and managed in accordance with contract terms and documented policies and procedures;

¹ The City of Denton Internal Auditor's Office is considered structurally independent as defined by generally accepted government auditing standard 3.56.

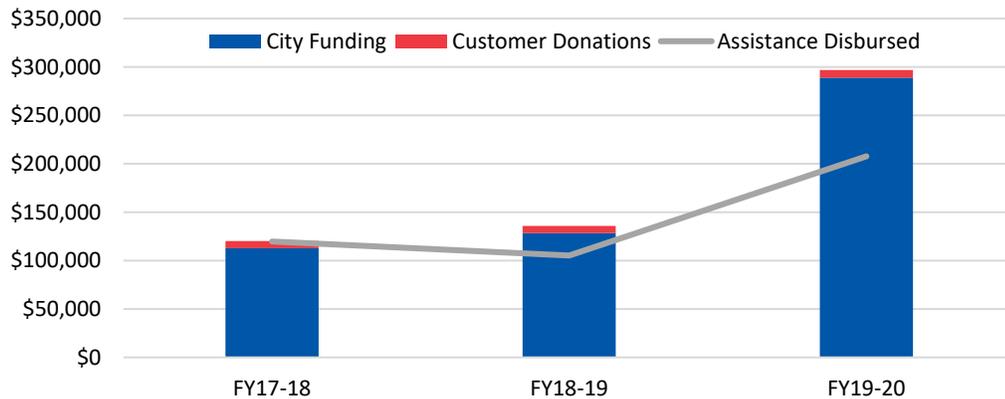
² These samples provide with 95% confidence that the true population is $\pm 10\%$ of the sample estimate.

- Reviewed Interfaith Ministries of Denton bank statements to ensure all deposits, fund transfers, and payments were appropriate;
- Examined supporting documentation for the sample of pledge recipients and denied applicants;
- Reviewed customer utility account Promised Fund and Balance History data in the NorthStar billing system; and
- Administered customer service surveys to a judgmental sample of 20 pledge recipients and 20 denied applicants from the period October 2020 – December 2020.

Findings & Analysis

In 1998, the City of Denton established a utility payment assistance program known as Prevent Loss of Utility Service, or PLUS One. This program was originally designed to provide an avenue for the City’s utility customers to donate money to assist other Denton residents in need. Currently, the City still receives about \$7,800 in donations annually for this program annually; however, the majority of PLUS One assistance is funded by Denton Municipal Electric revenues as illustrated in Figure 1.

Figure 1: PLUS One Program Funding Summary³



Since the establishment of the PLUS One Program, the City has contracted with Interfaith Ministries of Denton to administer and distribute these funds. Interfaith Ministries is a local non-profit organization that also provides general assistance to local residents and households such as food, transportation assistance, personal hygiene supplies, and more.

Based on review of peer cities,⁴ Denton is the only municipality with an established city-funded and promoted utility payment assistance program for its utility customers. Other peer cities generally promote assistance offered by local charities or distribute federal assistance received due to COVID-19. It should be noted that not all the peer cities reviewed own and operate electric and water utilities.

This audit generally evaluated all parts of the City’s utility payment assistance program including application management, documentation retention, award processing, and program effectiveness.

Assistance Awards Generally Supported; Some Record Improvements Needed

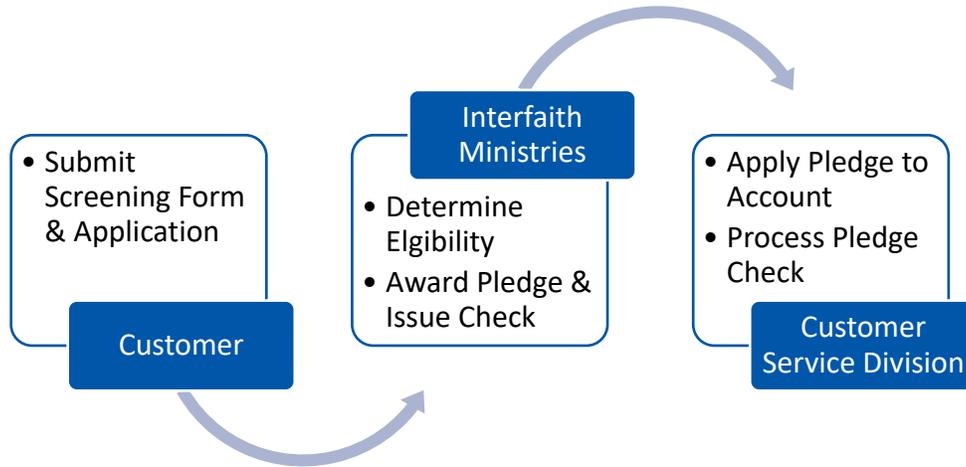
In order to receive utility payment assistance from the PLUS One Program, a person must be an authorized City of Denton utility customer. Each customer then applies for assistance through Interfaith Ministries who determines if they are eligible for the Program based on information received from the Customer. In order to receive a pledge for utility payment assistance, the customer must provide identification documentation and evidence of a financial hardship. A copy of the customer’s utility bill is provided by the City’s Customer Service Division on request.

³ In September 2020, the City allocated an additional \$100,000 to aid households affected by COVID-19 financial hardships.

⁴ Peer cities reviewed included: Killeen, McAllen, Mesquite, Midland, Waco, Richardson, Odessa, College Station, and Lewisville.

If a pledge is awarded, Interfaith notifies Customer Service to apply the pledge amount to the customer’s account with a Pledge Letter. Each week, Interfaith sends the City a check to cover the outstanding pledged amounts. This process is illustrated in Figure 2.

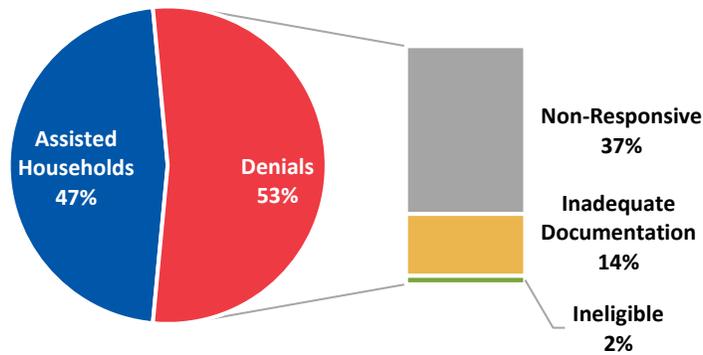
Figure 2: Utility Payment Assistance Process



What We Found

- Over the last two fiscal years, Interfaith has awarded assistance to just over 800 unique households, while just over 900 additional assistance applications were denied for various reasons as shown in Figure 3.

Figure 3: Assistance Application Outcome Summary (FY2018-19 & 2019-20)



- Interfaith Ministries receives and manages all applications for the City’s utility payment assistance program, including documentation supporting each awarded pledge. Interfaith has developed an Assistance Handbook to assist staff when processing applications.
 - Prior to September 2018, this documentation was maintained on a case management software published and maintained by a non-profit organization. According to Interfaith staff, this non-profit shut down and all prior case documentation was lost.

- Currently, Interfaith utilizes the US Department of Housing and Urban Development’s Homeless Management Information System to receive and process PLUS One assistance applications. The Assistance Handbook has not been updated to reflect these changes in procedure.
 - In addition, Interfaith staff now track applications using a Client Log, which must be manually updated if there is a change in an application’s status. Based on review of this Client Log, there is inconsistent log documentation for each application including some missing information on the actions taken for each application. Manual maintenance of these logs increases the risk of data entry errors.
 - Finally, the Homeless Management Information System does not allow for storage of supporting documentation. For this reason, all documents supporting a pledge award are maintained on Interfaith Ministries’ local network.
- Based on a statistical sample of 100 customers who received assistance during 2019 and 2020, Interfaith had retained all necessary support documentation for 80 percent of pledge recipients. Table 1 below shows what documentation was missing for the remaining 20 percent.

Table 1: Pledge Award Documentation Sample Results

Missing Documentation	Customers	Assistance Value
None	80	\$33,582
Identification	6	\$2,489
Pledge Letter	6	\$1,104
Evidence of Hardship	3	\$1,038
Utility Bill Copy	2	\$1,028
Check Request	2	\$573
Case Notes	1	\$1,048
All:	100	\$40,454

- Based on review of the support documentation, most client files contained all required support documentation; however, there were a few items identified that could improve Interfaith’s documentation consistency and improve program efficiency related to pledge award cases.
- While only one pledge was completely missing case notes in the Homeless Management Information System, many other case notes did not contain detailed information regarding the applicant’s financial hardship. As these notes can be utilized by other agencies with access to the Homeless Management Information System, they should be detailed enough for caseworkers to understand why all previous assistance was received without firsthand knowledge.

Why It Matters

Interfaith Ministries is responsible for ensuring the PLUS One Program is administered in accordance with contract terms. Applications must be processed and tracked consistently to ensure all applications for awards are properly supported. While most awarded pledges had all necessary documentation, inconsistencies in Homeless Management Information System case notes may frustrate Interfaith Ministries and other agencies when attempting to understand why

utility payment assistance was awarded in the future. Similarly, while Interfaith must track its applications, manually doing so in a separate Client Log creates a duplication of effort, which may lead to data entry errors.

In addition, Interfaith's current documentation retention practices may hinder the City and other external agencies from conducting reviews as documentation can be lost unexpectedly. In addition, if the program is managed by another agency in the future, transitioning relevant case information and support documentation may be difficult.

Finally, documented policies and procedures help an organization retain institutional knowledge, navigate emergency situations, and facilitate consistency. This is particularly important when an organization is comprised of volunteers with potentially high turnover, manages multiple different assistance programs, and receives a relatively high volume of client inquiries and applications. For this reason, the Interfaith Ministries Assistance Handbook should be periodically reviewed and updated as needed.

Recommendations:

1. Provide written guidance to staff on what details should be included in Homeless Management Information System case notes to ensure consistency and understandability. Periodically providing training to staff may also facilitate consistency.

***Interfaith Ministries of Denton Comments:** IFM will develop a checklist of basic items to include in case notes. Caseworkers are also provided training through the Texas Homeless Network when any changes occur in the HMIS system.*

2. Evaluate the use of the Client Log to track client information and status notes. Consider adding columns to minimize the need for manual notes and reduce the possibility for error.

***Interfaith Ministries of Denton Comments:** We are already working with Customer Service to simplify the call log and help prevent duplication of effort. We are happy to consider the feasibility of any specific changes recommended by the City.*

3. Collaborate with the Customer Service Division to determine if support documentation for awarded pledges should be retained by the City.

***Interfaith Ministries of Denton Comments:** IFM currently sends pledges, copies of checks and copies of the customer bills to Customer Service. IFM is happy to send any additional documentation that Customer Service deems necessary.*

***Customer Service Division Comments:** While Customer Service does concur that a formal backup method should be explored, we have concern for any retention of documentation for pledges by the City as those documents contain sensitive records for customers for which the City has other purposes for possessing.*

4. Periodically review and update the Assistance Handbook to ensure it reflects current processes.

***Interfaith Ministries of Denton Comments:** IFM will update the Assistance Handbook when any major change in program occurs.*

Awarded Pledges Largely Applied to Utility Accounts Appropriately

Once a customer is awarded a utility payment assistance pledge, the City's Customer Service Division is notified by a Pledge Letter. At this time, the Division applies the promised funds to the accounts, helping ensure customers are not charged additional late fees or interruptions to service. Customer Service then processes pledged payments similarly to how other utility payments are processed once received.

What We Found

- Customer Service has developed Standard Operating Procedures that detail the Pledge Letter and payment application process. These procedures appear to be up-to-date and provide assurance that the process is completed effectively and consistently.
 - These procedures also include a process to identify all pledges that have yet to be paid each month. These reports appear to be run appropriately.
- Based on a statistical sample of 100 customers who received assistance during 2019 and 2020, two customer utility accounts did not appear to be updated correctly in the City's utility billing system.
 - Specifically, one account appeared to have two pledge payments processed to the account of \$100 when only one pledge was awarded, and one account received the pledge payment, but the pledge award was missing in the utility billing system. Based on discussion with Customer Service staff, these issues appear to generally be related to the influx of requests due to the COVID-19 Pandemic.
- Additionally, Customer Service staff stated that there had been occasions where a customer's utility account had closed soon after they received PLUS One Program assistance. This had sometimes caused the customer to be refunded PLUS One funds.
 - This issue was not observed for any of the customers included in the statistical sample; however, the refund process should be updated to ensure these instances are handled appropriately, even if rare.

Why It Matters

In general, the Customer Service Division appears to process and apply utility payment assistance pledges appropriately. This helps to ensure that pledged payments have been applied to awarded customer accounts in a timely manner. Furthermore, Customer Service appears to have developed effective procedures to ensure that pledges are processed consistently; however, procedures do not include steps to check for awarded pledges before issuing a refund. Ensuring that PLUS One assistance funds are not refunded to customers who close their accounts will allow the City to assist additional customers in these rare instances.

Recommendation:

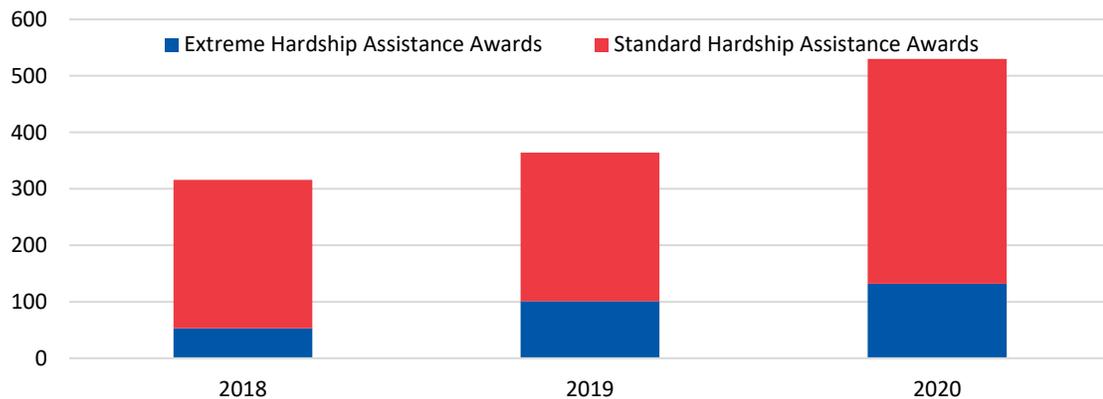
5. Develop a process to ensure customer account refunds are reviewed for utility payment assistance pledge awards prior to processing the refund to ensure each case is reviewed and handled appropriately. Document this process and include a periodic review to update as necessary.

Customer Service Division Comments: Customer Service has a practice in place to address this issue; however, concurs with the recommendation to formalize the process to ensure excess pledge funds are not refunded to customers upon account closure.

Assistance Restricted to Once a Year; Extreme Hardship Exception Used Frequently

The City’s contract with Interfaith Ministries generally limits the number of times a utility customer may be assisted to once per year. This limit generally aligns with the Programs stated purpose to assist residents experiencing “short-term financial emergencies” from time-to-time. The contract does include an exception to this limit if the customer is “designated as an extreme hardship,” in which case the customer may receive assistance up to three times a year. Interfaith Ministries’ Assistance Handbook requires that these exceptions be approved by the organization’s Executive Director. Figure 4 illustrates the total pledges made to households for the past three calendar years by designation.

Figure 4: Assistance Pledges Awarded



What We Found

- While the City’s contract with Interfaith Ministries allows exceptions to the annual assistance limit for those designated with an extreme hardship, it does not include guidelines or criteria clarifying what constitutes as an extreme hardship.
- Based on a statistical sample of 100 customers who received assistance during 2019 and 2020, 35 were awarded assistance more than once within a 12-month period. Per contract guidelines, applicants should be designated as having an “extreme hardship.”
 - Based on review of the award support documentation, there was no differentiating documentation or formal justification to support the extreme hardship designation for 30 of these customers. For the remaining five customers, the Pledge Letters were submitted by Interfaith Ministries Executive Director, indicating the designation was approved per Interfaith’s procedures.

- Based on a review of utility cut off data, about 6 percent of the City’s utility customers experienced at least one service interruption between 2018 and 2020;⁵ almost 99 percent of these cut offs were performed on residential accounts.
 - Of those utility accounts that experienced a cut off, almost 60 percent experienced more than one cut off per year; on average, these accounts experience about three service interruptions annually.

Why It Matters

It is important to ensure the utility payment assistance program is administered to customers equitably in order to be effective. The extreme hardship exception facilitates this goal, as it allows Interfaith Ministries to provide additional assistance to those customers who have greater need. That being said, without formal guidance on what is considered an extreme hardship or documented justification and approval, use of this exception is vulnerable to misuse.

Furthermore, the majority of Denton utility customers who experience service interruptions, experience more than one each year. While these “frequently cut” accounts only make up 2 percent of all utility customers, restricting the number of times assistance may be awarded could negatively impact these community members. On the other hand, expanding or eliminating assistance restrictions may have a negative impact on customers experiencing one-off, short-term financial emergencies as Program funding is limited. These factors are important to consider when defining the extreme hardship designation and considering the PLUS One Program’s intended impact.

Recommendations:

6. Evaluate the current extreme hardship exception to determine if it is effective.

***Customer Service Division Comments:** Customer Service concurs that the extreme hardship qualification is vague and ineffective. Staff will review and implement more direct language in the contract or some other alternative that ensure clarity and program effectiveness.*

7. Develop guidelines and criteria to formally document extreme hardship justification and approval.

***Interfaith Ministries of Denton Comments:** IFM is working with the City to see if there is a need for hardship guidelines, since most customers assisted already fall into that category by virtue of their incomes. Once we receive written guidelines from the City, we will incorporate it into our policies. IFM request that any changes in the guidelines and criteria be communicated in writing by the City.*

Assistance for Program Employees Need Further Oversight

Interfaith Ministries Assistance Handbook has documented guidelines for processing assistance applications submitted by Interfaith Ministries staff (i.e. employees or volunteers). These staff are required to disclose any conflicts of interest when processing assistance applications and ensure the application is approved by an employee without a conflict.

⁵ About 96 percent of service interruptions are resolved within one day and all interruptions were resolved within one week.

What We Found

- Based on review of assistance awarded by Interfaith Ministries between fiscal year 2017-18 and fiscal year 2019-20, two Interfaith Ministries employees received six PLUS One Program awards for a total of \$1,257.
 - Based on review of the supporting documentation of these pledge awards provided by Interfaith Ministries,⁶ evidence of the financial hardship being experienced was not provided and was only documented in the Homeless Management Information System case notes.
 - Furthermore, no other pledge recipients received assistance for financial hardships similar to one of Interfaith Ministries employees. For example, issues experienced by other utility pledge award recipients included: job loss; unemployment benefits denial; reduced work hours; unexpected household or car repairs; death of a spouse; and emergency medical expenses. The justification noted for the Interfaith Ministries employee was, “Client had to buy school supplies, clothes, & shoes for 10 yo son going back to school.”
 - In addition, while the case notes entered into the Homeless Management Information System stated that Interfaith Ministries Executive Director approved the pledges, this approval was not otherwise documented.
 - Finally, some identification documentation that is typically required was not available for the two assisted Interfaith employees.
- One Customer Service employee received two pledge awards totaling \$1,009 during 2019. Based on review of the support documentation obtained from Interfaith Ministries, all required documentation was available.
 - Moreover, Customer Service has established controls and processes to mitigate risks related to utility billing system access as discussed in the [Customer Service Division Audit](#) (Dec. 2018) and [Follow-Up Review](#) (June 2020). Based on review, these established controls and processes appear to minimize the risks associated with employees having the ability to update their own utility accounts.

Why It Matters

All eligible Denton utility customers should be able to receive utility payment assistance; however, due to the level of access and involvement that Interfaith Ministries staff have in the PLUS One Program, additional controls should be implemented to minimize the appearance of and risk of fraud or abuse. Interfaith Ministries’ employee applicants should be required to provide the same level of documentation as all other applicants and additional, documented review and approval may be necessary.

Recommendation:

8. Coordinate with City staff to develop a review process for Interfaith Ministries’ employee applicants of the utility payment assistance program.

⁶ Supporting documentation from one award could not be reviewed due to the organizations previous case management system shutting down.

Interfaith Ministries of Denton Comments: This sounds like an excellent idea. It has been suggested by the City that IFM employee assistance requests be reviewed by the Revenue Service Supervisor and IFM is in agreement.

Customer Service Division Comments: Customer Service concurs and will partner with Interfaith Ministries of Denton to implement a means to ensure any pledges awarded to Interfaith employees and/or volunteers who require utility assistance are done so transparently, equitably when compared to other customers, and in full compliance with the program.

Interfaith Has Begun Addressing Suggested Customer Service Improvements

The City's Customer Service Division conducted a review of Interfaith Ministries general operations and customer service in March 2019. The review found five customer service issues and requested that Interfaith Ministries provided an action plan to resolve the findings, including:

- Response to customers is made in a timely manner preferably within 1-2 business days;
- Ensuring customer messages are returned preferably within 1-2 business days;
- Phone recordings contain clear information which matches the website;
- Including closure information and holiday schedule on the website; and
- Review website and correct discrepancies such as the hours of operation found on the Contact Us and Apply for Assistance sections of the website.

What We Found

- In response to this review, Interfaith Ministries agreed to implement the following processes:
 - Hold quarterly customer service trainings for Interfaith Ministries employees and volunteers.
 - According to Interfaith Ministries' Executive Director, customer service trainings have not been conducted since the beginning of the COVID-19 Pandemic due to safety concerns. Prior to this, trainings had been conducted; however, attendance and content were not documented.
 - Update phone technology to allow for the recording of calls, which would allow for quality assurance reviews to be conducted.
 - The phone system appears to have been updated. According to the Interfaith Ministries' Executive Director, phone calls are periodically reviewed to ensure staff are providing adequate customer service; however, a written procedure for conducting and documenting these reviews has not been developed.
 - Interfaith Ministries also offers an optional, anonymous customer service survey to its clients. The results of these surveys are generally reported to Interfaith Ministries' Executive Board quarterly. Interfaith Ministries provided 15 months of customer service survey results for November 2018 through January 2020 as part of this audit; however, these results were not previously been reported to the City. This reporting is required by the current contract with the City.
 - Update website information to ensure it is accurate.

- Based on review of the Interfaith Ministries website during the audit period, holiday closures were not posted and staffing information was not up to date. These issues were promptly addressed by Interfaith staff once notified.
- Based on a customer service survey administered by Internal Audit during February 2021,⁷ 100 percent of respondents believed Interfaith Ministries had treated them with dignity and respect during their interactions, including those that were denied assistance.
 - Four of six denied applicants noted that they were not informed of the reason for denial; however, it should be noted that two of these applicants were denied due to non-responsiveness.

Why It Matters

As an external, contracted agency on behalf of the City, Interfaith Ministries has a responsibility to provide satisfactory service to applicants and potential applicants of the utility payment assistance program as these services reflect the City. Interfaith Ministries appears to have resolved much of the customer service-related issues noted by the City's previous review. Still, regular customer service training should be provided to ensure staff stay up to date on customer service best practices. This may also benefit Interfaith Ministries with potential donations, volunteers and return clients if satisfied with the customer service received.

Similarly, developing a process to review client phone calls regularly will provide further assurance of customer service quality and information accuracy. Reporting on feedback from clients on their experiences with Interfaith Ministries allows the City to effectively monitor the quality of customer service provided on their behalf and fulfills a contractual obligation.

Finally, applicants that are denied for the utility payment assistance program should be informed of the reason for denial so that potential errors can be corrected. Although many denials are due to non-responsiveness, these instances should be clearly documented in the Client Log in case an applicant contacts Interfaith once denied.

Recommendations:

9. Ensure denied applicants are provided updates so they understand the reason for being denied assistance. Denial reasons should also be clearly documented in the Client Log even if they were denied due to non-responsiveness.

Interfaith Ministries of Denton Comments: Potential applicants are already informed during screening and during referral by the City that failure to respond or provide requested documentation by a specific date will result in denial. However, we will also send an email to them when an email address is available.

10. Establish a process to periodically provide customer service training to staff. Attendance and training content should be documented.

Interfaith Ministries of Denton Comments: IFM resumed this practice on 3/17/21 and will continue quarterly training.

⁷ Forty assistance applicants, half of whom received assistance and half of whom were denied, were surveyed. Each applicant was called at least two times at different periods of the day. Twelve assistance recipients and six denied applicants responded to the survey.

11. Develop a process to regularly track and monitor client calls for content accuracy and customer service quality.

Interfaith Ministries of Denton Comments: A review plan was developed 3/22/21. IFM's Director has begun reviewing 4-6 random calls per week for content accuracy and customer service quality.

12. Begin providing quarterly reports on customer service survey responses to the City as required by contract.

Interfaith Ministries of Denton Comments: Our customer service survey is optional to customers. We provided 15 months of survey response results to the City Auditor. We would be glad to provide those and any future responses to the City upon clarification as to whom they should be submitted.

Public Outreach Efforts are Broadly Effective; but Not Coordinated or Data Informed

According to the City's contract with Interfaith Ministries, the PLUS One Program is intended to "ensure that the utility bills for some of the area's less fortunate families are paid so they can keep cool in the summer and warm in the winter." In order to be effective in this effort, customers must be informed of the PLUS One Program so that they may apply when assistance is needed.

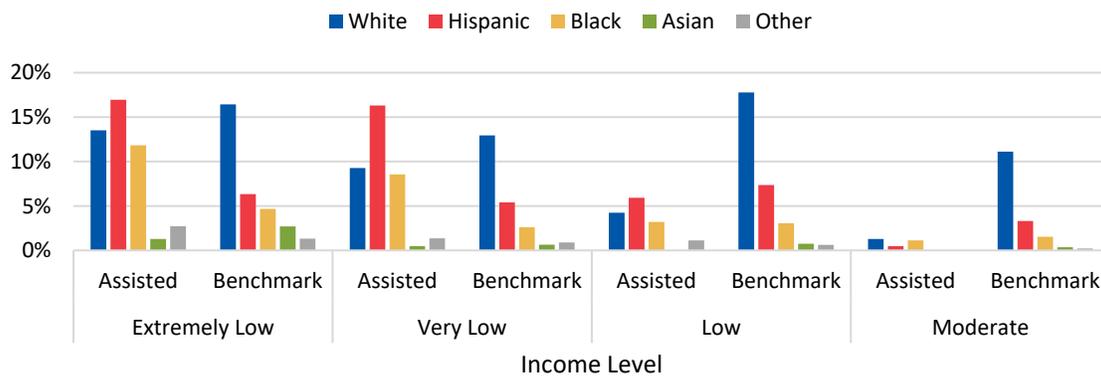
In addition, assistance should generally be awarded equitably to Denton utility customers who have greater need. The City's PLUS One Program contract generally gives priority to residential households with gross family income at 65 percent or less of the area median income, with members who have serious illness, disability, or small children, and that have experienced recent emergencies.

What We Found

- Based on discussions with Interfaith Ministries and City staff, there is no coordinated public outreach effort to inform residents about the PLUS One Program. According to Interfaith Ministries staff, they attended community events before the COVID-19 Pandemic to promote the organization's assistance efforts, including but not limited to the PLUS One Program.
 - Based on a customer service survey administered by Internal Audit during February 2021, about 60 percent of respondents said they heard about the PLUS One Program informally from friends, community groups, etc.
 - The Customer Service Division does direct utility customers to Interfaith Ministries and may complete the customer's screening application if they express interest in utility payment assistance.
- In order to facilitate monitoring of the PLUS One Program's effectiveness, Interfaith Ministries is required to submit monthly reports on assistance applications, including recipients' demographic information.
 - Based on conversations with Customer Service Division staff, this information is generally not analyzed or utilized to further enhance program effectiveness.

- Demographic information for customers denied assistance is not collected or reported. This is due, in part, to many applicant denials being due to non-responsiveness. In addition, collection of demographic information before assistance is awarded may deter some people from applying.
- To assess the effectiveness of limited public outreach efforts and equity of assistance, Internal Audit compared assistance demographic information to the City of Denton’s Comprehensive Housing Affordability Strategy data.⁸ This comparison is intended to account for greater need as prioritized by income and is illustrated in Figure 5.

Figure 5: Assistance Race & Ethnicity Benchmark Comparison (FY 2020)⁹



- In general, this comparison shows that white and Asian people appear to receive assistance less frequently at all income levels than would be expected in comparison to the benchmark. On the other hand, Hispanic and Black people appear to receive assistance more frequently at the extremely low- and very low-income levels, but at the relatively expected frequency at the low- and moderate-income levels.
 - These discrepancies appear to be in part explained by the Program prioritizing lower income households.¹⁰ In particular, 85 percent of assisted households had extremely low or low income, whereas these income levels only make up 54 percent of households below the City’s median income.
 - Similarly, the Consolidated Plan identifies racial or ethnic groups that appear to be facing increased need by comparing the percentage of each group experiencing housing problems¹¹ to the whole income level. Table 2 summarizes this analysis from the City’s Consolidated Plan for Housing and Community Development:

⁸ This data is collected by the US Census Bureau and is used in the City’s Consolidated Plan for Housing and Community Development as required by the US Department of Housing and Urban Development.

⁹ Based on the Consolidated Plan data, individuals and households of Indigenous, Pacific Islander, Multi-Racial and Unknown race and ethnicity were combined into an Other category to ensure comparisons could be made with adequate data. Between FY2017-18 and FY2019-20, 14 Indigenous people, two Pacific Islanders, and 25 Multi-Racial people received PLUS One Program assistance.

¹⁰ Black and Asian households make up an increasingly lower percentage of households as income level increase while white households make up an increasingly larger percentage. On the other hand, Hispanic households make up a relatively similar percentage of households at every income level.

¹¹ The Consolidated Plan defines four housing problems: 1) lacks complete kitchen facilities, 2) lacks complete plumbing facilities, 3) more than one person per room, and 4) cost burden greater than 30 percent.

Table 2: Housing Problem Analysis by Race & Ethnicity and by Income Level¹²

Income Level	White	Hispanic	Black	Asian	All
Extremely Low	87%	93%	85%	66%	86%
Very Low	81%	79%	83%	91%	81%
Low	44%	40%	59%	45%	45%
Moderate	21%	22%	16%	37%	21%
All:	60%	62%	69%	64%	62%

- Based on this information, the PLUS One Program appears to more frequently assist those with greater need, as indicated by income level and housing problems; however, the City’s Asian communities appear to have been awarded assistance less frequently than expected. This may indicate a need for greater outreach to the City’s Asian communities.

Why It Matters

The utility payment assistance program was developed to assist Denton utility customers experiencing financial hardship with their utility bills to avoid service interruptions. Interfaith Ministries Monthly Reports contain applicant data that is necessary to measure program effectiveness. Analyzing this information would allow the City to establish performance measures and develop outreach plans to target communities considered to have greater need.

Recommendation:

13. Establish a process to utilize the data included in Interfaith Ministries’ Monthly Reports to enhance program effectiveness by identifying Program promotion opportunities and focusing on households and communities with greater need.

Customer Service Division Comments: *Customer Service concurs. Staff agrees with the need for greater program promotion, but believes the data from Interfaith would not, in and of itself, provide sufficient guidance on how to target communications toward demographics. Customer Service will meet this recommendation by, on an ongoing basis, utilizing census housing and income information, focusing on distribution of information to other agencies which serve households that fall within assistance thresholds, and using other available resources to drive targeted communication opportunities. Staff will additionally explore any other opportunities for general communications.*

Expanding Program Reconciliation Procedures Would Provide Further Assurance

Interfaith Ministries maintains a separate bank account for received PLUS One Program funds. Payments for allocated program funding and administrative costs are issued to Interfaith through the City’s general purchase order process. Additionally, assistance checks are issued from this account.

¹² In Table 2, the race and ethnic groups highlighted appear to experience housing problems significantly more frequently than other groups at that income level. Per the Consolidated Plan, if at least 10 percent more of a group’s households experience housing problems than the income level average it is considered a significant difference.

What We Found

- Based on a review of Interfaith Ministries' bank statements for January 2018 through December 2020, the PLUS One bank account appears to be managed effectively and no inappropriate transactions were identified.
- The Customer Service Division currently reviews Interfaith Ministries' Monthly Reports to ensure total reported pledge awards match the total award payments received each month. Any identified discrepancies are corrected with Interfaith as needed.
 - Based on review of a statistical sample of 100 pledge recipients, one recipient's pledge was documented incorrectly in Interfaith Ministries' Monthly Report; however, the approved pledge amount was processed correctly on their utility account.
 - The Customer Service Division does not obtain or review Interfaith Ministries bank statements.

Why It Matters

Interfaith Ministries and the City of Denton have a fiduciary responsibility to Denton utility customers and PLUS One Program donors to ensure funds are spent appropriately. For this reason, funds should be monitored and reconciled on a regular basis to provide assurance that the Program is being administered efficiently and effectively and in compliance with the Program's purpose. While the City does currently reconcile assistance pledges to payments, obtaining and reviewing the monthly bank statement will provide additional assurance that Program funds are being managed appropriately and are not misused.

Recommendation:

14. Obtain Interfaith Ministries' PLUS One bank statement monthly to provide further assurance that that assistance funds spent appropriately. Bank statements should be used to enhance current reconciliation procedures, which should be updated appropriately.

Customer Service Division Comments: *Customer Service concurs with the value of statement review and will work with Interfaith Ministries to obtain the documents monthly.*

Appendix A: Management Response Summary

The following summarizes the recommendations issued throughout this report. The auditors found that staff and the Department were receptive and willing to make improvements to controls where needed. Management has provided their response to each recommendation.

1	<p><i>Provide written guidance to staff on what details should be included in Homeless Management Information System case notes to ensure consistency and understandability. Periodically providing training to staff may also facilitate consistency.</i></p>	Concur	<p>Expected Completion: 4/30/21</p>
<p>Interfaith Ministries of Denton Comments: IFM will develop a checklist of basic items to include in case notes. Caseworkers are also provided training through the Texas Homeless Network when any changes occur in the HMIS system.</p>			<p>Responsibility: IFM Director and staff and THN</p>
2	<p><i>Evaluate the use of the Client Log to track client information and status notes. Consider adding columns to minimize the need for manual notes and reduce the possibility for error.</i></p>	Concur	<p>Expected Completion: 5/31/21</p>
<p>Interfaith Ministries of Denton Comments: We are already working with Customer Service to simplify the call log and help prevent duplication of effort. We are happy to consider the feasibility of any specific changes recommended by the City.</p>			<p>Responsibility: IFM Director and Staff with input from City</p>
3	<p><i>Collaborate with the Customer Service Division to determine if support documentation for awarded pledges should be retained by the City.</i></p>	Partially Concur	<p>Expected Completion: 6/30/21</p>
<p>Interfaith Ministries of Denton Comments: IFM currently sends service pledges, copies of checks and copies of the customer bills to Customer Service. IFM is happy to send any additional documentation that Customer Service deems necessary.</p> <p>Customer Service Division Comments: While Customer Service does concur that a formal backup method should be explored, we have concern for any retention of documentation for pledges by the City as those documents contain sensitive records for customers for which the City has no other purpose for possessing.</p>			<p>Responsibility: IFM Director and Customer Service Manager</p>
4	<p><i>Periodically review and update the Assistance Handbook to ensure it reflects current processes.</i></p>	Concur	<p>Expected Completion: 6/30/21 & Ongoing</p>
<p>Interfaith Ministries of Denton Comments: IFM will update the Assistance Handbook when any major change in program occurs.</p>			<p>Responsibility: IFM Director with input from staff</p>
5	<p><i>Develop a process to ensure customer account refunds are reviewed for utility payment assistance pledge awards prior to processing the refund to ensure each case is reviewed and handled appropriately. Document this process and include a periodic review to update as necessary.</i></p>	Concur	<p>Expected Completion: 4/30/21</p>

**The City of Denton Internal Audit Report
Audit of Utility Payment Assistance Program**

April 2021

Customer Service Division Comments: Customer Service has a practice in place to address this issue; however, concurs with the recommendation to formalize the process to ensure excess pledge funds are not refunded to customer upon account closure.

Responsibility:
Credit &
Collections
Specialist

6	<i>Evaluate the current extreme hardship exception to determine if it is effective.</i>	Concur	Expected Completion: 5/31/21
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Customer Service Division Comments: Customer Service concurs that the extreme hardship qualification is vague and ineffective. Staff will review and implement more direct language in the contract or some other alternative to ensure clarity and program effectiveness.

Responsibility:
Dir. Of
Customer
Service &
Public Affairs

7	<i>Develop guidelines and criteria to formally document extreme hardship justification and approval.</i>	Partially Concur	Expected Completion: 5/30/21
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Interfaith Ministries of Denton Comments: IFM is working with the City to see if there is a need for hardship guidelines, since most customers assisted already fall into that category by virtue of their incomes. Once we receive written guidelines from the City, we will incorporate it into our policies. IFM requests that any changes in the guidelines and criteria be communicated in writing by the City.

Responsibility:
IFM and City
staff

8	<i>Coordinate with City staff to develop a review process for Interfaith Ministries' employee applicants of the utility payment assistance program.</i>	Concur	Expected Completion: 5/31/21
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Interfaith Ministries of Denton Comments: This sounds like an excellent idea. It has been suggested by the City that IFM employee assistance requests be reviewed by the Revenue Service Supervisor and IFM is in agreement.

Responsibility:
IFM and Dir.
Of Customer
Service &
Public Affairs

Customer Service Division Comments: Customer Service concurs and will partner with Interfaith Ministries of Denton to implement a means to ensure any pledges awarded to Interfaith employees and/or volunteers who require utility assistance are don so transparently, equitably when compared to other customers, and in full compliance with the program.

9	<i>Ensure denied applicants are provided updates so they understand the reason for being denied assistance. Denial reasons should also be clearly documented in the Client Log even if they were denied due to non-responsiveness.</i>	Partially Concur	Expected Completion: 4/1/21
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Interfaith Ministries of Denton Comments: Potential applicants are already informed during screening and during referral by the City that failure to respond or provide requested documentation by a specific date will result in denial. However, we will also send an email to them when an email address is available.

Responsibility:
IFM staff and
Customer
Service

10	<i>Establish a process to periodically provide customer service training to staff. Attendance and training content should be documented.</i>	Concur	Expected Completion: 3/24/21 and Ongoing
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Interfaith Ministries of Denton Comments: IFM resumed this practice on 3/17/21 with complete documentation

Responsibility:
IFM Director

11	<i>Develop a process to regularly track and monitor client calls for content accuracy and customer service quality.</i>	Concur	Expected Completion: 3/22/21
Interfaith Ministries of Denton Comments: A review plan was developed 3/22/21. IFM's Director has begun reviewing 4-6 random calls per week for content accuracy and customer service quality.			Responsibility: IFM Director
12	<i>Begin providing quarterly reports on customer service survey responses to the City as required by contract.</i>	Concur	Expected Completion: 6/15/21
Interfaith Ministries of Denton Comments: Our customer service survey is optional to customers. We provided 15 months of survey response results to the City Auditor. We would be glad to provide those and any future responses to the City upon clarification as to whom they should be submitted.			Responsibility: IFM Director and Staff
13	<i>Establish a process to utilize the data included in Interfaith Ministries' Monthly Reports to enhance program effectiveness by identifying Program promotion opportunities and focusing on households and communities with greater need.</i>	Concur	Expected Completion: Ongoing
Customer Service Division Comments: Customer Service concurs. Staff agrees with the need for greater program promotion, but believes the data from Interfaith would not, in and of itself, provide sufficient guidance on how to target communications toward demographics. Customer Service will meet this recommendation by, on an ongoing basis, utilizing census housing and income information, focusing on distribution of information to other agencies which serve households that fall within assistance thresholds, and using other available resources to drive targeted communication opportunities. Staff will additionally explore any other opportunities for general communications.			Responsibility: Customer Service Manager & Dir. Of Customer Service & Public Affairs
14	<i>Obtain Interfaith Ministries' PLUS One bank statement monthly to provide further assurance that that assistance funds spent appropriately. Bank statements should be used to enhance current reconciliation procedures, which should be updated appropriately.</i>	Concur	Expected Completion: 4/30/21
Customer Service Division Comments: Customer Service concurs with the value of statement review and will work with Interfaith Ministries to obtain the documents monthly.			Responsibility: Business Information Analyst