



CITY OF SAN ANTONIO

P. O. BOX 839966
SAN ANTONIO TEXAS 78283-3966

November 1, 2011

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Elisa Chan
Councilwoman, District 9

Carlton Soules
Councilman, District 10

SUBJECT: Audit Report of Department of Human Services REAP/WARM

Mayor and Council Members:

We are pleased to send you the audit report of the Department of Human Services' REAP and WARM Programs. This audit began in June 2011 and concluded with an exit meeting with department management in September 2011. Management's verbatim response is included in Appendix B of the report. The Department of Human Services should be commended for its cooperation and assistance during this audit.

The Office of the City Auditor is available to discuss this report with you individually at your convenience.

Respectfully submitted,

Kevin W. Barthold, CPA, CIA, CISA
Acting City Auditor
City of San Antonio

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CITY OF SAN ANTONIO
OFFICE OF THE CITY AUDITOR



Audit of Department of Human Services

REAP and WARM Programs

Project No. AU11-008

November 1, 2011

Kevin W. Barthold, CPA, CIA, CISA
Acting City Auditor

Executive Summary

As part of our annual Audit Plan approved by City Council, we conducted an audit of the Department of Human Services (DHS) Residential Energy Assistance Partnership (REAP) and Project Winter Assistance Relief Mobilization (WARM) utility assistance programs. The audit objectives, conclusions, and recommendations follow:

Are guidelines and requirements governing the qualifications for REAP and WARM assistance being followed and are the proper applications completed by applicants?

Yes, overall DHS is following the guidelines and requirements governing the qualifications for REAP/WARM assistance and participants are completing the proper applications. We determined that all recipients of REAP utility assistance credits resided in the San Antonio area. Additionally, all participants denied utility assistance were done so appropriately. Finally, access to the Case Inventory Management System (CIMS) is adequately controlled.

Although DHS is in compliance, we noted additional areas for improvement. Specifically, DHS was not preparing WARM annual project impact reports for CPS Energy (CPS). Additionally, there are no formal policies and procedures associated with granting waivers for eligibility criteria or assistance limits. CIMS has an unresolved programming error that does not allow it to automatically calculate applicants' annual incomes and corresponding federal poverty limit percentages.

We also determined that CPS' Online Agency Portal (Portal) does not have adequate controls to prevent unauthorized access to utility customer accounts. In addition to this system weakness, there is a lack of separation of duties for DHS caseworkers' processing of utility assistance credits in Portal.

We recommend that the Director of DHS:

- Ensure compliance with the annual project impact reporting requirement.
- Implement formal policies and procedures to guide the use of waivers.
- Work with the Information Technology Services Department to ensure CIMS users' needs are met.
- Request CPS to implement appropriate system controls in its Portal.
- Implement formal mitigating controls to ensure credits are appropriately applied to ratepayers' accounts.

DHS Management's verbatim response is in Appendix B on page 7.

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Background

The Residential Energy Assistance Partnership (REAP) and Project Winter Assistance Relief Mobilization (WARM) are emergency utility assistance programs for customers of CPS Energy (CPS) in San Antonio and Bexar County. They are the result of a partnership between CPS, the City of San Antonio, and Bexar County. REAP is funded through donations by CPS, donations from CPS ratepayers, trust income, and, occasionally, from the City’s general fund. WARM is funded through interest income from the Project WARM Trust¹. DHS’ contract with CPS expired in December 2010 and is renewed on a month-to-month basis.

Through Project REAP, participants can receive assistance twice a year up to \$200 for maximum of \$400 in annual assistance. Project WARM participants can receive up to \$300 in assistance in one year. To receive assistance, ratepayers must be at or below 125% of the federal poverty level and meet one of the following four priority categories:

1. Households with members 60 years or older.
2. Households that have a member with a disability
3. Households with children age 16 years and younger, in school
4. Households with a member that has critical care needs with life-sustaining medical equipment

REAP and WARM are jointly administered by the Department of Human Services (DHS) and CPS. DHS utilizes the Case Information Management System (CIMS) to process applicants and record the utility assistance awarded. To apply utility credits, DHS uses CPS’ Energy Portal (Portal) to access ratepayers’ accounts. The Portal is a web-based system that allows authorized organizations to view client account data and enter payments or credits directly to utility accounts. **Table 1** below shows the financial and operational data for the REAP and WARM programs for January 1, 2010 through July 31, 2011.

Table 1 REAP/WARM Performance Data

	Number of Households Served	Dollars Allocated	Dollars Spent
REAP	19,168	\$5,911,094	\$3,927,945
WARM	1,177	\$336,503	\$173,121

Source: Department of Human Services

¹ Project WARM Trust is an endowment established by the Wagner and Brown Partnership of Midland, Texas.

Audit Scope and Methodology

The audit scope included REAP and WARM financial and operational activity from January 2010 through May 2011.

We interviewed relevant personnel from DHS. We also observed the case application process. We reviewed the 2010 contract and amendments for the REAP and WARM programs. We obtained DHS's eligibility guidelines and other relevant policies and procedures.

We used a statistical attribute sampling methodology to obtain a random population of cases and utility assistance credits. We reviewed case files and authorization documents to determine program eligibility and approval of utility assistance credits. We obtained access information for CIMS and Portal to determine appropriateness. We also reviewed case files and obtained reports to determine program and contract compliance.

We relied on computer-processed data in CIMS and CPS' SAP Financial system to obtain populations of processed cases and processed utility assistance credits. Our reliance was based on performing direct tests on the data rather than evaluating the system's general and application controls. Our direct testing included review of case files and authorization documents. We don't believe that the absence of testing general and application controls had an effect on the results of our audit.

We conducted this audit from June 2011 through August 2011 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 audit results and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our audit results and conclusions based on our audit objectives. Our audit included tests of management controls that we considered necessary under the circumstances.

Audit Results and Recommendations

A. Program Eligibility and Credit Authorization

Ratepayers that received utility assistance under the REAP/WARM programs were qualified according to program criteria. Using a statistical sampling methodology, we randomly selected 25 cases for testing from CIMS to determine eligibility. We noted that all 25 cases were eligible for utility assistance under the REAP or WARM programs.

Additionally, credits applied to ratepayers' accounts were properly authorized. Using a statistical sampling methodology we randomly selected 60 utility assistance credits for testing from CPS' Portal. We reviewed the case file for each credit to determine existence and approval of a processed case. We determined that all 60 credits had a corresponding approved case file.

Also, we determined that all REAP participants resided within the San Antonio city limits as required by the contract.

Finally, we reviewed 25 case files that were denied utility assistance and determined assistance was denied appropriately.

Recommendations

None.

B. WARM Project Impact Reports

DHS was not preparing WARM annual project impact reports to CPS. According to the 2010 WARM contract, DHS is to prepare an annual report on the following:

- Total number of households and household members assisted
- Summary of assistance by Council District
- Households served by priority category
- Total funds credited

According to DHS, these reports were not being prepared because CPS was not actively requesting them. However, not complying with all contractual reporting requirements could adversely affect future funding, as critical program information is not being disseminated to stakeholders.

Recommendation

The Director of DHS should ensure compliance with the annual project impact reporting requirement.

C. Policies and Procedures for Waivers

DHS does not have formal documented policies or procedures associated with granting waivers for eligibility criteria or assistance limits. According to the CPS contract, DHS may issue waivers for utility assistance in cases of extreme hardship or emergencies if an applicant does not meet the eligibility requirements for the REAP or WARM programs. While DHS does have a process in place for the use of waivers, there are no documented guidelines that establish criteria for authority or approvals for waivers. Likewise, there is no guidance for reasonable definitions of extreme hardships or emergencies or requirements for documenting and maintaining adequate justification for waivers.

Without documented guidance for waivers, the probability of inconsistent treatment of applicants increases.

Recommendation

The Director of DHS should implement formal policies and procedures to guide the use of waivers.

D. CIMS Operations

We determined that all DHS users of CIMS had appropriate access to the system. However, CIMS has an unresolved programming error that does not allow it to automatically calculate applicants' annual incomes and corresponding federal poverty limit percentages on the service authorization forms. As a result, caseworkers must manually transfer the annual income and federal poverty percentages for applicants from the intake forms to the service authorization forms.

DHS Management has informed its internal Management Information System (MIS) section of the issue. However, MIS has been unable to identify a specific cause. Therefore, this system issue has not been resolved. According to the Information Systems Audit and Control Association's (ISACA) Control Objectives for Information and related Technology (COBIT), information technology should ensure satisfaction of end users with service offerings and service levels. This includes taking ownership of problems and progressing problem resolution.

Requiring caseworkers to perform these calculations manually could lead to errors resulting in ineligible applicants receiving utility assistance or eligible applicants being denied.

Recommendation

The Director of DHS should work with the Information Technology Services Department to ensure CIMS users' needs are met.

E. Portal Access Control and Segregation of Duties

The CPS Agency Portal does not have adequate controls to prevent unauthorized access to utility customer accounts. While CPS controls access via user login names and passwords, access is not restricted once a DHS caseworker has gained access to the system. This is a significant system control weakness because caseworkers can access any CPS customer account and apply credits under the REAP or WARM programs. This can be done by simply using the customer's CPS account number and either a social security or driver's license number. Although DHS is not authorized to implement system controls in Portal since this system is developed and owned by CPS, formal mitigating controls should have been implemented to monitor credits being applied.

In addition to this system weakness, there is a lack of separation of duties for DHS caseworkers' processing of utility assistance credits in Portal. We determined that several DHS caseworkers have the inappropriate authorization to process cases in CIMS and apply utility assistance credits. Appropriate segregation of duties is essential to reducing the risk of perceived or real abuse of authority.

The uncontrolled access in Portal and lack of segregated duties could lead to misapplication of utility assistance credits.

Recommendation

The Director of DHS should:

E.1 Request CPS to implement appropriate system controls in its Portal.

E.2 Implement formal mitigating controls to ensure credits are appropriately applied to ratepayers' accounts.

Appendix A – Staff Acknowledgement

Brian K. Williams, MBA, CFE, CIA CGAP, Audit Manager
Douglas Francis, MSA, Auditor-in-Charge

Appendix B – Management Response



CITY OF SAN ANTONIO

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October 6, 2011

Kevin W. Barthold, CPA, CIA, CISA
Acting City Auditor
San Antonio, Texas

RE: Management's Corrective Action Plan for the DHS REAP/WARM Audit

The Department of Human Services has reviewed the audit report and has developed the Corrective Action Plans below corresponding to report recommendations.

Recommendation

#	Description	Audit Report Page	Accept, Partially Accept, Decline	Responsible Person's Name/Title	Completion Date
B	WARM Project Impact Reports Recommendation The Director of DHS should ensure compliance with the annual project impact reporting requirement.	3	Accept	Richard Keith, Special Projects Manager; Yolanda Perez, Sr Mgmt Analyst	January 31, 2012
	Action plan Description: The Department of Human Services (DHS) will produce a WARM Annual Report beginning with End of Year 2011 and submit to CPS Energy by End of January, 2012. DHS will continue to provide annual reports in the future or as long as outlined in contract requirements.				
C	Policies and Procedures for Waivers Recommendation The Director of DHS should implement formal policies and procedures to guide the use of waivers.	4	Accept	Richard Keith, Special Projects Manager; Yolanda Perez, Sr Mgmt Analyst	November 30, 2011
	Action plan Description: Program Manager will submit and formalize utility assistance policies and procedures to strengthen controls to ensure credits are applied appropriately. Utility Assistance Policies and Procedures will document formal policies and procedures to guide the use of waivers.				

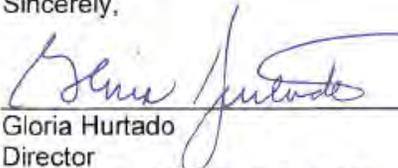
Appendix B – Management Response (continued)

Recommendation					
#	Description	Audit Report Page	Accept, Partially Accept, Decline	Responsible Person's Name/Title	Completion Date
D	<p>CIMS Operations</p> <p>Recommendation</p> <p>The Director of DHS should work with the Information Technology Services Department to ensure CIMS users' needs are met.</p>	4	Accept	Edward Gonzales, Assistant Director	Requirements Document by December 31, 2011; Implementation on September 30, 2012
<p>Action plan Description:</p> <p>The Assistant Director will develop a requirements document to be coordinated with Information Services Technology Department shared services project manager, specifically requirements in regards to capturing and reporting data as required by Family Assistance programs. The current DHS IT staff will immediately submit a support request to the current vendor of CIMS to include the calculated poverty percentage currently displayed on the Intake form to be displayed on the service authorization report.</p>					
E	<p>Portal Access Control and Segregation of Duties</p> <p>Recommendation</p> <p>The Director of DHS should:</p> <p>E.1 Request CPS to implement appropriate system controls in its Portal.</p> <p>E.2 Implement formal mitigating controls to ensure credits are appropriately applied to ratepayers' accounts.</p>	5	Accept	Gloria Hurtado/DHS Director; Melody Woosley, Assistant Director	November 30, 2012
			Accept	Richard Keith, Special Projects Manager; Yolanda Perez/Sr Mgmt Analyst	December 23, 2011
<p>Action plan Description:</p> <p>E.1 Director will request the implementation of appropriate system controls in the CPS Portal.</p> <p>E.2 Program Manager will submit and formalize utility assistance policies and procedures to strengthen controls to ensure credits are applied appropriately. Utility Assistance Policies and Procedures will document a plan for use of CPS Reports and internal desk audits.</p>					

Appendix B – Management Response (continued)

We are committed to addressing the recommendations in the audit report and the plan of actions presented above.

Sincerely,



Gloria Hurtado
Director
Department of Human Services

10-06-2011

Date



Peter Zanoni
Assistant City Manager
City Manager's Office

10-11-11

Date



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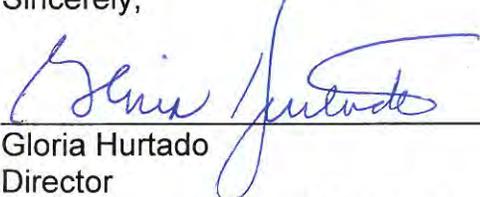
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C	<p>Policies and Procedures for Waivers</p> <p>Recommendation</p> <p>The Director of DHS should implement formal policies and procedures to guide the use of waivers.</p>	4	Accept	Richard Keith, Special Projects Manager; Yolanda Perez, Sr Mgmt Analyst	November 30, 2011
<p>Action plan Description:</p> <p>Program Manager will submit and formalize utility assistance policies and procedures to strengthen controls to ensure credits are applied appropriately. Utility Assistance Policies and Procedures will document formal policies and procedures to guide the use of waivers.</p>					

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<p>Action plan Description:</p> <p>E.1 Director will request the implementation of appropriate system controls in the CPS Portal.</p> <p>E.2 Program Manager will submit and formalize utility assistance policies and procedures to strengthen controls to ensure credits are applied appropriately. Utility Assistance Policies and Procedures will document a plan for use of CPS Reports and internal desk audits.</p>					

We are committed to addressing the recommendations in the audit report and the plan of actions presented above.

Sincerely,



Gloria Hurtado
Director
Department of Human Services

10-06-2011

Date



Peter Zanoni
Assistant City Manager
City Manager's Office

10-11-11

Date