



**FULTON COUNTY**

**FULTON COUNTY, GEORGIA  
OFFICE OF INTERNAL AUDIT**

**HOUSING AND HUMAN SERVICES  
DEPARTMENT**

**HURRICANE KATRINA EVACUEE ASSISTANCE  
COMMODITY CODE AUDIT REPORT**

**May 13, 2013**

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## Introduction

The Office of Internal Audit performed an audit to examine the authorization and use of the Hurricane Katrina Evacuee Assistance Commodity Code (9903A). Fulton County's Department of Housing and Human Services (HHS) was responsible for providing relief assistance identified by this commodity code. The audit targeted the continued use of the Commodity Code after the funding period.

## Background

The Housing and Human Services Department (HHS) is located at 137 Peachtree Street, SW, Atlanta, Georgia. In an effort to support the fluctuating needs of its residents and provide individualized service modes, HHS established the following divisions:

- The Office of Aging
- The Office of Children and Youth
- The Office of Emergency and Transitional Housing
- The Office of Grants and Community Partnerships
- Housing and Community Development
- Workforce Development

The 6 divisions listed above gather, prepare, and submit all requests for financial assistance to HHS (downtown) for further approval and transmittal to Accounts Payable (AP). Afterwards, AP submits the checks to HHS, where the checks are then sent to the appropriate division for distribution.

On August 29, 2005, Hurricane Katrina, a category five storm, struck the Gulf Coast of the United States. It devastated the area and forced hundreds of residents to relocate, with many coming to Fulton County. To assist those displaced by Hurricane Katrina, Fulton County was awarded NEG (National Emergency Grant) funds. In response to the dire and urgent needs of those displaced, the Hurricane Katrina Evacuee Assistance Commodity Code was established for the County's use to expedite the receipt and processing of funding for the applicants. Using this code allows the end-user to establish vendors in the AMS Financial System and forego the County's business license requirement. The disbursement of NEG funds originated primarily from two divisions of HHS:

- The Office of Emergency and Transitional Housing (OETH)
- Workforce Development or Workforce Investment Act Program (WIA)

OETH is comprised of an assessment center, supportive services, and transitional housing programs that provide support and structure for the County's residents who are refreshing and developing life skills essential for securing stable employment and independent living. These services and programs are offered at the following locations:

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- Jefferson Place Transitional House
  - Serves males
- Odyssey Villas
  - Serves intact families
- City of Refuge/Eden Village
  - Serves women and their children

WIA provides career development, employment and supportive services to the County's adult and youth population. The WIA Board annually reviews, revises and approves WIA's policies and procedures. The most recent revisions were made effective January 1, 2013. WIA services and programs are offered at the following locations:

- Adamsville Regional Health Center
- Boulevard Workforce Center
- Central Resource Center
- Neighborhood Union Health Center
- North Fulton Career Center
- Oak Hill
- South Fulton Career Center
- Springdale Place Women's Shelter
- Youth Employment Service Center

### **Objective**

The objective of our audit was to assess the use of the Hurricane Katrina Evacuee Assistance Commodity Code that occurred beyond the established funding period.

### **Scope**

The audit period covered by this review is January 1, 2007 through July 31, 2012.

### **Methodology**

During our audit of Housing and Human Services, we interviewed key personnel to identify significant tasks and processes related to the disbursement of financial assistance. In addition, we documented the process flow, inspected client records and performed audit testing on a sample basis. We examined the following items in the client records:

- Payment Voucher Requests
- Client Applications
- Supporting Documentation

**Findings and Recommendations**

**Finding 1 – Unauthorized Use of the Hurricane Katrina Commodity Code**

The funding period for the Hurricane Katrina Evacuee Assistance was for the calendar year 2005 through 2006. Our audit testing revealed that 804 vendor numbers had been created in the AMS financial system with the Hurricane Katrina Evacuee Assistance Commodity Code (9903A) after the funding period expiration date (see chart below). Of those 804 vendor numbers, 16 (2%) were associated with an additional commodity code. We also found evidence that a HHS Procurement Specialist advised a Purchasing employee to use the Hurricane Katrina Evacuee Assistance Commodity Code (9903A) to register a vendor in AMS. Vendors were paid via payment voucher requests, which do not require commodity codes. As a result, the Finance Department was unaware of the code’s use and continued to process the voucher payments after the funding period. The Hurricane Katrina Evacuee Assistance Commodity Code was apparently still active in AMS and available for use. The establishment of vendors in AMS with the Hurricane Katrina Evacuee Assistance commodity code after the established funding period had expired indicates unauthorized use of the code or other irregularities.

| <b>Year Created</b> | <b>Total Vendor/Customer Numbers Created in AMS after the Hurricane Katrina Funding Expired</b> |
|---------------------|-------------------------------------------------------------------------------------------------|
| 2008                | 57                                                                                              |
| 2009                | 318                                                                                             |
| 2010                | 147                                                                                             |
| 2011                | 177                                                                                             |
| 2012                | 105                                                                                             |
| <b>Grand Total</b>  | <b>804</b>                                                                                      |

**Recommendations**

The Hurricane Katrina Evacuee Assistance commodity code and all vendors associated with only that code should be immediately deactivated in AMS. In addition, all supervisors should be advised of and communicate to their staff the deactivation of the Hurricane Katrina Evacuee Assistance commodity code and the deactivation of all vendors associated with only that code. Henceforward, the immediate supervisors should be held responsible for the use of commodity codes for vendors. Also, any attempt to use and/or modify the Hurricane Katrina Evacuee Assistance commodity code or deactivated vendors in AMS should immediately alert the I.T. Department and the source should be identified, investigated and the appropriate action taken.

**Response – Department of Purchasing & Contract Compliance**

We concur with the recommendations. To prevent unauthorized use of the Hurricane Katrina Commodity Code (9903A) or other irregularities, the following actions have been or will be implemented:

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1. Hurricane Katrina Commodity Code (9903A) is deactivated in the AMS system; therefore, it cannot be assigned to new vendors.
2. Those vendors identified by Housing and Human Services (HHS) with the Hurricane Katrina Commodity Code (9903A) will be deactivated in the AMS system.
3. Those vendors identified by Housing and Human Services (HHS) with the Hurricane Katrina Commodity Code (9903A) will be assigned new commodity code(s).

### **Finding 2 – Non-compliance with Policies and Procedures**

Policies and procedures are designed to ensure that responsibilities are addressed and obligations are met. According to Section 4 of Fulton County's *Advantage™ 3 Financial Introduction & Overview*:

*All vendors will be required to submit their business license to Purchasing and their W-9 form to the Accounts Payable division of Finance. Once all documents are submitted and the vendor's information is verified, the vendor will be approved and registered with Fulton County.*

Registering vendors with the Hurricane Katrina Evacuee Assistance Commodity Code allowed users to expedite the vendor registration process by eliminating the business license and/or W-9 requirement. During our audit testing, we were able to readily identify vendors who were registered with the Hurricane Katrina Evacuee Assistance Commodity Code and who should have been required to submit a business license before their vendor registration was approved. Circumventing policies and procedures without prior written authorized approval is intolerable and could result in unauthorized vendor registration.

### **Recommendations**

We recommend all staff and management fully comply with the County's policies and procedures. In addition, any allowable deviation from the policies and procedures should require prior written approval from authorized personnel.

### **Response – Department of Purchasing & Contract Compliance**

We concur with the recommendations. To prevent further non-compliance use of the Hurricane Katrina Commodity Code (9903A) or other irregularities, the following actions have been or will be implemented:

1. Purchasing & Contract Compliance is currently in compliance with policies and procedures.
2. Any deviation from policies and procedures will require written approval from Director of Purchasing & Contract Compliance.

**Finding 3 – Insufficient Internal Controls**

The code of recommended practice for data transparency states that there should be controls in place to reduce the risk of payment fraud occurring. Currently, the Vendor Self-Service (VSS) application permitted vendors to register online and select multiple commodity codes to be associated with their business. Allowing vendors to register with unlimited commodity codes could result in commodity codes being associated with a vendor that are unrelated to its business and increase the risk of payment fraud. A sample of commodity codes that appears to be unrelated to the vendor’s business is listed in the chart below:

| Vendor Name                             | Commodity Code                                                    |
|-----------------------------------------|-------------------------------------------------------------------|
| One Source Security Management Services | 99891 – Sporting and Athletic Equipment                           |
| MMJR Consulting, LLC                    | 01924 – Buckwheat                                                 |
|                                         | 93856 – Hospital & Medical Equipment General Maintenance & Repair |
|                                         | 95254 – Homemaker                                                 |
|                                         | 99010 – Armored Car Services                                      |

**Recommendations**

To strengthen internal controls, we recommend that periodic reviews of vendors in AMS are conducted to ensure the legitimacy of vendors and the accuracy of vendor information, which agrees to the supporting documentation.

**Response – Department of Purchasing & Contract Compliance**

Purchasing & Contract Compliance currently conducts periodic reviews of the Vendor Self-Service System. VSS is a vendor self-service system in which the vendor is responsible for initiating, maintaining and updating their profile. The system was designed so that vendors can enter commodity codes for all goods or services they can provide to the County. The purpose is so that when the County is purchasing goods and services those vendors can be notified. Vendors receive e-notifications of bid solicitations based on their commodity code(s).

**Finding 4 – Segregation of Duties**

Segregation of duties is an essential component in minimizing the susceptibility of risks and fraud. Currently, AMS allows a user to both create and approve their individual vendor registration entries and this should not be allowed. During our audit testing, we identified 4 AMS users who both created and approved their individual vendor registration entries in the AMS system. The absence of segregated duties fosters an increased risk that errors and/or fraud could occur and remain undetected. The following chart details the total vendor numbers in AMS that were created & approved by the same AMS user with the Hurricane Katrina Evacuee Assistance Commodity Code:

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| Users who Created Vendor Registration in the AMS system | Users who Approved Vendor Registration in the AMS System |       |       |       | Grand Total |
|---------------------------------------------------------|----------------------------------------------------------|-------|-------|-------|-------------|
|                                                         | User1                                                    | User2 | User3 | User4 |             |
| User1                                                   | 1                                                        |       |       |       | 1           |
| User2                                                   |                                                          | 1     |       |       | 1           |
| User3                                                   |                                                          |       | 132   |       | 132         |
| User4                                                   |                                                          |       |       | 1     | 1           |
| <b>Grand Total</b>                                      | 1                                                        | 1     | 132   | 1     | 135         |

**Recommendations**

We recommend that AMS be modified to prevent an individual user from both creating and approving their vendor registration entries. If AMS is unable to be modified, we recommend eliminating the AMS users’ authority to either create or approve vendor registration entries into the AMS system.

**Response – Department of Purchasing & Contract Compliance**

Purchasing & Contract Compliance believe duties are segregated sufficiently based on our business processes.

Controls have been set in place where only Purchasing & Contract Compliance’s Purchasing Systems Coordinator, Vendor Coordinator and members of Finance can create and approve vendors in AMS.

Purchasing & Contract Compliance previously had two (2) Procurement Vendor Coordinators sharing the duties of creating and approving vendors in the AMS system. Currently the department only has one (1) Procurement Vendor Coordinator performing both duties. A second Procurement Vendor Coordinator position was abolished in 2008.

**Finding 5 – Insufficient Vendor Maintenance**

Vendor maintenance consists of the establishment of new vendors, the process of making updates to vendor information and the removal of outdated or inactive vendors. Vendor records in AMS contain unique identifiers (vendor numbers), addresses and other pertinent information. During our audit testing, we noted that there were duplicate vendor names and vendor numbers. Duplicate vendor information in AMS makes it difficult to monitor spending, increasing the risk of non-compliance with procurement and/or grant funding regulations. Duplicate vendor information, identified during the audit, inflated the number of vendor names and vendor numbers by 2% and 3% respectively, see details below:

|                     | # Registered in AMS with the Commodity Code 9903A | # of Duplicates | Audit Total |
|---------------------|---------------------------------------------------|-----------------|-------------|
| # of Vendor Names   | 794                                               | 14              | 780         |
| # of Vendor Numbers | 804                                               | 24              | 780         |

## Recommendations

We recommend that I.T. merge the duplicate vendor information into one vendor record. In addition, Purchasing should perform detailed examinations prior to establishing a vendor in AMS to ensure the vendor does not already exist and perform quarterly vendor maintenance to ascertain that there are neither duplicate nor illegitimate vendors in AMS.

## Response – Department of Purchasing & Contract Compliance

On an annual basis Purchasing & Contract Compliance does vendor maintenance by sending notifications to vendors requesting them to update their profile information such as e-mail address, commodities and contact name.

Based on the audit Purchasing & Contract Compliance has identified vendors with similar duplicate entries that have been assigned Hurricane Katrina Commodity Code (9903A). Duplicate vendor entries resulted from the following:

- a. There are more than one address (payment and ordering) for the same vendor.
- b. Same vendor was assigned more than one vendor/customer number because the vendor was created on different dates.
- c. Misspelling of vendor name, example: Augusta Hills Apartment and Augusta Hills Apartment LLP.

To prevent further duplication of Hurricane Katrina Commodity Code (9903A) some of the responses in 1 thru 4 shall be or have been implemented.

VSS is a vendor self-service system. The vendors are responsible for initiating, maintaining and updating their profile information.

## Conclusion

Our audit identified several internal control weaknesses regarding the Hurricane Katrina Commodity Code: including insufficient vendor maintenance; non-segregation of duties; the unauthorized use of the Hurricane Katrina Commodity Code; and non-compliance with policies and procedures. In order to mitigate these weaknesses, we highly recommend that HHS initiate and/or implement the necessary internal controls to prevent any unauthorized use, duplication and/or creation of illegitimate vendors in AMS.

We would like to thank HHS's management and staff as well as the staff and management of Purchasing and Contract Compliance for their cooperation and assistance during the audit. The distribution of this report is reserved for the executive management of Fulton County and the Board of Commissioners.

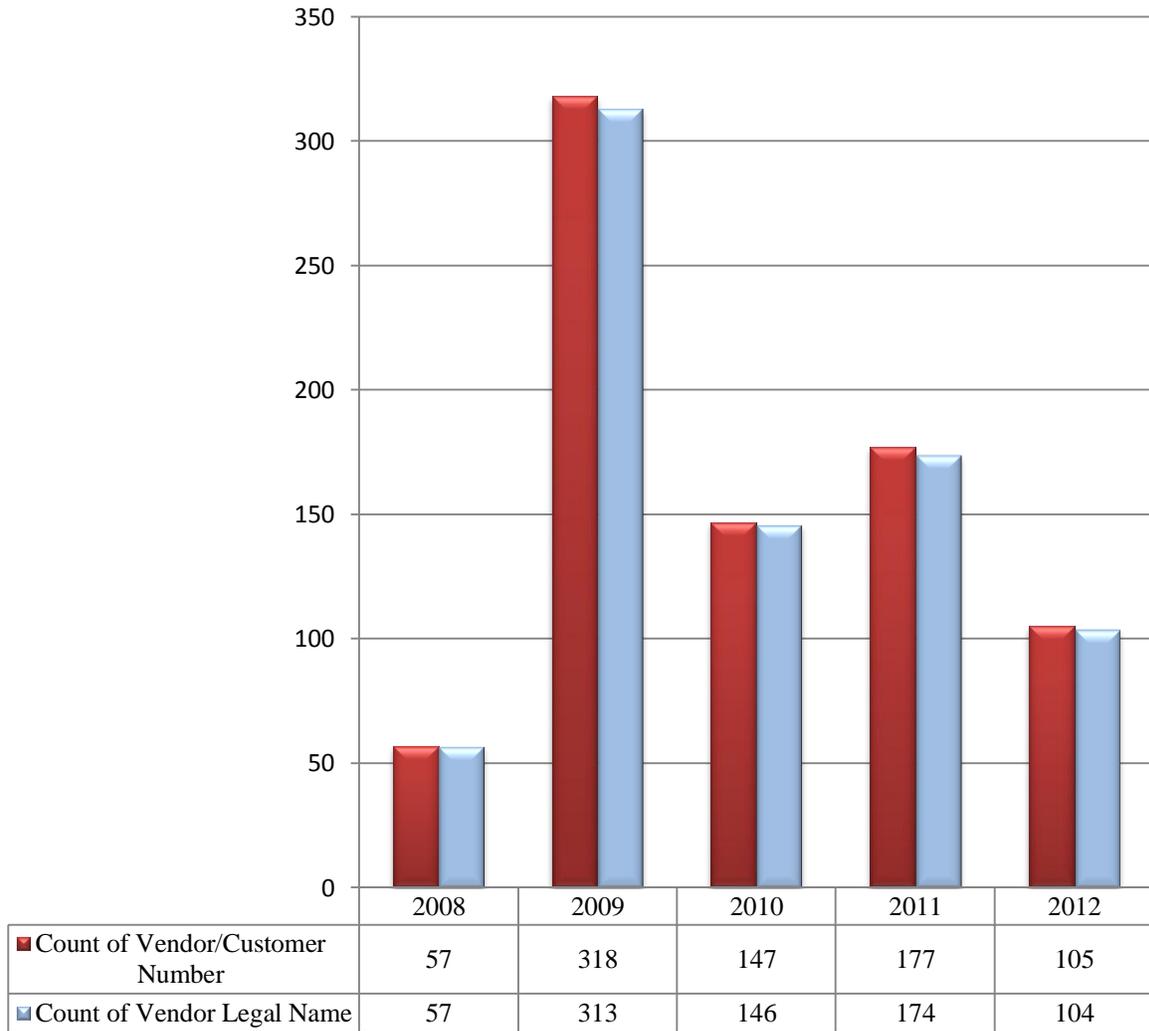
*\*Note-Responses from HHS were not included in this audit report as they were not received from the department at the time of issuance of this report.*

APPENDIX

# Hurricane Katrina Evacuee Assistance Commodity Code Audit Report

## Appendix 1

Total Vendors & Vendor Numbers Created in AMS with the Hurricane Katrina Evacuee Assistance Commodity Code (9903A) by the Year Created



\* The totals above also include 24 duplicate vendor numbers.

\* The totals above also include 14 duplicate vendor names.