



Audit of the Office of Community Care Community Centers

May 22, 2020

Mark S. Swann, City Auditor

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Executive Summary

Objective and Scope

The audit objective was to evaluate the financial, operational, and program performance of the community centers. The scope included the following dates:

- October 1, 2016, through June 30, 2019 – operational and program performance.
- October 1, 2014, through June 30, 2019 – financial performance.

Note: The scope was limited due to lack of documentation and precluded auditors from completing the following tests related to the propriety of:

- Trust funds' transactions based on trust funds' agreements.
- The 2018 Dr. Martin Luther King, Jr. Celebration Week transactions.

What We Recommend

The Office of Community Care should continue to strengthen the monitoring of the community centers and improve program management as described in this report.

Background

The Office of Community Care manages the Martin Luther King, Jr. Community Center and West Dallas Multipurpose Center on a Fiscal Year 2020 operating budget of approximately \$1.4 million and \$1.1 million respectively.

The mission of the community centers is to provide social and supportive services designed to help create equity for seniors, children, and other people in financial need to improve their quality and standard of living.

What We Found

The Office of Community Care began to establish monitoring and program management protocols and procedures since assuming responsibility for the community centers in Fiscal Year 2018. Areas yet to be finalized or addressed include:

- Formal approval of the protocols and procedures.
- The role and responsibilities of the Martin Luther King, Jr. Community Center Board.
- Planning and execution of the annual Dr. Martin Luther King, Jr. Celebration Events.
- Resolving funds with negative balances.
- Use of City Department budgets to purchase Dr. Martin Luther King, Jr. Celebration Week Gala tickets.
- Proper monitoring of utility assistance funds.

Audit Results:

As required by *City Council Resolution 88-3428*, departments will establish internal controls in accordance with the standards established by the Comptroller General of the United States pursuant to the *Federal Managers' Financial Integrity Act of 1982*. Administrative Directive 4-09, *Internal Control* prescribes the policy for the City to establish and maintain an internal control system. The audit observations listed are offered to assist management in fulfilling their internal control responsibilities.

Observation A: Protocol and Procedures

The Office of Community Care has not formally approved the written community center protocols and procedures it established, since assuming responsibility for the community centers in Fiscal Year 2018. Without formal, approved written protocol and procedures there is an increased risk the community centers operations will not be efficient, effective, or achieve their mission.

In addition, the written protocols and procedures do not address:

- Processing tenant rent payments. For Fiscal Year 2018 and 2019 tenants paid less than their lease agreements by approximately \$22,000 and \$8,000, respectively.
- Processing transactions for the Dr. Martin Luther King, Jr. Celebration Events, including use of a fiscal agent.
- Social services programs provided at the community centers.
- Monitoring and validation of tenants' performance reports.

Internal control weaknesses in the written protocols and procedures were also noted, such as:

- Lack of segregation of duties for petty cash.
- Reconciliation forms without a section for a completed by and a reviewed by signature/date.

Criteria

- ❖ Standards for Internal Control in the Federal Government (Green Book): *Principle 10.02 – Response to Objectives and Risks*

Assessed Risk Rating:

High

We recommend the **Director of the Office of Community Care:**

A.1: Formally approve all written protocols and procedures.

A.2: Continue to establish community center protocols and procedures for the areas yet to be addressed.

A.3: Correct the petty cash segregation of duties and reconciliation form internal control weaknesses.

Observation B: Martin Luther King, Jr. Community Center Board

There is not a consensus of the advisory capacity the Martin Luther King, Jr. Community Center Board should perform, and monthly board meetings are poorly attended. As a result, there is a risk the Martin Luther King, Jr. Community Board will remain unable to ensure that operations are efficient, effective, and achieve their mission.

Lack of Consensus

On September 21, 1971, City Council passed Ordinance 13384 to establish a Crossroads Community Service Center Board that had policy and operational responsibilities for the community center. Various ordinances have renamed the community center and board to Martin Luther King, Jr. Community Center, and changed the board's size, term, appointment procedures and responsibilities to an advisory board.

Interviews with eight board members revealed a range of roles/responsibilities the Martin Luther King, Jr. Community Center Board should perform. While subsequently amended, earlier ordinances required City Council-approved by-laws and stated a detailed list of functions of the Martin Luther King, Jr. Community Center Board. By-laws could not be provided, and no one referred to the functions detailed in the amended ordinances. One board member referred to the guiding principles listed in the Martin Luther King, Jr. Community Center Board Annual Report presented to City Council.

Poor Attendance

Besides the lack of a consensus, the board meetings are poorly attended. Approximately 28 percent of the Martin Luther King, Jr. Community Center Board seats were vacant (4.25 of 15 seats) for the meetings during the audit period. The vacant seats ranged from a high of eight for one meeting to a low of two for three meetings. Further, approximately two Martin Luther King, Jr. Community Center Board members were absent from each meeting during the audit period. An August 24, 2018, memo from the City Manager to the Honorable Mayor and members of the City Council noted the following:

- *"The Board currently has 7 total vacant positions, including the chair, which creates a significant impediment to holding productive meetings."*
- *"Additionally, several current members have attendance issues."*
- *"Two of the 3 most recent scheduled meetings were unable to be held due to a lack of quorum."*
- *"Due to quorum challenges, the 2019 MLK Celebration Planning Committee was established in March 2018.... The Planning Committee is comprised of community members and volunteers as well as several members of the MLK Community Center Advisory Board."*

Criteria:

- ❖ Dallas City Code, Article XIII. *Martin Luther King, Jr. Community Center Board*
- ❖ *The Governance Assessment Checklist* published by the City of Kansas City, Missouri – City Auditor's Office
- ❖ Standards for Internal Control in the Federal Government, (Green Book), *Principle 6.03 – Definitions of Objectives*

Assessed Risk Rating:

High

We recommend the **Director of the Office of Community Care:**

B.1: Work with the City Manager, City Attorney's Office and City Council to establish: (1) by-laws that describe the roles and responsibilities of the Martin Luther King, Jr. Community Center Board; and, (2) procedures to ensure a fully functioning Martin Luther King, Jr. Community Center Board that contributes to the Martin Luther King, Jr. Community Center mission.

Observation C: The Martin Luther King, Jr. Celebration Events

The annual Dr. Martin Luther King, Jr. Celebration Events are mainly planned and executed by the Martin Luther King, Jr. Community Center staff. As a result, there is an increased risk that:

- The Martin Luther King, Jr. Community Center staff is not utilized in the most efficient and effective manner.
- The Dr. Martin Luther King, Jr. Celebration Events will not achieve their goal.

The planning and execution require a significant amount of the staff's time and is outside of their expertise. In addition, there is no consensus of the goal of each event among the Martin Luther King, Jr. Celebration Planning Committee, Martin Luther King, Jr. Community Center Board, and the Office of Community Care.

Criteria

- ❖ Forbes, *How To Organize The Perfect Fundraising Gala*, contributed by Devin Thorpe, (2018, Aug 29)
- ❖ California Meetings and Events, *How to March Through the Steps of Planning a Parade*, by Ingrid E. Lundquist, (Spring 2015)
- ❖ FestivalandEvents.com, *Planning a Parade for a Fair, Festival or Event*, by Sheri Rich, Chairperson, Shepherd Maple Syrup Festival
- ❖ Standards for Internal Control in the Federal Government, (Green Book), *Principle 6.03 – Definitions of Objectives*

Assessed Risk Rating:

High

We recommend the **Director of the Office of Community Care:**

- C.1:** Conduct a cost-benefit analysis for outsourcing the Martin Luther King, Jr. Celebration Events and present the results to the City Manager for consideration of outsourcing the Martin Luther King, Jr. Celebration Events.

Observation D: Negative Balance Funds

The Office of Community Care inherited seven trust funds related to the community centers from the Department of Housing and Community Services with negative balances. As of June 30, 2019, these funds have a total negative balance of approximately \$1.6 million, of which approximately \$1.1 million relates to two TXU Energy Aid funds. As a result, the lack of a timely resolution of the negative balance increases the risk of future budget cuts.

The negative balances stemmed from using City funds that were not reimbursed by donations from the organizations providing the funding. Currently, only one of the funds is still used. The Office of Community Care has been working with both the Controller's Office and Office of Budget since October 2018 to resolve the negative balances.

Criteria

- ❖ National Advisory Council on State and Local Budgeting, Government Finance Officers Association, Recommended Budget Practices: A Framework for Improved State and Local Government Budgeting, Element 4.1, *Develop Policy on Stabilization Funds*
- ❖ Standards for Internal Control in the Federal Government, (Green Book), *Principle 6.08 – Definitions of Risk Tolerances*

Assessed Risk Rating:

High

We recommend the **Director of the Office of Community Care:**

D.1: Work with the Controller's Office and Office of Budget for a timely resolution of the client assistance funds with negative balances.

Observation E: Use of City Department Funds

The City provides no definitive guidance as to the use of department budgets to support other department activities. As a result, there is an increased risk that department budgets are not used for the purposes City Council intended and the public expected, and ethical issue related to the selection of the persons that will use the tickets.

For example, the Office of Community Care sent an announcement email to several City Departments, offering them the opportunity to purchase 2019 Dr. Martin Luther King, Jr. Celebration Week Gala tickets before general ticket sales. In the announcement email, the Office of Community Care stated that they would like to have as many departments as possible in attendance. Six departments purchased seven tables totaling \$7,000, which was paid from their department budget.

Criteria:

- ❖ Standards for Internal Control in the Federal Government, (Green Book), *Principle 1.06 – Standards of Conduct*

Assessed Risk Rating:

Moderate

We recommend the **City Manager**:

E.1: Provide definitive guidance as to the use of department budgets to support other department activities and the selection of the persons that will attend the activities.

Observation F: Utility Assistance Funds Monitoring

The Office of Community Care is not properly reconciling the commitments made to pay client utility bills to the actual payments recorded to the utility assistance funds. As a result, there is an increased risk that there will be an overcommitment to pay client utility bills leading to negative utility assistance fund balances.

The Office of Community Care provides funds to clients who qualify for assistance with their utility bill. The funds are donated by partnering utility companies. While the Office of Community Care is required to provide the utility companies a monthly status report of the donated funds spent and remaining fund balance, the Office of Community Care does not have reconciliation procedures in place to ensure there are sufficient funds to pay outstanding commitments by reconciling to the City of Dallas' accounting system.

Criteria

- ❖ Standards for Internal Control in the Federal Government, (Green Book), *Principle 10.10 – Design of Control Activities at Various Levels*

Assessed Risk Rating:

Low

We recommend the **Director of the Office of Community Care:**

- F1.** Develop reconciliation procedures to ensure that the utility assistance funds do not go negative due to overcommitments made to pay client utility bills.

Appendix A: Background and Methodology

Background

The Office of Community Care was established on October 1, 2017 when the Department of Housing and Community Services was separated into three departments. It assumed management of the Martin Luther King, Jr. Community Center and West Dallas Multipurpose Center at that time.

The mission of the community centers is to provide social and supportive services designed to help create equity for seniors, children, and other people in financial need to improve their quality and standard of living. Both community centers house on-site agencies providing services such as social services, senior services, and childcare services.

Martin Luther King, Jr. Community Center opened in 1968 and is located on MLK Blvd. in the South Dallas/Fair Park area. The facility is comprised of five free-standing buildings on 10.5 acres, of which three of the buildings the Office of Community Care is responsible for.

On September 21, 1971, City Council passed Ordinance 13384 to establish a Crossroads Community Service Center Board that had policy and operational responsibilities for the community center. Various ordinances have renamed the community center and board to Martin Luther King, Jr. Community Center, and changed the board's size, term, appointment procedures and responsibilities to an advisory board. The West Dallas Multipurpose Center does not have a board.

Martin Luther King, Jr. Community Center annually hosts a Dr. Martin Luther King, Jr. Celebration Week in January to celebrate the legacy of Dr. Martin Luther King, Jr.

West Dallas Multipurpose Center opened in 1988 and is located in West Dallas off Singleton Blvd. near Hampton Rd. The facility is a single building on four acres.

The Operating Budget for the community centers during the audit period and current fiscal year is as follows:

- Martin Luther King, Jr. Community Center
 - Fiscal Years 2018 and 2019 – \$1,200,000
 - Fiscal Year 2020 – \$1,361,016
- West Dallas Multipurpose Center
 - Fiscal Year 2018 – \$680,961
 - Fiscal Year 2019 – \$848,135
 - Fiscal Year 2020 – \$1,097,626

Methodology

To accomplish our audit objectives, we performed the following steps:

- Interviewed personnel from the Office of Community Care, staff at both community centers and members of the Martin Luther King, Jr. Community Center Board.
- Reviewed the Office of Community Care protocols and procedures, relevant Administrative Directives and City Codes, and best practice guidance.
- Performed various analyses and reviewed documentation as needed to support the analyses conclusions.
- Considered risk of fraud, waste and abuse.

The following tests were not performed due to the lack of documentation:

- Propriety of trust funds' transactions based on Trust Funds' agreement. (Trust fund agreements were not available.)
- Propriety of the 2018 Dr. Martin Luther King, Jr. Celebration Week transactions. (Lack of complete transactional records with approvals.)

This performance audit was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based upon our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Major Contributors to the Report

Shino Knowles, CPA – Project Manager
Rory Galter, CPA – Audit Manager

Appendix B: Management's Response

Memorandum



DATE: May 14, 2020
TO: Mark S. Swann, City Auditor
SUBJECT: Response to Audit of the Office of Community Care Community Centers

This letter acknowledges the City Manager's Office received the *Audit of the Office of Community Care Community Centers* and submitted responses to the recommendations in consultation with the Office of Community Care and the Office of Budget.

We recognize the important role comprehensive, written procedures and adequate monitoring activity have in helping ensure the City's community centers continue to provide equitable, transparent, and effective services for seniors, children, and other people in financial need.

The Office of Community Care has made great progress to strengthen the internal controls over the community centers, including:

- Making organizational adjustments to create alignment and consistency in contracting, partner agreements, space use agreements, etc. between the community centers;
- Transitioning the management and oversight of petty cash to the department's Administration/Budget team;
- Developing forms to document protocol and procedure changes; and
- Remediating the negative balances of five of the seven funds identified by the auditor.

In addition, to further strengthen the internal controls at the community centers, the Office of Community Care will:


- Continue to strengthen processes through additional internal controls and ensuring comprehensive procedures are in place;
- Conduct a cost-benefit analysis for outsourcing the Martin Luther King, Jr. Celebration Events;
- Work with the Office of Budget to resolve the two remaining funds with negative balances; and
- Periodically reconcile the utility assistance funds.

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However, the Office of Community Care cannot agree to work to establish the roles and responsibilities of the Martin Luther King, Jr. Community Center Board, which is already set forth in the Dallas City Code.

Additionally, we will accept the risks associated with the recommendation to provide definitive guidance on using department budgets to support another department's activities. However, the City Manager will explore establishing guidance for department purchases of event attendance and tables.

Sincerely,

A handwritten signature in black ink, appearing to read 'T.C. Broadnax', written over a white background.

T.C. Broadnax
City Manager

C: Kimberly Bizzor Tolbert, Chief of Staff
M. Elizabeth Reich, Chief Financial Officer
Nadia Chandler-Hardy, Assistant City Manager
Jessica Galleshaw, Director, Office of Community Care

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Assessed Risk Rating	Recommendation	Concurrence and Action Plan	Implementation Date	Follow-Up/ Maturity Date
High	We recommend the Director of the Office of Community Care:			
	<p>A.1: Formally approve all written protocols and procedures.</p>	<p>Agree:</p> <p>The Office of Community Care has had protocols and policies in place since its inception; however, these were generally inherited from other departments and there was no documentation of formal approval by the Director.</p> <p>To ensure community center protocols and procedures are formally approved, OCC will:</p> <ol style="list-style-type: none"> 1) Document with a form Director approval and the date any changes are made to the community center protocols and procedures. 2) Notify the leadership team and affected staff of any changes to the community center protocols and procedures and retain documentation of the notification. 3) Review the community center protocols and procedures periodically and update as needed. 	12/31/2020	6/30/2021

Assessed Risk Rating	Recommendation	Concurrence and Action Plan		Implementation Date	Follow-Up/ Maturity Date
High	<p>A.2: Continue to establish community center protocols and procedures for the areas yet to be addressed.</p>	<p>Agree:</p>	<p>OCC has made organizational adjustments to ensure alignment and consistency of contracting, partner agreements, space utilization, etc. between community center locations (historically, each Center has established its own procedures). In addition, OCC will address other areas notified by the auditor by:</p> <ol style="list-style-type: none"> 1) Developing a comprehensive protocol that is applicable to all community centers. 2) Continuing to work with the Real Estate Office to establish facility use agreements that are that are inclusive of performance monitoring metrics. 	<p>3/31/2021</p>	<p>9/30/2021</p>
	<p>A.3: Correct the petty cash segregation of duties and reconciliation form internal control weaknesses.</p>	<p>Agree:</p>	<p>OCC transitioned the oversight of petty cash to OCC's administrative team and has added an additional level of review for petty cash reconciliation.</p> <p>In addition, OCC updated the petty cash reconciliation form to document the reconciliation's performance and review steps.</p>	<p>9/30/2020</p>	<p>3/31/2021</p>

Assessed Risk Rating	Recommendation	Concurrence and Action Plan	Implementation Date	Follow-Up/ Maturity Date	
High	We recommend the Director of the Office of Community Care:				
	B.1: Work with the City Manager, City Attorney's Office and City Council to establish: (1) the roles and responsibilities of the Martin Luther King, Jr. Community Center Board; and, (2) ensure the Martin Luther King, Jr. Community Center operations will be efficient, effective and achieve their mission.	Accept Risk:	The role of the Dr. Martin Luther King, Jr. Community Center Advisory Board is set forth in Dallas City Code Sec. 2-125 through 2-129. OCC will coordinate with the City Manager's Office and the City Attorney's Office to support the Dr. Martin Luther King, Jr. Community Board in developing bylaws for the Board that describe the roles and responsibilities of the Board, in alignment with Dallas City Code.	N/A	N/A
High	We recommend the Director of the Office of Community Care:				
	C.1: Conduct a cost-benefit analysis for outsourcing the Martin Luther King, Jr. Celebration Events and present the results to the City Manager for consideration of outsourcing the Martin Luther King, Jr. Celebration Events.	Agree:	OCC will develop a cost-benefit analysis for the annual Dr. Martin Luther King, Jr. Celebration Events that is inclusive of human resources costs. Upon completion of this task, OCC will consult with the City Manager regarding consideration of outsourcing of event planning and oversight.	3/31/2021	9/30/2021

Assessed Risk Rating	Recommendation	Concurrence and Action Plan		Implementation Date	Follow-Up/ Maturity Date
High	We recommend the Director of the Office of Community Care:				
	<p>D.1: Work with the Controller's Office and Office of Budget for a timely resolution of the client assistance funds with negative balances.</p>	<p>Agree:</p>	<p>Upon its establishment in 2017, OCC inherited several accounts with negative balances.</p> <p>As of the end of March 2020, there are two funds that have negative balances totaling approximately \$766K. The Office of Budget will identify a strategy for eliminating the negative fund balance and closing the funds.</p>	<p>9/30/2020</p>	<p>6/30/2021</p>

Assessed Risk Rating	Recommendation	Concurrence and Action Plan		Implementation Date	Follow-Up/ Maturity Date
Moderate	We recommend City Manager:				
	<p>E.1: Provide definitive guidance as to the use of department budgets to support other department activities and the selection of the persons that will attend the activities.</p>	<p>Accept Risk:</p>	<p>Fundamentally, the City Manager considers this recommendation low risk as the funds in question represent an internal transfer between General Fund departments and less than two ten-thousandths of a percent (.00019%) of the City's 2019 annual budget.</p> <p>Additionally, the departments that purchased tables at the 2019 Dr. Martin Luther King, Jr. Celebration Week Gala have a mission focused on improving citizen's quality of life. The Gala provided valuable programming highlighting issues of equity and inclusion and networking opportunities.</p> <p>In light of the perceived low risk nature of this recommendation and the relevancy of the 2019 Dr. Martin Luther King, Jr. Celebration Week Gala's program to the departments in attendance, the City Manager believes directors should maintain responsibility for expending their department's budgets in a prudent and judicious manner. However, to further minimize the risk, the City Manager will explore establishing guidance for department purchases of event attendance and tables.</p>	N/A	N/A

Assessed Risk Rating	Recommendation	Concurrence and Action Plan		Implementation Date	Follow-Up/ Maturity Date
Low	We recommend the Director of the Office of Community Care:				
	F.1: Develop reconciliation procedures to ensure that the utility assistance funds do not go negative due to overcommitments made to pay client utility bills.	Agree:	<p>OCC has transitioned management of the utility assistance fund to the Administration and Budget division to manage overall expenditures and ensure consistent and regular reconciliation.</p> <p>OCC will finalize reconciliation procedures for funds and will complete reconciliations for utility assistance funds quarterly.</p>	9/30/2020	3/31/2021