

Internal Audit Findings (Admin) Fiscal Year 2019

Accounts Payable

1. The Provider's operating account disbursements were not always properly approved for payment, supported by adequate documentation, or followed Provider policy. We reviewed a sample of 12 operating account disbursements and found:
 - Five of 12 (42%) operating account disbursements were approved after the purchases/services had been made/rendered. The purchase requisition and/or purchase order were prepared after the purchases/services had been made/rendered.

In addition, for five of 12 (42%) operating account disbursements, there were no receiving reports to indicate that the services purchased had been rendered before payment was made.
 - For three of 12 (25%) operating disbursements, the expenditures were misclassified on the general ledger. One of these expenditures was a sprinkler system that cost \$13,300 to install in one of the CTH II homes that should have been reclassified as an asset. This expenditure was reclassified by the Provider's external auditor.
 - For two of 12 (17%) operating disbursements, there was missing documentation/information such as an invoice and the dollar amount paid was not indicated on an invoice.
 - For two operating disbursements where quotes were required, there were no other written quotes obtained before the services were rendered.
2. DDSN directive 250-08-DD requires the Provider to develop and establish written procedures for procurement and follow them. In addition, Provider policy, sound business practice, and good internal control procedures should be in place to require expenditures to be properly authorized and approved before the disbursement is made; adequately documented by invoices/receipts and purchase requisitions and purchase orders prepared prior to the purchase.

Our review of thirteen Providers' operating account disbursements found:

- Two of thirteen (15%) disbursements were misclassified and/or lacked sufficient documentation to support the purchase.
- An additional two of thirteen 13 (15%) disbursements contained purchase requisitions that were dated after the purchases/services had been made/rendered.
- For an additional two of thirteen (15%) disbursements, there were no receiving reports to indicate that the services purchased had been rendered before payment was made.

Board of Directors

1. The Board of Directors is not complying with the South Carolina Freedom of Information Act (SCFOIA) and DDSN Administrative Agency Standards. We reviewed the minutes from the Board of Directors' meetings for July 2017 through June 30, 2018 (i.e., 12 months). There were three months, July 2017, December 2017, and April 2018, where no BOD meeting took place. We found:

For nine (100%) months reviewed, the BOD meeting minutes did not reflect any documented effort to show that persons, organizations, or news media were notified to make them aware of the BOD meeting dates, times, and places.

2. We reviewed the Board of Directors' (BOD) minutes from January 2018 through December 2018. The BOD consists of nine (9) members. We found:
 - Only three of twelve (25%) meetings had six or more members attending the meetings during 2018.

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- Three of twelve meetings (25%) were not held during the calendar year.
 - One meeting was held with three members in attendance and two (2) members giving proxy to the members present to establish a quorum.
3. The Board of Directors (BOD) is not complying with the South Carolina Freedom of Information Act (SCFOIA) and DDSN Administrative Agency Standards. We reviewed the monthly minutes from the Board of Directors' meetings for July 2017 through December 2018. There were five months where no BOD meeting took place due to a lack of a quorum. In addition, we found:
- Two of thirteen meetings (15%) did not have documented minutes at the time of our review.
 - Three of eleven meeting minutes (27%) did not contain the Secretary's signature.
 - Two of eleven meetings minutes (18%) did not indicate that a vote was completed when the Board went into Executive Session.

Representation and participation by Board members is mandatory to have a successful and viable entity and to ensure the organization is on track in meeting its goals and fulfilling its mission. The SC Freedom of Information Act (SCFOIA), Section 30-4-20-e, requires a quorum to be a majority of BOD members. The Provider By-Laws were approved by the BOD on August 23, 1993. Contained within the By-Laws (page 2) is Article VI section which states "Neglect of Duty". This Article states "Any member who misses two consecutive regular meetings without notification of the Board may be considered in neglect of duty. Accordingly, a recommendation from the Board will be forwarded to the county delegation recommending the Board member be replaced".

In addition, SCFOIA, Section 30-4-80 (Notice of meetings of public bodies), Paragraph E, states: All public bodies shall notify persons or organizations, local news media, or other such news media as may request notification of the times, dates, places, and agenda of all public meetings, whether scheduled, rescheduled, or called, and the efforts made to comply with this requirement must be noted in the minutes of the meetings.

SCFOIA Section 30-4-90 requires all public bodies keep written minutes of all of their public meetings. Sound business practices would dictate that the minutes be signed by the Board's Secretary. SCFOIA Section 30-4-70 requires for a Board to adjourn into executive session, a vote must be taken in public.

Consultant Services

Our review of sixteen Providers' consultant contracts from found that one of sixteen (6%) contracts did not contain Board of Directors approval.

DDSN directive 250-08-DD, "Procurement Requirements for Local DSN Providers," require written procedures for procurement of professional services. Procedures should ensure reasonableness of the evaluation of the fees consistent with SCDDSN directive 250-05-DD, "Cost Principles for Grants and Contracts with Community Providers." When possible, it is recommended that provider procedures require solicitation of proposals from potential contractors through issuance of requests for proposals (RFPs) that enumerate requirements.

In addition, the Provider should manage their fiscal affairs according to the contractual agreement with DDSN. This includes Administrative Agency Standards, Section 604 which states: "All contracts and agreements to provide services are reviewed annually for appropriateness by the Governing Provider/Body".

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Credit Cards

The Provider does not maintain adequate controls and/or documentation over agency credit cards (American Express, Wells Fargo, and Lowe's). The Provider had a credit card in the Executive Director's name for all of the cards mentioned above. In addition, there was another Wells Fargo credit card in the name of the former Director of Support and Services. A review of four payments involving eight transactions which totaled \$2,477 charged to the Provider's credit cards for the period from July 1, 2017 to June 30, 2018, found:

Although the Provider's credit cards are kept secured when not in use and distributed by a custodian to employees with approved purchase orders, a credit card sign-out/sign-in log is not consistently utilized to document the use by another employee whose name is not on the Agency credit cards. In addition, the sign-out/sign-in log for the former Director's (of Support and Services) credit card was missing for all transactions occurring from July 1, 2017 through April 9, 2018.

Furthermore, the Provider's credit card policy still does not address the usage of sign-out/sign-in logs to control the use of Agency credit cards by other employees whose names do not appear on the cards.

The Provider should manage their fiscal affairs according to the contractual agreement with DDSN. This includes Administrative Agency Standards, Section 601 which states: "The Agency manages its fiscal affairs in accordance with generally accepted accounting principles (GAAP) and sound business principles." Adequate and sufficient documentation should include the sign-out/sign-in logs for each credit card in each card-holder's name.

Fixed Assets

We reviewed the "Year-to Date Depreciation Report" maintained by the Financial Consultant (FC) and compared that to the fixed asset information maintained by the Provider. The Provider maintains a list of current vehicles (with applicable insurance) and a list of vehicles sold, wrecked, or disposed. Provider management facilitated a review with Provider staff to reconcile Provider fixed asset information with the FC information.

The review revealed that four vehicles listed on the FC depreciation report were disposed, sold, or wrecked. Three of the vehicles were fully depreciated at the time of their disposal. One asset (pressure washing machine) listed on the depreciation list was from a fraudulent transaction noted in the previous internal audit. The asset was not fully depreciated.

As a result of the review, journal vouchers were processed prior to issuing our audit report and the applicable vehicles along with the pressure washer have been retired and/or removed from the FC depreciation schedule.

Incident Management System

During our review of Abuse Neglect and Exploitation (ANE) reports, we found one occasion where the Provider did not comply with DDSN directive 534-02-DD, "Procedures for Preventing and Reporting Abuse, Neglect, or Exploitation of People Receiving Services from DDSN or a Contract Provider Agency." Subsequently, we requested a report of all incident management reports for our audit period to include ANE, Critical Incidents (CI) and Deaths. We found the Provider was also not in compliance with DDSN directive 100-09-DD, "Critical Incident Reporting," as well as DDSN directive 505-02-DD, "Death or Impending Death of Persons Receiving Services from DDSN." Following is a synopsis of late reporting:

1. For the 13 ANE reports submitted by the Provider, two initial reports (15%) were submitted late and four final reports (31%) were reported late.

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2. For the 43 CI reports submitted by the Provider, ten initial reports (23%) were submitted late and ten final reports (23%) were also submitted late.
3. For the three death reports submitted by the Provider, two final reports (67%) were submitted late.

South Carolina Code of Law Title 43, § 43-35-25, "Persons required to report abuse, neglect, or exploitation of adult;" Section (D), "A person required to report under this section must report the incident within twenty-four hours or the next working day. A report must be made in writing or orally by telephone or otherwise to: (1) the Vulnerable Adults Investigations Unit of the South Carolina Law Enforcement Division for incidents occurring in facilities operated or contracted for operation by the Department of Mental Health or the Department of Disabilities and Special Needs..."

In addition to the SC Code of Law, all Providers are required to enter an Initial report for any ANE or CI through the Incident Management System within 24 hours of the incident (discovery) or the next business day. Final reports are due within 10 business days. Further noted guidance under "Reporting Process" states "when in doubt, then report."

Personnel

The employees' personnel files did not always contain up-to-date records and all documentation required by provider policy and/or DDSN directives and memos. We reviewed the personnel files for five (four current and one former) employees and found:

1. All five (100%) employees' personnel files did not contain certified copies of their high school/college diplomas.
2. The Provider's personnel policy has not been updated to incorporate all of the requirements of standard 504 of the DDSN Administrative Agency Standards regarding employment of relatives of the Executive Director and members of the Provider of Directors (BOD).

DDSN directives mandate certain personnel practices be conducted to ensure the safety of consumers being served, and employment of approved staff. In addition, Provider policy requires all applicants to complete a formal employment application and provide required supporting documentation (i.e., official copies of college degrees/transcripts)

Record Retention

Our review of the Provider's policies and procedures found that the Provider's Record Retention policy did not include all of the elements required by DDSN directive 368-01-DD, "Individual Service Delivery Records Management." We found the Provider's Record Retention policy:

1. Did not have the name and contact information for the person assigned the responsibility of management and accountability of both paper and electronic records.
2. Did not stipulate the manner and frequency with which the periodic accounting will occur.
3. Did not require documentation of the results of the periodic accounting.
4. Did not indicate circumstances in which an unscheduled partial or total accounting of records will be conducted, such as upon termination of a caseworker.
5. Did not indicate what is considered a lost record and how to report it.

DDSN directive 368-01-DD requires agencies to establish a policy regarding the management of records relating to people receiving services through the South Carolina Department of Disabilities and

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Special Needs (DDSN) and its network of service providers and to ensure it includes certain minimum information. The Provider's record policy did not include information on how records are to be maintained, managed, and secured to ensure appropriate protections for the consumers being served

Safety Concerns

During our review, an active shooter issue occurred across the street from the Administration building. Lockdown procedures were instituted immediately. This was the second active shooter instance within a two week period. No injury occurred in either incident, but shots were fired and a Provider vehicle was broken into. Both of these incidents were outside the buildings, but within 100 feet of the buildings.

Based on 2018 information from the city police, twenty six (26) weapon related offenses occurred within a 3.2 mile radius from the Provider location with eight (8) offenses occurring within .3 miles. This does not include the two (2) occurrences noted above.

The exit conference to discuss the findings of our review was rescheduled as a result of a drive-by shooting in the area. The Provider location was on placed on HIGH ALERT by law enforcement. All city parks were closed and all after school sports activities were cancelled.

The Executive Director (ED) and the Board of Directors (BOD) have discussed relocating the administration, day services, and other programs to a more central location. This move could also address the possible safety concerns associated with the current location. Services should be offered in a safe environment for consumers and staff. The locality surrounding the Provider buildings appears to have deteriorated into an unsafe area. Failure to establish a safe environment for staff and consumers could result in an incident that may have negative consequences for Provider staff or individuals served which may in turn may affect the public perception of the Provider.

Travel

Adequate and sufficient documentation were not always on file in the Finance Department to support the Provider's travel related expenditures. In addition, the Provider's travel policy did not comply with DDSN directive 200-13-DD, "Administrative Travel regulations for Disabilities and Special Needs Boards and Contracted Service Providers," since the Provider's maximum in-state/out-of-state meal allowances exceeded the in-state/out-of-state maximum daily meal allowances provided by DDSN directive 200-13-DD.

We selected a sample of twelve travel and training-related expenditures for conferences, seminars, workshops and meals. We found:

1. The Provider's travel policy did not comply with DDSN directive 200-13-DD since the Provider's maximum in-state/out-of-state meal allowances of \$38/\$46 exceeded DDSN's maximum in-state/out-of-state meal allowances of \$25/\$32.

The Provider's travel policy must be at least as restrictive as DDSN's directive on travel, but not less restrictive.