

***Performance Audit/Special Project***

***Department of Social Services***

***Durham County Internal Audit Department***

***March 30, 2012***



**COUNTY OF DURHAM**

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March 30, 2012

Mr. Stan Holt, Chair; DSS Board:

This audit of the specific Department of Social Services (DSS) Contracting, Human Resources, and Financial operations was conducted per your October 28, 2011 audit request. The attached report addresses your specific concerns and includes several recommendations to strengthen internal management controls and achieve potential savings.

As the report shows, several areas showed the need for process improvements. Many improvement changes have taken place and DSS management is working with the County's Finance department to make all the changes necessary to assure reasonable management controls going forward. Additionally, a recommendation was made to make use of the County's Human Relations department as required in regards to hiring temporary employees.

The DSS Director reviewed the draft report and made oral comments, some of which were included in the report. Her written comments are attached to the report beginning on page 20.

I appreciate the courtesy and cooperation provided by the DSS staff.

Richard Edwards  
Internal Audit Director

Xc: Michael M. Ruffin, County Manager



**EXECUTIVE SUMMARY**  
**March 30, 2012**  
**Durham County**  
**Internal Audit Department**  
**(919) 560-0042**

**Performance Audit:**  
DSS Special Project

**Why We Did This Audit:**

This report was conducted to review various concerns raised by the DSS Board regarding DSS Human Resources and Financial operations. The specific concerns and questions follow:

1. Were vendors selected according to DSS and County policy?
2. Were contracted services appropriately utilized?
3. Were contracted services monitored according to DSS and County policy?
4. Were relocation expenses paid in accordance with the offer of employment letter, and is there liability for repayment of relocation expenses and in what amount?
5. Were appropriate controls in place to account for gift card usage and was such usage in compliance with County policy?
6. Were expenditures for a Christmas party appropriate?

**What we found**

Several conditions were uncovered during the audit that required changes in procedures to assure better controls. Gift card controls are being strengthened to assure their use is for Social Service purposes and that gift card inventory are reliable. Controls needed strengthening because gift card purchases and use were not reconciled to credit card billing statements and it was not always apparent that gift cards were provided to clients for their use. Also procurement cards were used for unintended purposes such as meetings. The County's Finance Department and DSS have taken steps to limit the use of gift cards thereby strengthening controls. When implemented, other controls agreed upon by the departments such as

signature forms for clients will provide reasonable assurance that gift cards are used for Social Service purposes and that their use are recorded and reconciled.

Temporary hiring weaknesses existed as it relates to pay rates, hiring close relatives, and completing appropriate control forms. DSS has issued directives regarding hiring close relatives and said the forms were always completed with the exception of the temporary hires addressed in this report. We recommend that DSS make more use of HR's hiring system when feasible.

**What Is Recommended**

1. Develop an accounting system to reconcile gift card purchases to the procurement card statement.
2. Analyze the number and amount of cards that are used on a monthly basis. This is the number and amount of gift cards that will be requested for authorization from the Finance Director for inventory.
3. Develop the necessary signature forms for clients to sign indicating that they received a gift card.
4. Determine when it's feasible to hire temporary employees through HR procedures and use that source instead of third party agencies.

For more information regarding this report, please contact Richard Edwards at 919.560.0042 or [rcedwards@durhamcountync.gov](mailto:rcedwards@durhamcountync.gov).

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## *Introduction*

This Performance Audit of specified contracts and various actions at the Department of Social Services (DSS) while Mrs. Gerri Robinson was the department's director was conducted pursuant to an October 28, 2011, request by the DSS Board. The September 12, 2005, Audit Department Charter which established the Audit Oversight Committee and Audit Department and outlines the internal auditor's primary duties authorizes such investigations. The Board made its request under its oversight authority established by NC General Statute 108A.

A performance audit is an engagement that provides assurance or conclusions based on an evaluation of sufficient, appropriate evidence against stated criteria, such as specific requirements, measures, or defined business practices. Performance audits provide objective analysis so that management and those charged with governance and oversight can use the information to improve program performance and operations, reduce costs, facilitate decision making by parties with responsibility to oversee or initiate corrective action, and contribute to public accountability.<sup>1</sup>

## *Audit Objectives*

This report provides answers to various concerns raised in the DSS Board's audit request. Concerns included (1) contracts and temporary employee agreements for administrative services conducted at the behest of the director, (2) relocation expenses for the former director, (3) an event at the former director's home, (4) gift card expenditures incurred for meetings, and (5) nepotism. Each of the issues was evaluated using established criteria in place at the time of the activity under investigation or audit. The specific objectives or audit questions follow:

1. Were vendors selected according to DSS and County policy?
2. Were contracted services appropriately utilized?
3. Were contracted services monitored according to DSS and County policy?
4. Were relocation expenses paid in accordance with the offer of employment letter, and is there liability for repayment of relocation expenses and in what amount?
5. Were appropriate controls in place to account for gift card usage and was such usage in compliance with County policy?
6. Were expenditures for a Christmas party appropriate?

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<sup>1</sup> Comptroller General of the United States, *Government Auditing Standards*, Washington D.C: U.S. Governmental Accountability Office, 2007, p. 17

## *Scope and Methodology*

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

Fieldwork begun in October 28, 2010 and was suspended November 7, 2010, to complete a more urgent engagement. Fieldwork commenced January 3, 2012, and was completed March 10, 2012. Our specific audit steps were to:

- Review DSS and County contracting policy,
- Review best practices for contract administration,
- Review DSS and County HR hiring practices,
- Review DSS credit card accounts
- Review practices regarding purchase card and gift card usage,
- Review DSS accounting practices,
- Review accounts under the purview of a specific DSS employee,
- Review State criteria for specific programs administered by DSS,
- Review temporary hiring practices.
- Called moving services,
- Called temporary employment agencies,
- Interviewed various DSS and HR employees.

## *Background*

DSS operates within County and DSS guidelines to conduct its business operations. County and DSS guidelines are parallel and DSS' practice is to observe County personnel, contracting, and financial operations as well as other policies established by the County. County and DSS policy were used as the criteria for correct operational procedures for this audit.

In its request, DSS provided background information in regard to its request. The background information included information on various topics not specifically addressed in the request letter. Based upon conversations with members of the DSS Board, the intention was to investigate all the information put forth in the background document. The request and the background document are attached as Appendix 1.

## *Findings and Conclusions*

Several conditions were uncovered during the audit that required changes in procedures to assure better controls. Gift card controls are being strengthened to assure their use is for Social Service purposes and that gift card inventory are reliable. Controls needed strengthening because gift card purchases and use were not reconciled to credit card billing statements and it was not always apparent that gift cards were provided to clients for their use. Also procurement cards were used for unintended purposes such as meetings. The County's Finance Department and DSS have taken steps to limit the use of gift cards thereby strengthening controls. When implemented, other controls agreed upon by the departments such as signature forms for clients will provide reasonable assurance that gift cards are used for Social Service purposes and that their use are recorded and reconciled.

Temporary hiring weaknesses existed as is relates to pay rates, hiring close relatives, and completing appropriate control forms. DSS has issued directives regarding hiring close relatives and said the forms were always completed with the exception of the temporary hires addressed in this report. We recommend that DSS make more use of HR's hiring system when feasible.

### *Cash handling controls need to be strengthened*

In May 2003, DSS obtained Walmart credit cards<sup>2</sup> for use in its Child and Family emergency programs. By June 2004, DSS' began the practice of using the credit card to purchase gift cards for clients' emergency food and initial clothing vouchers for children in Foster Care. From January 1, 2007 through November 30, 2011, DSS purchased gift cards valued at approximately \$205,782; an average of about \$3,488 per month. Over time, use of gift cards extended to (1) providing refreshments for meetings, (2) client training and outreach programs and events, and (3) clients for which we serve as representative payees of SSI/SSA.

DSS used the Walmart credit card until October 2011. During the period in which the Walmart card was used, DSS did not use County issued procurement card for any of their transactions. Asked why DSS didn't use procurement cards, the Business Officer said the Department did not have procurement cards because they did not know they were available.

We found:

1. DSS' method for managing gift cards usage did not include processes for reconciling gift card purchases with gift card use, therefore, the gift card inventory was unknown,
2. DSS' methods for accounting for gift card use was not reconciled to the credit card used to purchase the gift cards,

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<sup>2</sup> The department also obtained a Harris Teeter credit card to provide emergency food to its clients. That card is not specifically discussed in this report because the control issues were duplicative.

3. Reasonable assurance that purchases made on behalf of clients were actually received by clients was not built into the system,
4. Gift card expenditures for meetings were not documented sufficiently to determine how unused card inventory was managed.

***Card inventory was not accounted for.*** Gift cards valued in excess of \$9,000 were discovered in the possession of a Communities Initiatives employee in late January 2012. Gift cards were acquired by the program through donations as well as credit card purchases but because of the weakness in control procedures we could not determine the source of these cards. The Community Initiatives program includes extensive community outreach involving citizen training programs, Christmas events, and other client participatory programs. According to records, gift cards were used for many of the unit's initiatives.

When the gift cards were discovered, accounting was not aware of the existence of this gift card inventory. Along with the gift cards, manila folders filled with receipts, notes, and other program expenditure information dating back to 2006, were kept in the file cabinet. Included in the folders were additional cards valued at several hundred dollars and \$12 in cash. Best practices for cash handling would dictate that the card inventory be kept in departmental records in a central location, preferable in the accounting unit.

We concluded from our review of the records found in the file cabinet, that the Communities Initiatives supervisor used the cards for client services and programs. The folders contained receipts and records showing gift card expenditures of approximately \$12,107. When the \$9,500 in cards that were recovered in her office files is included, we accounted for approximately \$21,607.

Although we were not able to construct the value of cards that flowed through the unit, our review of notes, receipts, sign-out books, program documents, names of program participants, etc., played heavily into our conclusion that the gift cards were used for client services and programs. However, accountability suffered because adequate centralized control procedures were not in place.

***Evidence was found for appropriate gift card spending but accounting practices were not sufficient to provide the necessary assurance.*** Although accounting procedures for gift card transactions were not acceptable, we believe a great deal of the funds were spent for Social Service programs. We reached this conclusion because reviewing several categories of spending. The following explains the steps we took:

- We reviewed 54 responses to a randomly selected sample taken from the universe of the 398 gift card purchase transactions from January 2007 through November 2011. These transactions made up approximately 10% or \$20,668 of the \$205,782 in gift card purchases for the period. We believe there was enough documentation to support approximately \$9,827 of the expenditures in our



sample. If projected to the total value of the purchases, the amount would total approximately \$97,842<sup>3</sup> or 47.5 percent of the total gift card purchases.

- We called to thirteen randomly selected clients from the sample for which we did not have sufficient documents to support they received the funds earmarked for them. We made contact with seven of the clients, all of whom said they received the funds. The results were included in the sample totals. Based upon that result, we believe a larger sample and more calls would have resulted in more positive results. We did do a larger sample because of the time and resources it would have required.
- We reviewed the initial clothing allowance expenditures for children coming into foster care. None of these 20 transactions amounting to approximately \$66,096 or 32 percent of the gift card purchases appeared in our random sample. These allowances of \$216 each were documented; including receipts turned in to DSS by foster parents.
- We reviewed the documents found in the Communities Initiatives office. As stated above, receipts, documents, and unexpired gift cards found in the office of the Communities Initiatives supervisor netted approximately \$21,607<sup>4</sup> or 11 percent of the gift card purchases.

Although, we cannot definitively construct the gift card expenditures we believe the steps above provide some assurance that gift cards were used for Social Service programs.

***Gift cards were used to finance meetings.*** The use of the gift cards was brought to the attention of the auditor in the DSS Board's audit request letter. That letter addressed \$7,075 in gift card purchases that was not handled in the accounting department's customary manner. The funds were reportedly spent for various training sessions, staff meetings, special projects, and motivation for clients to participate in satisfaction surveys. The special project was an annual Christmas charity program. Our review of this situation revealed substantial control weaknesses.

Financing meetings with gift cards is a bad practice. Procurement cards would have been a much better source of funds. Gift cards are purchased primarily in round values such as \$20 or \$25. Expenditures are rarely so precise and accounting for the inventory becomes cumbersome at best. Without tight controls and with cumbersome accounting it is easy to lose track over the funds. In this instance of the \$7,075 expenditures, the card user said gift cards were kept on hand to fund necessary operations such as meetings in case the credit card was not available.

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<sup>3</sup> The sample size was 66 purchase transactions. Our confidence level was 95 percent with a confidence interval was 11. We chose these levels in order to have a manageable sample, considering we planned to review the complete universe of foster care cases as well as the information found in the Communities Initiatives unit.

<sup>4</sup> This sum is included in the random sample. It is shown here to support our conclusion that funds were spent for DSS business purposes

We did not attempt to determine why the gift card user believed the credit card would not be available. However, the Business Office said the card was kept in the accounting office and returned to the accounting office daily after each use.

Documents, including receipts, were not available to support spending on the meetings and other activities for which the \$7,075 was spent. The purchaser said she had not been given instructions regarding what documents to keep in support of gift card expenditures and did not know she should have kept documentation for the five-year record retention period. The employee said as far as she knew, submitting the receipts to accounting that showed a gift card was purchased was the only accounting requirement. She said she had kept receipts for a while but cleaned out her files, including the receipts, during a period when it was rumored that she as well as everyone that worked closely with Mrs. Robinson would lose their jobs. We found that she had completed the form the accounting office required as authorization to purchase gift cards and attached the store receipts to document the purchase of the gift cards.

We found evidence that meetings and other activities were held but we cannot substantiate the expenditures. What is certain is that, controls did not exist, and the risks of fraud, theft, and misappropriation of funds were high. These risks have been reduced because the access to purchase gift cards has been curtailed by new procedures. Gift cards can now only be purchased by permission from the County Finance Director.

***Gift cards were used inappropriately to award DSS employees.*** Mrs. Robinson, the former DSS Director, held a catered Christmas party at her home in December 2010 and invited top level DSS employees and managers. The cost of the caterer, approximately \$971, was initially paid for with County funds but was reimbursed several days later by Mrs. Robinson after she was instructed by the County's Finance Director that such expenses were inappropriate. During the party, employees were given gift cards as gifts or awards. The cost of the gift cards was not included in the reimbursement.

The gift cards were purchased with funds intended for use in Social Services programs. Also, the cards were used as gifts or awards even though it was shown to be improper almost ten months earlier in a February 11, 2010, email from the business manager to the DSS management team. The use of these cards as gifts to employees was not appropriate for the following reasons:

1. The value of the gift cards given to employees is compensation and should be handled through HR payroll,
2. County funds should not be used for expenditures for which they were not intended,
3. County Procurement Card policy does not allow for the purchase of gift cards without express authorization of the Finance Director.

The cards were purchased by a member of Mrs. Robinson's administrative staff on November 23, 2010, in the following denominations:

**November 23 Gift card purchases**

No. of Cards	Denomination	Amount
15	\$20	\$300
3	\$100	\$300
1	\$200	\$200
7	\$25 (various restaurants such as Outback Steak House)	\$175
Total		\$975

Mrs. Robinson's administrative assistant that purchased the cards did not have records to show how many cards were awarded at the event. We identified four employees as well as DSS Board members that attended the party. Three of the employees confirmed they received a twenty-dollar gift card at the party. The remaining cards, if any, were used to fund other events such as meetings according to the administrative assistant or turned in to the accounting unit. The Business Officer said the Accounting Supervisor reported that Mrs. Robinson's assistant did not return any gift cards to the accounting office.

[REDACTED]

[REDACTED] At the time of the writing of this report, we had not received a response from Mrs. Robinson or her attorney in regards to whether she remitted to the County the value of the gift cards given out at her party.

*What has been done to correct the deficits in gift card controls?*

In about June 2011, the Finance Department discovered that DSS had credit cards that were not authorized County procurement cards. The Finance Department instructed that all such cards be turned in to the Finance Department and all such accounts closed. DSS' account was effectively closed at the end of November, 2011.

DSS had been instructed to make its purchases on County authorized procurement cards and follow the procedures set aside for County-wide procurement card usage. The County's policy is that gift cards are not to be purchased with the procurement card and if they are needed, the request, in writing has to be made to the finance department where approval will be granted after review of the need.

DSS still needs a process to provide emergency food and clothing to clients. The finance department has recognized the need and agreed that gift cards could be used for that purpose. DSS and the Finance Department are working on a plan for a limited inventory of cards to be held for emergency use. During a discussion, the preliminary plan was that DSS could keep in inventory an amount of cards equal to the average monthly card use.


Additionally, DSS has developed a form for its clients to sign upon acceptance of a gift card. This will assure that the client receives the intended emergency funds.

### *Mrs. Robinson's relocation expenses*

The DSS Board agreed in its July 28, 2009, job offer letter to reimburse Ms. Robinson for relocation expenses from Nashville, Tennessee to Durham, North Carolina. The letter stipulated that the reimbursement would be made upon presentation of two bids for relocation services and an invoice from the selected provider. In June 2010, Ms. Robinson was reimbursed a sum of \$15,096.44 for relocation expenses with the submittal of one bid for relocation. The Chair of the DSS Board authorized the reimbursement without taking the action to the full board for approval. The DSS Board wanted answers to the following specific questions regarding the relocation expenditure.

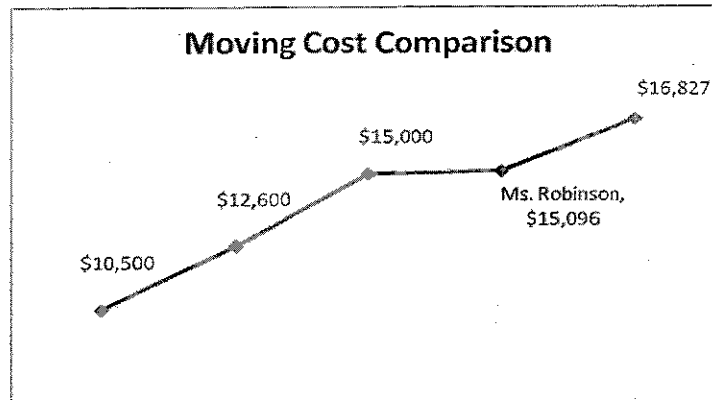
1. Did the DSS Chair act outside of her authority by approving the relocation expense without consent of the Board?
2. Did the expenditure exceed the amount authorized by the offer letter?
3. Was the expenditure reasonable?
4. Is the former chair responsible for any unreasonable amounts?
5. Is Ms. Robinson responsible for any unreasonable amounts?

In response to those questions, we found the following.

 we did not find DSS Board minutes that addressed reimbursement.

- The expenditure did not exceed the amount authorized. A specific amount was not authorized in the offer letter; the amount was to be determined by the bids.
- The relocation expenditure fell within the upper half of those randomly selected as comparison rates. We randomly selected four moving companies from the phone book yellow pages and called them for estimates. We

- Provided them with the weight and distance listed on the moving service invoice provided to DSS for reimbursement. The chart below includes estimates from four moving companies for that weight and distance.



Source: Durham County Internal Audit

Based upon the estimates from the four moving firms it is possible that a second bid could have resulted in less expense. Because of the uncertainty of whether a lesser bid amount would have been presented, the auditor cannot determine what the amount of the liability would be.

[REDACTED]

### *DSS hired consultants and temporary employees*

DSS entered into nine arrangements to hire eight employees to conduct administrative duties on behalf of Mrs. Robinson. These arrangements included two independent contracts and eight third party contractors (temporary agency employees) agreements. One employee worked under both a temporary agency agreement and a contract agreement. The contracts and temporary employee arrangements were carried out from January 2010 to September 2011. Total expenditures for the temporary employees were approximately \$252,339.

The DSS Board asked three questions regarding these contracts. Specifically it asked if contract vendors were appropriately:

1. Chosen
2. Utilized, and
3. Monitored

Because contracts and temporary employment arrangements differ, they will be addressed separately. For example, contract monitoring will not apply in a temporary arrangement because there is usually no contract involved. However, for the temporary positions, one contract was entered into with the employment agency but it was not a standard county contract with county provisions. For discussion purposes, contracts as used here are standard Durham County contracts.

***Contracts were awarded in compliance with policy.*** Both contracts were awarded in 2010, in accordance with long-standing and still current County-wide procedures except that one contractor submitted a bid proposal before the contract was awarded. DSS' revised contracting policy was scheduled for full implementation at the beginning of July 2011. The revised policies and procedures included bidding and Request for Proposal (RFP) submissions by interested vendors. Both contracts are defined as service contracts for which neither the County nor the State required bidding or RFPs at the amounts for which they were awarded.

**Contracts Services were appropriately utilized.** The DSS director is responsible for conducting the business of the department in accordance with authority established by NC General Statute 108A. The statute states that one of the responsibilities and duties of the director is:

"To appoint necessary personnel of the county department of social services in accordance with the merit system rules of the State Personnel Commission;"

One can conclude from a reading of the statute that the director has the authority to hire employees as necessary to conduct the required business. However, good business practices require that those hired contribute to meeting organizational goals. Based upon a review of the positions the contracted employees served, it appears they were useful in assisting the director to accomplish the organizational priorities set at that time.

We attempted to review information regarding the qualifications and professional backgrounds of the two contracted employees. Information was available for Mr. Ratchford and we found that his qualifications were in line with the job he performed. Information was not available for Ms. Simmons other than her employment history with DSS. Her duties as a DSS employee were similar to the Scope of Work statement in the contract.

***DSS guidelines for contract monitoring procedures were under development when two consultants entered into contract agreements with DSS.*** Two contract agreements were awarded in 2010. They were the Cathy Simmons and Willie Ratchford (WPR Consulting) contracts. Both contracts were awarded before the contract monitoring process was fully operational, although some contract monitoring processes were taking place. The contract monitoring process was scheduled to be fully operational July 1, 2011, according to an unsigned letter written by Mrs. Robinson on April 10, 2010. The letter, addressed to Ms. Simmons, a contract consultant, was written almost four and a half months after Ms. Simmons entered into a contract with the Department on January 1, 2010. In that letter, Mrs. Robinson informed Ms. Simmons of the upcoming process for contract monitoring as well as the contracting process that would be used going forward.

In April 2011, a new employee became the Program Manager, for Quality Assurance & Training. The job included overseeing contract monitoring. The Program manager told me the program was operational when she began work but needed to be improved in many areas to be effective. She said she made revisions to the process.

The Program Manager did not have a record of contract monitoring for Ms. Simmons contract nor for Mr. Ratchford for the early period before of the monitoring program. As evidenced by the letter mentioned above, Ms. Simmons was not in a monitoring program. However, by Mr. Ratchford's May 2011, contract extension, Mrs. Robinson had designated herself as contract monitor. The program manager said she does not have any files regarding how monitoring was conducted. By that time, Ms. Simmons was no longer on contract and had moved into the temporary agency position.

### *Temporary employee hiring procedures were problematic*

Procedures were not followed for the eight temporary employees. We found that;

1. Customary paperwork used in the process was not used,
2. A close relative was hired and supervised by an employee, and
3. Employee costs appeared to be excessive for some employees.

The procedure to hire a temporary agency employee is straight forward for County agencies. The process is to contact a temporary agency of one's choice with specific requirements. The temporary employment agency will provide a person meeting the requested qualifications. Terms of service is provided to the agency and pay rates are decided through discussions regarding the prerequisite qualifications required to perform the duties.

***Paperwork was not completed.*** DSS uses temporary employees continuously for client services and has developed more procedural controls than the County as a whole. Since at least 2004, the department has used a form, "Temporary Employees Approval Form" as a control document according to the Business Manager. The form has information regarding the need for the temporary appointment, funding requirements, starting date, pay rate, and scope of work among other information.

The Temporary Employment Approval Form was only used for one of the eight temporary hires that worked under Mrs. Robinson's control. Several items of information in the form were not completed including the scope of work in this instance. We asked DSS' HR manager why the form was not used. She said she did not remember exactly why it was not used in these instances.

Although we saw evidence the form was used throughout the years as a control document, we could not determine the effect of it not being used in these instances. Our review showed that each of the employees submitted invoices and were paid as scheduled.

***Hiring and supervising daughter was inappropriate.*** A DSS employee hired and supervised her daughter as a temporary employee over a period of almost 14 months beginning in July 2010, and running through early September 2011. Although the practice of hiring close relatives is not specifically addressed in the County's current July 2002 HR handbook or current employment policies, prudent judgment would suggest

that it is inappropriate to hire and supervise a close relative. The practice of hiring close relatives is prohibited by the State Guidelines unless special circumstances are involved. State Statutes 25 NCAC 011 .1702, Employment of Relatives states in part ...

“The employment of close relatives within the same department or work unit of a local government agency subject to G.S. Chapter 126 is to be avoided unless significant recruitment difficulties exist....” Two members of an immediate family shall not be employed within the same department or work unit of a local government agency subject to G.S. Chapter 126 if such employment will result in one supervising a member of his immediate family or where one member occupies a position which has influence over the other's employment, promotion, salary administration and other related management or personnel considerations.”

In addition to the hiring being inappropriate, the expense to maintain the temporary employee was excessive in relation to the work performed. The cost per hour was \$19.95, which exceeded the rate for clerical tasks (filing) she performed.

We contacted three temporary employment agencies to determine the value of such tasks and were given a range of \$9 to \$12 dollars per hour or an average of approximately \$10.67. This employee was paid approximately \$15.37 per hour; \$4.70 per hour more than the market rate for the tasks she performed according to information provided by the temporary agency.

We could not determine who authorized this arrangement. The hiring employee said Mrs. Robinson told her the County's HR department authorized the hiring. The HR representative we discussed this condition with said such an arrangement would not have been approved by HR.

Effective October 2011, DSS implemented a policy to address such matters. The policy prohibits situations in which members of an immediate family work in the same work unit. HR is also addressing the issue by reinserting the prohibition into the handbook that is currently under revision.

***Opportunities for temporary employee pay rate savings exist.*** We reviewed the pay rate of two temporary agency employees; Ms. Simmons and Dannye Webster, the employee discussed in the section above. Rates paid to the agency cover the employee's compensation as well as the agency's service charges.

The two employees were hired through the same temporary agency under an arrangement the temporary agency called “payroll candidate” situation. In these cases, DSS knew who it wanted to hire and sent them to the agency for enrollment. The agency then sent them back to DSS to begin work. For its service the agency got an agreed upon markup of 33 percent over the rate paid to the employee. In Ms. Simmons case, she was paid \$42.25 per hour while the agency was paid \$56.20 per hour a difference of \$13.95 per hour.



In cases in which the department or hiring official knows who they want in the temporary position, savings can be achieved by using HR's hiring process. HR's process would have accommodated the hourly rate paid to Ms. Simmons and the markup would have been saved.

### *Temporary employment use and monitoring*

We did not identify issues regarding the use and monitoring of temporary employee other than what was discussed above. The employees fit into (a) vacant permanent positions, (b) DSS projects (Customer surveys, Document Imaging Project, COA Accreditation), and (c) Consultation regarding IT processes.

Monitoring of temporary agency employees does not have stringent rules. Temporary agency employees are not under contract with the County; therefore, contract monitoring does not apply. Also, they are not County employees; therefore, they are not subject to the County's performance evaluation system. As such, performance monitoring is a factor of how well the supervisor is satisfied with the work effort. The ultimate remedy for non-satisfaction with work performance is to have the agency replace the worker.

The current DSS director created a form (Durham County Department of Social Services Temporary Employee Quarterly Evaluation) to monitor temporary employees. That form became effective October 20, 2011.

### *Auditor's Note:*

Based upon recent conversations and past comments, the auditor believes it necessary to address additional items of concern. To put those concerns in context, this note explains the basis of an audit finding and explains why the following concerns do not meet the criteria of a finding.

A performance audit provides conclusions based on an evaluation of sufficient, relevant, competent, and appropriate evidence. That evidence is measured against stated criteria, such as specific requirements, measures, policy, regulations, laws, or defined business practices. A finding exists when evidence supports that a condition deviates from the stated criteria. For example, conditions exist or existed that violate laws; established policies are not followed; or industry best practices are not followed. The conditions generally have a negative effect; however effect, a finding element, has become less critical over the years.

The conditions leading to this auditor's note involves the hiring of Cathy Simmons by Mrs. Robinson, as a temporary Assistant to the Director. Her contract positions as a consultant is not considered in this discussion. Critics of this hiring pointed out several concerns suggesting that Mrs. Robinson's actions in this hiring were improper and wasteful. Some concerns were:

1. Ms. Simmons was hired while an employee with that title was on board and functioning in that position,

2. Ms. Simmons was a personal assistant whose primary job duties were taking notes and performing as her driver...she attended meeting in lieu of Mrs. Robinson as well,
3. Former directors did not have "personal assistants," or Assistants to the Director in addition to their administrative assistant,
4. Mrs. Robinson adjusted Ms. Simmons rate upwards from \$ 33.50 to \$42.25 per hour after six days of temporary employment, and
5. Mr. Simmons terminated her employment on the day Mrs. Robinson was fired which indicated that her services were not needed.

There is evidence these events took place in some form but those facts alone do not make a reportable finding. Creditable evidence must exist and it must be examined against stated criteria to determine if the evidence supports a variance between the condition and the established criteria. The discussions below explain the conditions above and how taken together in a relationship of evidence, does not result in a creditable finding.

The first statement..."Ms. Simmons was hired while an employee with that title was on board and functioning in a position with the same title"... and the two related statements that follow can be disputed based upon the proper title of the person "already in the position." The title of the position in place when Ms. Simmons was hired carries the job title of Administrative Assistant I. Ms. Simmons temporary application approval form stated that she was needed as an "Assistant to the Director." One of these is a job title and the other is a purpose for hiring. Therefore, one must know the exact duties of the two persons to determine if their jobs were the same. In this instance, Ms. Simmons was not used in the same administrative role as the employee already in place. Therefore, it is questionable that Mrs. Robinson hired a second administrative assistant.

We do not know the circumstances surrounding "driving Mrs. Robinson around." At this point no evidence has been identified to support the statement that Ms. Simmons' job included driving for Mrs. Robinson. Because we don't know if driving was one of her official or assigned duties, we can speculate as to the reason she drove.

It was pointed out that past directors did not have "personal assistants." Considering that it has not been established that Ms. Simmons job duties meet the standard definition of a personal assistant, I translate the concern to mean that previous directors did not hire a temporary employee to act as an Assistant to the Director. While that may be true, we do not have the necessary information to compare the goals, objectives, or other circumstances at play in Mrs. Robinson's decision; therefore, her decision or need to hire Ms. Simmons cannot be compared to the needs or decisions of past directors. The statute gives the director authority to hire the personnel she needs to accomplish the objectives of the department. Without knowing in depth what her needs were and a method to compare them to other directors, there is no basis to discredit the need for this hire because others did not hire similarly.

Employee pay is a valid concern, not so much from the stand point that the pay rate was increased but from a stand point of whether the pay fits the job duties and responsibilities in comparisons to market rates. This issue is discussed above under the section, "*Opportunities for temporary employee pay rate savings exist.*"

Lastly the fact that Ms. Simmons terminated her employment on the day Mrs. Robinson was fired is not evidence that Ms. Simmons was not providing a needed service as has been insinuated. Many employees have left specific employment on the day their bosses left. We do not know the reason Ms. Simmons left when she chose but alone the incidence of her leaving at that time does not provide evidence that she was not doing productive work for the department.

The auditor supports efforts at oversight and believes they are a significant part of governance. Governance and oversight responsibility rightly includes the concerns above and as an auditor, I encourage the review of such matters. However, audit findings must meet the standards. Those standards, set out in Generally Accepted Government Auditing Standards, were designed for findings to be accurate, professionally useful, free from innuendo and non-factual speculation, objective, and independent.

### *Recommendations*

As previously stated, much of the problem with the purchase of gift cards has been solved as well as the problem with hiring close relatives. Realizing that gift cards are needed in certain circumstances for clients, especially those entering the foster program, DSS and the Finance Director has discussed how to control the number of cards and the way those cards will be controlled. As a result of the discussions and findings that were not addressed by taking away the Walmart credit card, we recommend DSS do the following:

1. Develop an accounting system to reconcile gift card purchases to the procurement card statement.
2. Analyze the number and amount of cards that are used on a monthly basis. This is the number and amount of gift cards that will be requested for authorization from the Finance Director for inventory.
3. Develop the necessary signature forms for clients to sign indicating that they received a gift card.

In addition to the above financial control recommendations we recommend that DSS:

4. Determine when it's feasible to hire temporary employees through HR procedures and use that source instead of third party agencies.



**COUNTY OF DURHAM**  
DEPARTMENT OF SOCIAL SERVICES



DSS Board

Interim DSS Director

Mr. Stan Holt, Chairman  
Commissioner Joe W. Bowser, Vice Chairman  
Mr. Newman Aguiar  
Ms. Jane Volland  
Dr. Tara L. Fikes

Ms. Gail Perry, MSW

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March 28, 2012

Mr. Richard Edwards  
Audit Director  
County of Durham Internal Audit Department  
220 E. Main Street  
Durham, North Carolina 27701

Dear Mr. Edwards,

I have reviewed your audit report entitled, "Performance Audit/Special Project," of the Durham County Department of Social Services.

In general, the Department is accepting of the report's findings and I concur with your recommendations. The Department is ever diligent to enhance our operations and provide customer service excellence.

In terms of the recommendations outlined in your report, the Department has taken the following actions:

1. Develop an accounting system to reconcile gift card purchases to the procurement card statement.

**Response:** A system has been developed.

2. Analyze the number and the amount of cards that are used on a monthly basis. This is the number and amount of gift cards that will be requested for authorization from the Finance Director for inventory.

**Response:** This is the current method utilized by DSS accounting office.

[www.durhamcountync.gov/departments/dssv/](http://www.durhamcountync.gov/departments/dssv/)

P. O. Box 810, 220 E. Main Street, Durham, NC 27701 (919) 560-8000 FAX (919)560-8155  
Equal Employment/Affirmative Action Employer

3. Develop the necessary signature forms for clients to sign indicating that they received the gift cards.

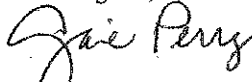
**Response:** The Department has developed the forms for client signatures and the processes for food cards, bus passes, and clothing vouchers.

4. Determine when it is feasible to hire temporary employees through HR procedures and use that source instead of third party agencies.

**Response:** I have spoken with HR regarding this matter and a meeting is planned with HR and DSS to discuss and ascertain the feasibility of DSS utilizing HR services for temporary hires.

The Department appreciates the time and attention that you dedicated to providing this report.

Best Regards,



Gail Perry  
Interim Director

[www.durhamcountync.gov/departments/dssv/](http://www.durhamcountync.gov/departments/dssv/)

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## *Appendix 1: Audit request and Background information*

**From:** skholtnc@aol.com  
**Sent:** Friday, October 28, 2011 3:37 PM  
**To:** Edwards, Richard C.  
**Cc:** Perry, Gail; Ruffin, Mike; Briggs, Danielle  
**Subject:** Contract reviews  
**Attachments:** Summary\_of\_Information.doc

Richard,

Thanks very much for giving me a call back. The request coming from the DSS board is that you take a look at some of the contracts that Geri Robinson entered into on behalf of the department and determine if contract vendors were appropriately chosen, utilized, and monitored, and provide the board with any findings and subsequent recommendations on how we as a board should govern with regard to contracts.

Danielle has done a great job looking through these documents to determine if there were any legal irregularities and we have some of that information at this point. However, the board would like to know if there were any sort of procedural inadequacies, particularly for nonservice related contracts that are directly under the auspices of the CEO. As a board we are not so worried about the service related contracts that are monitored by management staff.

I've cc'd Gail, Mike and Danielle, just to keep them in the loop as to what we are doing. Ultimately, you will be working directly with some of Gail's staff.

I've also attached the summary of the contracts and other items that were part of the legal review. Some of these documents have already been given to the press based on a freedom of information request. Danielle, knows which one's those are.

Thanks again and have a great weekend.

Stan

*Appendix 1 Continued*

Summary of Information

1. The two page summary represents two fiscal years (2009-2010) and (2010-2011). In 2010, Ms. Robinson purchased \$2,208.25 in gift cards. In 2011, a total of \$7,075.00 was purchased in gift cards. All of these cards were purchased from Wal-Mart. Montrella would come to accounting and request the card, make her purchases and give accounting the receipts.
2. On 12/3/2010, DSS paid an invoice for a catered meal for a holiday party at Ms. Robinson's house. Ms. Robinson refunded the amount on 12/8/10.
3. On June 4, 2010, Ms. Gladys Dunston approved payment for Ms. Robinson's moving expenses in the amount of \$15,096.44.
4. COA (Accreditation) Invoices represent costs associated with COA Accreditation to include:

• Training:	\$3,600.00
• Training	\$3,600.00
• Training	\$12.73
• Training	\$161.56
• Training	\$62.00
• Training	\$45.18
• Application Fee	\$26,914.00
• Consultant	\$24,680.94 (Temp)
<hr/>	
Total	\$59,076.41

5. Cathy Simmons Consulting Contract, Term of Contract: 1/1/10 – 6/30/10  
Invoice Totals equal \$19,520.01
6. WPR: Leadership Consultant, Willie Ratchford From 11/1/10 – 8/29/11  
Invoice Totals equal \$22,147.80
7. Emails from John Holtkamp and Ms. Robinson asking for payment legal fees incurred by a Foster parent. These items were not paid.

*Appendix 1, continued*

It should be noted that Ms. Robinson changed the work process so that all event/training request would go through her.

Summary of Information: Temporary Employees

1. Cathy Simmons, Assistant to the Director: In fiscal year 2010, DSS paid Express Employment a total of \$44, 258.50. Ms. Simmons work hours ranged from 6-28 per week. In the first two months of fiscal year 2011 (July and August), DSS paid \$4,777.00. Ms. Simmons left the agency when Ms. Robinson was terminated.
2. Melissa Boffardi, IT Consultant: Ms. Robinson hired Ms. Boffardi in July, 2011 after Bracken (Kenna Phillips) chose not to work a month to month contract when her contract ended on June 30, 2011. DSS has paid Robert Half International a total of \$14,759.20. Ms. Boffardi continues to work in a temporary position.
3. Randy Seiver, IT Consultant: Ms. Robinson hired Mr. Seiver to replace Beth Steenberg, who left DSS to work for another County department. From 11/19/10-8/19/11, DSS paid Robert Half International a total of \$45,423.56.
4. David Carter, Business Office Consultant, Ms. Robinson hired Mr. Carter after Toni Pedroza, DSS Business Officer left the agency. From 11/08/10-5/16/11, DSS paid Vanguard \$40,610.00 (salary) and \$8,609.06 for expenses to include lodging, mileage, and movies.
5. Michael Pilato, IT Consultant, From 5/16/11-6/17/11, DSS paid Karl Staffing Com. Inc. a total of \$3,651.26 (salary) and \$692.33 for expenses to include meals and lodging.
6. Sue Crieghton, COA (accreditation) Consultant, From 10/5/10-7/19/11, DSS paid Express a total of \$24,680.94. Work week hours ranged from 4.5-26.5.
7. William Page, Administration, Ms. Robinson hired Mr. Page short term to sit in the multiple lobbies and ask the people served by DSS to complete surveys. Ms. Robinson purchased \$5 gift cards for Mr. Page to



give out to all who completed a survey. From 5/09/11-8/8/11, DSS paid Express a total of \$4,937.66.

8. Dannye Webster, HR Assistant, Ms. Robinson approved a temp position for the DSS HR representative (Judy Dobson), allowed Judy to hire and supervise her daughter in that position. From 7/12/10-9/4/11, DSS paid Express a total of \$19,885.28.

It should be noted that Ms. Robinson changed the work process so that all temps would go through her and Judy Dobson. Judy signed timesheets for her daughter Dannye Webster, William Page, Michael Pilato, Randy Seiver, and Melissa Boffardi.

Appendix 2: Table describing temporary and contract worker roles.

TEMPORARY WORKERS				
	Employee Name	Reason For Hire	Service Period	Compensation
1	Melissa Boffardi	Project management on the Document Imaging Project replacing Bracken, LLC.	7/18/11 – 9/9/11 (1 month 23 days)	\$14,759.20
2	David Carter	Business Officer, vacant position.	11/8/10 – 5/17/11 (6 months 10 days)	\$49,216.06
3	Sue Creighton	Accreditation project.	10/5/10 – 7/24/11 (9 months 20 days)	\$24,680.94
4	William Page	Summer intern worked on special projects such as customer surveys as well as assisting the director with tasks related to the Child Care Task Force and Funding Committee.	5/9/11 – 8/5/11 (2 months 28 days)	\$4,937.66
5	Michael Pilato	IT consultant.	5/16/11 – 6/29/11 (1 month 14 days)	\$4,519.54
6	Randy Seiver	Computer Systems Administrator position which was vacant.	11/19/10 – 8/19/11 (9 months 1 day)	\$45,423.56
7	Catherine Simmons	Staff Development Specialist II.	7/6/10 – 7/27/11 (1 year 22 days)	\$49,035.50
8	Dannye Webster	HR assistant primarily conducting tasks related to the document imaging project.	7/12/10 – 9/4/11 (13 months 24 days)	\$19,885.28
<b>Temporary worker total</b>				<b>\$212,457.74</b>
CONTRACT WORKERS				
	Employee Name	Reason For Hire	Service Period	Compensation
1	Willie Ratchford <i>(WPR Consulting contract)</i>	2010 Employee Satisfaction Survey results, developing strategic action plans, implementing plans to improve employee morale and community perception of DSS, and providing consultation and executive coaching to the DSS Director and designated staff.	11/1/10 – 8/28/11 (9 months 28 days)	\$20,362.09
2	Catherine Simmons <i>(Consulting Contract)</i>	Staff Development Specialist II.	1/1/10 – 5/31/10 (5 months)	\$19,520.01
<b>Contract Workers total</b>				<b>\$39,882.10</b>
<b>Total Compensation</b>				<b>\$252,339.84</b>