



City of Phoenix

Mission Statement

To improve the quality of life in Phoenix through efficient delivery of outstanding public services.

Project Team

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Project Number

1230048

This report can be made available in alternate format upon request.

City Manager's Office Family Assistance Resource Program

April 26, 2023

Report Highlights

Program Effectiveness

Controls to ensure program accessibility and participant satisfaction were identified. However, controls could have been stronger for the participant selection process.

Fiscal Compliance

Most of the allocated funds were used for the intended program purposes. However, system weaknesses allowed some purchases from restricted merchant categories.

Data Security

Controls were in place to protect purchasing data. However, data was shared with third parties through systems where security controls were unknown.

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Executive Summary

Purpose

Our objective was to determine the effectiveness of controls over the Family Assistance Resource Program, and if program contractors complied with contract terms and conditions.

Background

On September 21, 2021, the Phoenix City Council approved \$12 million in American Rescue Plan Act (ARPA) funds to initiate the Family Assistance Resource Program (FARP) as part of the City's ARPA strategic plan. The program objective was to provide 1,000 eligible households with a \$1,000 monthly stipend for a 12-month period beginning January 2022. The City Manager's Office (CMO) established a contract with Partnership for Economic Innovation (PEI) to administer FARP. This contract provides the program's administrative requirements and responsibilities, and was created on February 3, 2022, with a two-year duration. PEI established a contract on February 3, 2022, with FiCentive, Inc. (USIO) to distribute, manage, and process prepaid value cards.

CMO created a lottery process and selected FARP participants from public assistance programs such as Section-8, Public Housing, and Emergency Rental Assistance. Additionally, CMO was responsible for monitoring the program to ensure PEI met the contract requirements. PEI was responsible for administering the program, including ensuring participants received the allocated funds, protecting participant PII, and providing customer service support to program participants. USIO was responsible for allocating and loading funds to prepaid value cards, tracking purchases, prohibiting restricted purchases, protecting purchasing data, and providing performance metric reports.

Results in Brief

Overall, CMO and PEI had controls in place to ensure FARP was effective for program participants. However, CMO should have implemented controls to ensure that changes throughout the participation selection process were documented.

Controls were in place to ensure that eligible participants from public assistance programs were selected, program funds were correctly allocated, and program participants were satisfied with customer service materials. We interviewed key staff to determine the criteria for selecting participants for FARP. Furthermore, we reviewed the original participant selection reports, compared the results to newly replicated reports, and finalized participant reports to detect variances of participants between reports. Additionally, we ensured all eligible public assistance programs were included in the selection process as required by the program. Overall, many applicants could be traced

back to an eligible public assistance program source. However, participants that were identified on replicated selection reports could not be traced back to the original selection reports, and we noted undocumented changes to the participant selection process. Our findings determined that noted variances and undocumented changes impacted the reliability of the lottery and did not ensure that all eligible participants were included in the lottery process.

CMO, PEI, and USIO demonstrated financial compliance. However, PEI and USIO should have strengthened purchase restriction controls to ensure that prohibited items were not purchased by participants with program funds.

Controls were in place to ensure that program funds were provided to participants each month. We reviewed purchase tracking reports provided to CMO to verify that participant prepaid cards were to be restricted at the merchant category to prevent purchasing activity that included such things as tobacco, marijuana, liquor, etc., or places such as adult venues, gambling establishments, etc. We reviewed 232,268 transactions and identified 58 restricted purchases totaling \$68,467. USIO did attempt to block transactions belonging to the restricted merchant categories. However, system errors, that occurred at the beginning of the program, allowed the posting of transactions to the prohibited merchant categories. We noted that less than 1% of the allocated \$12 million went toward restricted merchant categories. The remaining allocation went toward the program's intended purpose of providing childcare and covering household expenses.

USIO implemented controls to secure and protect program participant data and personal identifying information within its environment. However, controls to ensure that data shared with other third parties was secure, were not in place.

USIO had access to participants' personal identifying information (PII) and payment card data. USIO provided certificates of compliance to demonstrate data security compliance and Payment Card Industry Data Security Standards compliance. However, we noted that participant PII was shared with other third parties handling customer service through other systems where security controls were unknown. Additionally, PEI and USIO did not provide evidence of liability insurance that could have provided coverage in the case of a data breach.

Department Responses to Recommendations

Rec. 3.1: Ensure that all data is redacted or destroyed through the appropriate and secure methods that ensure the information cannot be viewed, accessed, or reconstructed.

Response: The ASU Experience Center assisted as the call center for the FAR program. Data was kept on a Google document that include participant data. Staff confirms the documents have been deleted as of April 14, 2023.

Target Date:
April 14, 2023

Explanation, Target Date > 90 Days: N/A

Rec. 3.2: Establish and document contract monitoring policies and procedures to ensure contract requirements are met. Procedures should include, but are not limited to, monitoring payment terms, key performance indicators, and insurance requirements.

Response: Staff will work with departments to develop a contract monitoring policy to ensure all contract requirements are met should the program be approved again the future.

Target Date:
June 30, 2023

Explanation, Target Date > 90 Days: N/A

1 – Program Effectiveness

Background

The City of Phoenix implemented the Family Assistance Resource Program (FARP) as a response to the financial hardship experienced by many citizens as a result of the COVID-19 pandemic. With the use of government-issued American Rescue Plan Act funds, the City was able to select 1,000 families with one child who received public assistance to provide \$1,000 a month for 12 months via a prepaid card. The City Manager's Office (CMO) was responsible for conducting the participant selection and verification process. The City contracted with Partnership for Economic Innovation (PEI) to administer the program and carry out the goals and responsibilities outlined in the contract.

The contract includes requirements specific to the participant selection process, participant documentation, prepaid card distribution events, and customer service materials and surveys. Additionally, Administrative Regulation (A.R.) 3.10 – *General Procurement Procedures* outlines the policies regarding the oversight of contractual relations and the significance of contract monitoring.

We interviewed key staff from CMO, PEI, and USIO and reviewed participant selection documentation and customer service materials to ensure contract monitoring controls and processes were in place for the entire program, January 2022 through January 2023.

Results

The City lottery included eligible participants from the required public assistance programs. However, CMO should have established controls to ensure the participant selection process and changes that occurred during the lottery were documented.

Emergency Rental Assistance (ERA) participants, households of City-owned public housing properties, and residents with Section 8 vouchers were eligible to participate in FARP and were required to be included in the lottery process to select the 1,000 participants. CMO obtained reports from the Human Services and Housing Departments and identified 6,863 eligible participants. To determine the validity and inclusivity of the reports, we attempted to compare the original reports used for the lottery to reports we requested from the Human Services and Housing Departments; however, due to system limitations, we could not obtain reports with the same point in time data from Housing systems. We attempted to confirm that all 1,000 participants selected through the lottery were listed included in the original 6,863 eligible participants; however, the reports from Housing included a one-time client ID versus the participant name and address. If a Housing participant was selected, CMO worked with Housing to obtain the name and address of the individual. This process, along with other changes during the lottery process were not documented.

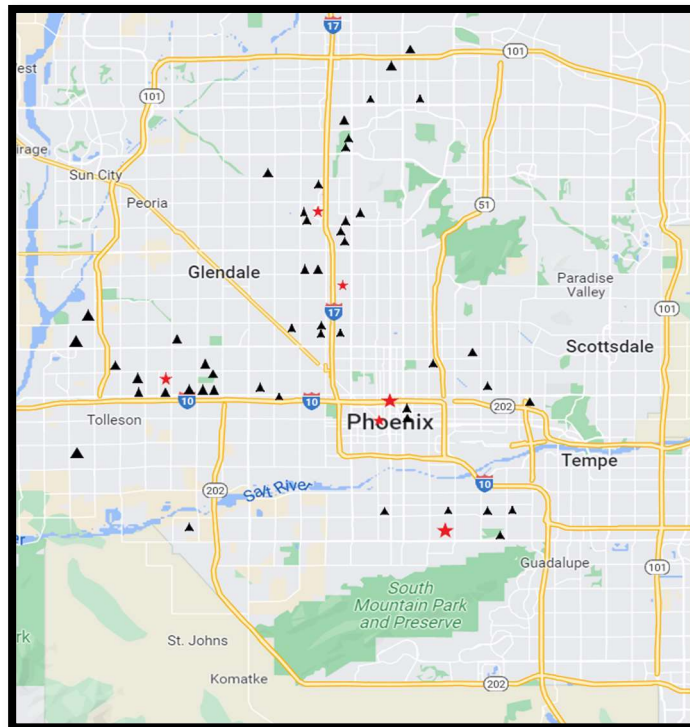
To further attempt to confirm that the names on the lottery original lists were complete, we selected 80 participants from the signed attestation agreements and found four participants that could not be traced to the original lists used in the lottery. City staff could not determine why these variances occurred and could not confirm if the individuals were eligible for the program.

Controls for the lottery process could have been strengthened by documenting criteria used to obtain reports, original reports, and changes that occurred throughout the program to ensure the validity and reliability of the City lottery process for selecting eligible program participants.

CMO and PEI ensured that card distribution events were strategically located throughout the City of Phoenix for the ease of participant access to cards.

The Contract required CMO to partner with PEI for a participant verification process and to coordinate the planning and staffing of card distribution events. Additionally, the Contract required an equitable number of events strategically located throughout the City of Phoenix to ensure ease of access to cards for program participants. CMO staff compiled participant addresses to generate heat maps to highlight the areas within City limits that had the greatest concentration of participants. Card distribution events occurred at City-owned facilities in areas with the greatest population of participants.

Card Distribution Event Review



An equitable number of card distribution events were strategically located throughout the City.

CMO implemented attestation agreements that outlined program requirements, and participants' acknowledgments were documented.

The Contract and US Treasury required a documented agreement for the tracking of purchasing information of FARP participants. CMO provided program guidelines and attestation agreements for the program participants to document their acknowledgment and agreement of program guidelines related to program purposes, purchase tracking, and card replacement procedures. We selected ten participants from the eight distribution events and concluded that attestation agreements provided program guidelines, and that all participants selected for our review had a documented attestation agreement.

PEI implemented contract-required training and customer service feedback surveys that reflected exemplary customer service.

The Contract required PEI to facilitate customer service resources to FARP participants. These resources included customer service and written materials in English and Spanish languages. Additionally, PEI was responsible for documenting participant feedback surveys throughout the program. PEI established a contact center with Arizona State University to ensure customer service resources were made available to program participants. Our review concluded that PEI implemented training to assist participants with general questions and to connect participants with USIO for prepaid card inquiries and services. Three surveys were conducted during the program to obtain feedback for the program, and 1,193 responses revealed that 93% of participants who responded were extremely satisfied with the program and expressed sincere gratitude.

Recommendation

None

2 – Fiscal Compliance

Background

The PEI and USIO contract identified what policies and procedures must be implemented to successfully monitor the funds, and allocate them to program participants. We reviewed the fund transfers from CMO to PEI, and from PEI to USIO, and PEI accounting records for accuracy. Additionally, we reviewed purchase tracking reports from February 2022 through January 2023 to ensure that monthly allocations were accurately provided to participants, program performance metrics were reported, and purchases aligned with the program guidelines.

Results

USIO and PEI ensured that performance metric reports featured the required contract criteria and ensured the reports were provided monthly to CMO.

The contract requires PEI to provide quarterly reports on the performance metrics of FARP. Metrics included spending data, location of spending, card utilization, card activation, and card balance. We reviewed 12 performance metric reports and determined that all reports were delivered at least quarterly, and included the required metrics that reported the program spending totals of \$11,771,317 as of January 2023. The reports provided by USIO and PEI made sure CMO had current information to ensure program effectiveness.

FARP allocated funds were accurately given to participants.

The City Council authorized the allocation of \$12 million to FARP. CMO partnered with PEI and USIO to ensure the allocated funds were transferred to reloadable prepaid cards for program participants. We reviewed fund transfers from CMO to PEI through (1) the City's financial application (SAP), (2) wire transfer confirmations from PEI to USIO, (3) card load reports, and (4) participant purchases tracked through USIO spend reports. Fund transfers through SAP were accurate, and card load reports totaled \$11,997,000. The remaining \$3,000 was the result of a participant relocating to another state and being removed from the program. The remaining funds will be returned to the City.

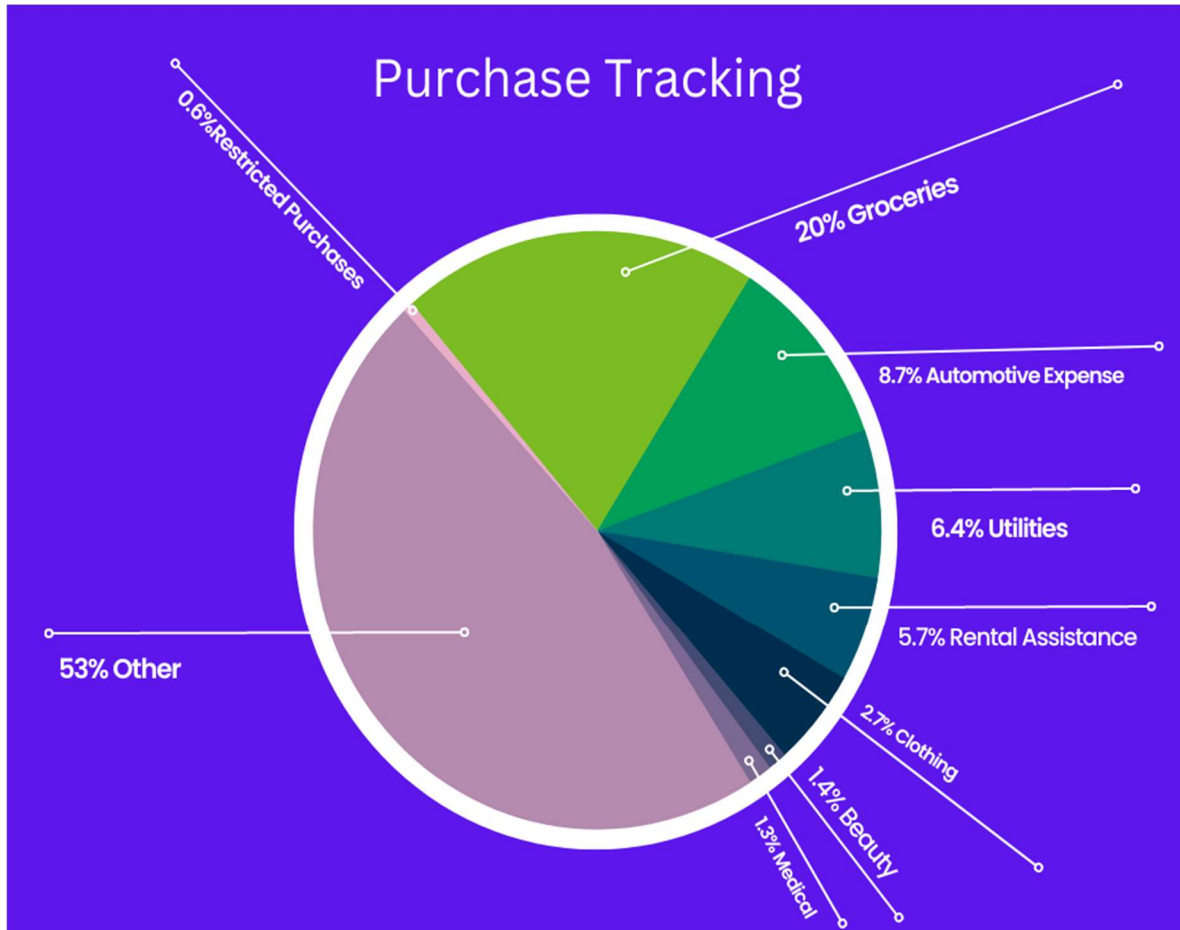
During our review of participant spending totals we noted, on occasion, the spending per participant exceeded the \$12,000 limit. After further review with CMO and PEI, we concluded that the totals were off due to purchase returns and card replacements. Additionally, card load reports were reviewed to ensure the totals did not exceed the \$12 million allocation. The controls in place ensured that funds were provided to participants, and that any overspending of funds by participants was restricted.

Overall, PEI and USIO had controls in place to ensure most purchases were not made from the restricted merchant categories.

The Contract and the United States Treasury required that information about purchases and the tracking of purchases be shared with the City of Phoenix, so the City could track and report on the progress of the program. Additionally, participant prepaid cards were to be restricted at the merchant category to prevent purchasing activity that included such things as tobacco, marijuana, liquor, etc., or places such as adult venues, gambling establishments, etc.

USIO implemented controls to restrict merchant categories and submitted purchase tracking reports to PEI and CMO each month for the monitoring of purchases. We obtained 12 performance metric reports from February 2022 to January 2023 that provided purchase tracking data, and we reviewed 232,268 transactions to ensure that purchases of the restricted merchant categories did not occur. Overall, most of the funding was used for the intended purpose of providing childcare and to cover other household expenses. However, our review found that 58 purchases totaling \$68,467 were from restricted categories. USIO noted that on occasion, if the system was down, transactions to restricted merchant categories could have been authorized.

Purchase Tracking Review



Our review concluded that less than 0.6% of purchases were from restricted merchant categories.

PEI did not utilize any City-allocated funds for PEI expenses and demonstrated financial compliance.

PEI was required to provide an accounting of its administrative services and associated overhead costs to CMO to ensure that City-allocated funds were not used for these costs and that any unused funds were returned to the City. PEI demonstrated contract compliance by providing an accounting statement to CMO for the duration of the program. We reviewed the PEI accounting statement. Additionally, we determined that City-allocated funds were not used for the program cost of \$4,293.

Recommendation

None

3 – Data Security

Background

To ensure the effectiveness of the program and allow the funding resources to be correctly allocated to participants, eligible participant data from the included public assistance programs was shared with PEI and USIO. Additionally, purchase data was shared from USIO with PEI and the City. The PEI and USIO contracts require the protection of participant and purchasing data and how to proceed if the data becomes compromised.

Administrative Regulation (A.R.) 1.90 – *Information Privacy and Protection Supplement-Data Shared with Third Parties* provides guidance for City Departments when sharing data, including personal identifying information and restricted City information, with a third party. Additionally, Payment Card Industry Data Security Standards provide guidance on protecting payment card data.

We interviewed key staff, reviewed compliance statements and means of data transference, to determine the security of platforms used to transmit protected City data.

Results

CMO and USIO had controls in place to ensure PII and purchasing data was secure. However, PEI did not implement data security controls to ensure the ASU customer contact support center data was secured.

The Contract requires personal identifying information (PII) and financial account information (whether electronic or hard copy) to be secured and protected to avoid unauthorized access. We interviewed key staff and reviewed processes to determine how data was protected throughout the program. Additionally, we reviewed USIO's statement of compliance and attestation agreements, and confirmed that the company was compliant with PCI and data protection industry standards. USIO implemented participant login portals to track purchases, card balances, and card status. The portals required participant verification and other means of data security.

To assist participants with customer service needs, PEI established a customer support contact center with Arizona State University (ASU). We noted that participant data was shared with ASU through a Google Drive. PEI did have established data privacy controls for the ASU customer contact support center to ensure PII is secured and always protected. CMO should ensure that all data is returned, redacted, or destroyed through the appropriate and secure methods that ensure the information cannot be viewed, accessed, or reconstructed as required by City standards.

Evidence of liability insurance was not provided by PEI and USIO.

PEI and USIO were required to maintain specific insurance coverage types and limits against claims that may arise from or relate to performance of any work performed. We

attempted to review annual insurance certificates. However, proof of insurance coverage was not documented for PEI and USIO. Insurance compliance should be monitored to ensure required insurance is obtained, and minimum limits have been met. Additionally, controls should be implemented to ensure insurance has been obtained to prevent the City from being liable from PEI and USIO accidents. CMO should implement contract monitoring procedures to monitor insurance compliance for the contracts they manage.

Recommendation

- 3.1 Ensure that all data shared with third parties is redacted or destroyed through the appropriate and secure methods that ensure the information cannot be viewed, accessed, or reconstructed.
- 3.2 Establish and document contract monitoring policies and procedures to ensure contract requirements are met. Procedures should include, but are not limited to, monitoring payment terms, key performance indicators, and insurance requirements.

Scope, Methods, and Standards

Scope

We performed our testing and review based on contract terms and conditions. Our testing included documented participant data from ERA, public housing, and section-8, statements of compliance, attestation of compliance, purchase tracking reports, training policies and procedures, invoices, and wire transfers from September 2022 through January 2023.

The internal control components and underlying principles that are significant to the audit objectives are:

- Control Environment
 - The oversight body and management should demonstrate a commitment to integrity and ethical values.
- Risk Assessment
 - Management should consider the potential for fraud when identifying, analyzing, and responding to risks.
- Control Activities
 - Management should design control activities to achieve objectives and respond to risks.
 - Management should design the entity's information system and related control activities to achieve objectives and respond to risks.
 - Management should implement control activities through policies.
- Information & Communication
 - Management should use quality information to achieve the entity's objectives.
- Monitoring Activities
 - Management should establish and operate monitoring activities to monitor the internal control system and evaluate the results.
 - Management should remediate identified internal control deficiencies on a timely basis.

Methods

We used the following methods to complete this audit:

- We obtained, analyzed, and tested eligible public assistance reports.
- We reviewed and tested heat maps.

- We obtained, analyzed, and tested training procedures and customer feedback surveys.
- We obtained, analyzed, and tested participant attestation agreements.
- We reviewed and tested wire transfers.
- We obtained, analyzed, and tested purchase tracking reports.
- We obtained, analyzed, and tested accounting statements.
- We obtained, analyzed, and tested performance metric reports.
- We obtained, analyzed, and tested statements of compliance and attestation of agreements.

Unless otherwise stated in the report, all sampling in this audit was conducted using a judgmental methodology to maximize efficiency based on auditor knowledge of the population being tested. As such, sample results cannot be extrapolated to the entire population and are limited to a discussion of only those items reviewed.

Data Reliability

We assessed the SAP ZEXPRPT, Case Management System (CMS), Inventory Management System/ Public Indian Housing Information Center (IMS/PIC), and USIO Spend Reports by (1) performing electronic testing, (2) reviewing existing information about the data and the systems that produced it, and (3) interviewing agency officials knowledgeable about the data. We determined that this data was sufficiently reliable for the purposes of this audit.

Standards

We conducted this performance audit 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 on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.