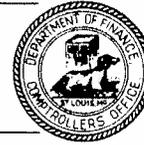




OFFICE OF THE COMPTROLLER  
CITY OF ST. LOUIS



FILE COPY

DARLENE GREEN  
Comptroller

*Internal Audit Section*

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DR. KENNETH M. STONE, CPA  
Internal Audit Executive

February 15, 2011

Tammy Laws, Executive Director  
Shalom House  
1040 S. Taylor Avenue  
St. Louis, MO 63110

RE: Supportive Housing Program (SHP) (Project #2010-HOM17)

Dear Ms. Laws:

Enclosed is a report of our fiscal monitoring review of the Shalom House, a not-for-profit organization, SHP program, for the period October 1, 2009, through May 31, 2010. The scope of a fiscal monitoring review is less than an audit, and as such, we do not express an opinion on the financial operations of Shalom House. Fieldwork was completed on July 16, 2010.

This review was made under authorization contained in Section 2, Article XV of the Charter, City of St. Louis, as revised and has been conducted in accordance with the *International Standard for the Professional Practice of Internal Auditing* and through an agreement with the City of St. Louis, Department of Human Services (DHS) to provide fiscal monitoring to all grant subrecipients.

If you have any questions, please contact the Internal Audit Section at (314) 622-4723.

Sincerely,

*Kenneth M. Stone*  
Dr. Kenneth M. Stone, CPA  
Internal Audit Executive

Enclosure

cc: Walter Denneman, Accounting Coordinator, DHS  
Antoinette Triplet, Program Manager II – Homeless Program, DHS



# CITY OF ST. LOUIS

**DEPARTMENT OF HUMAN SERVICES (DHS)  
SUPPORTIVE HOUSING PROGRAM (SHP)**

**SHALOM HOUSE  
DOCUMENTS #60478  
CFDA #14.235**

**FISCAL MONITORING REVIEW**

**OCTOBER 1, 2009 THROUGH MAY 31, 2010**

**PROJECT #2010-HOM17**

**DATE ISSUED: FEBRUARY 15, 2011**

**Prepared by:  
The Internal Audit Section**



## OFFICE OF THE COMPTROLLER

**HONORABLE DARLENE GREEN, COMPTROLLER**

**CITY OF ST. LOUIS  
DEPARTMENT OF HUMAN SERVICES (DHS)  
SUPPORTING HOUSING PROGRAM (SHP)  
SHALOM HOUSE  
FISCAL MONITORING REVIEW  
OCTOBER 1, 2009 THROUGH MAY 31, 2010**

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## INTRODUCTION

### Background

<b>Contract Name:</b>	Shalom House Traditional Housing Program
<b>Document Number:</b>	60478
<b>CFDA Number:</b>	14.235
<b>Contract Period:</b>	October 1, 2009 through September 30, 2010
<b>Contract Amount:</b>	\$233,362

The contract provided Supportive Housing Program (SHP) funds to Shalom House (Agency) to provide transitional housing for those individuals that are homeless.

### Purpose

The purpose of the review was to determine the Agency's compliance with federal, state and local Department of Human Services (DHS) requirements for the period October 1, 2009, through May 31, 2010, and make recommendations for improvements as considered necessary.

### Scope and Methodology

Inquiries were made regarding the Agency's internal controls relating to the grants administered by DHS. Evidence was tested supporting the reports the Agency submitted to DHS and other procedures, were performed as considered necessary. Fieldwork was completed on July 16, 2010.

### Exit Conference

An exit conference was conducted at the Agency on February 10, 2011. The Agency was represented at the exit conference by Tammy Laws the Executive Director and Kathy Glass the business manager. The Internal Audit Section was represented by Lolita Versey Auditor II and Ganet Desu Auditor I.

### Management's Responses

The management's responses to the observations and recommendations identified in the draft report were received from the Agency on February 10, 2011. These responses have been incorporated into this report.

## SUMMARY OF OBSERVATIONS

### **Conclusion**

The Agency did not fully comply with federal, state and local DHS requirements.

### **Status of Prior Observations**

The previous fiscal monitoring report, Project #2009-HOM9, issued May 29, 2009, contained no observations:

### **A-133 Status**

According to a letter received from the Agency, dated July 1, 2010, it did not expend \$500,000 or more in federal funds its fiscal year ended December 31, 2009, and was not required to have an A-133 audit.

### **Summary of Current Observations**

A recommendation was made for the following observation, which if implemented could assist the Agency in fully complying with federal, state, and local DHS requirements.

- Opportunity to address going concern issues

## DETAIL OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT'S RESPONSES

### Opportunity To Address Going Concern Issues

A consistent existence of negative working capitals, an excess of current liabilities over current assets, and operating losses on the Agency's financial statements for the period January 1, 2010 through May 31, 2010 and calendar years 2009, 2008, casts doubt on the Agency's ability to continue to operate for the foreseeable future.

Negative working capitals:

A Period	B Current Assets	C Current Liabilities	D Working Capital (B-C)
January 1, 2010 – May 31, 2010	\$108,710	\$166,055	\$(57,345)
Year Ending December 2009	\$108,343	\$138,298	\$(29,955)
Year Ending December 2008	\$118,491	\$126,918	\$ (8,427)

### Operating Losses

A Period	B Revenues	C Expenses	D Excess of Expenses over Revenues (B-C)
Period Ending May 31, 2010	\$368,318	\$393,564	\$(25,246)
Year Ending December 31, 2009	\$940,428	\$952,378	\$(11,950)
Year Ending December 31, 2008	\$957,203	\$1,031,941	\$(74,738)

A positive working capital, excess current assets over current liabilities, indicates the Agency's ability to generate assets and revenues in order to pay expenditures and liabilities as they become due. In addition, a positive working capital provides an assurance that an organization has the resources needed in order to continue to operate for the foreseeable future.

It was noted in the Agency's board minutes for April 24, 2010 that the Agency continues to struggle to have sufficient cash on hand to pay bills and noted that no financial institution is willing to give the Agency a line of credit until it has a plan that succeeds in dealing with its cash flow and long-term debt issues.

The Agency does not have a system of internal controls in place to ensure that it has sufficient resources to continue to operate for the foreseeable future and this may affect its ability to secure federal funds in future.

### **Recommendation**

It is recommended that the Agency continue to minimize expenditures and seek out additional revenue streams such as other possible funding sources.

### **Management's Response**

*While the staff and Board members of Shalom House understand the City observation of going concern issues, we do not agree that we were not in compliance with federal, state, and local DHS requirements.*

- *The Agency ended FY 2010 with a surplus totaling \$140,195*
- *The Agency functioned for 11 months without reimbursement on its FESG contract with the City.*
- *The Agency withstood significantly delayed reimbursements on its 2009-2010 SHP contract with City.*
- *The Agency has successfully refinanced its mortgage and its converting its previous line of credit into an amortized loan - which will be moved from short-term liability to long-term liability on the balance sheet in 2011*
- *The major of private fundraising dollars in our community tend to come in during the last two quarter of our fiscal year (calendar year). Thus we tend to show deficits in the first quarters of the year until fundraising dollars catch up.*

*The Agency has focused its efforts on private fundraising dollars to help us become less reliant on its government contracts. When the Agency doesn't get timely reimbursements on government contracts, cash flow suffers tremendously. With strict federal regulations on these dollars it becomes difficult to maintain the working capital needed to fulfill the contract when the process is significantly delayed. This is through no fault of our Agency as we submit timely billings and reports to the St. Louis DHS office once our contracts have been fully executed. In fact, Shalom House has preserved through the economic downturn without a loss of services to its homeless clients. We hope that you will consider our request to amend the report for our fiscal monitoring review October 1, 2009 through May 31, 2010 to reflect the current status of the Shalom House financials.*

### **Auditor's Comment**

During the time of our audit, the Agency has showed negative working capitals and operating losses for the past two years. The unaudited financial statements presented on December 31, 2010 were reviewed, and they show a positive net income and a positive working capital. No further action is necessary.