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OFFICE OF THE COMPTROLLER
CITY OF ST. LOUIS



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Comptroller

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October 16, 2006

Ms. Barbara Searight, Director
St. Louis Office for MR&DD Resources
2334 Olive
St. Louis, MO 63101

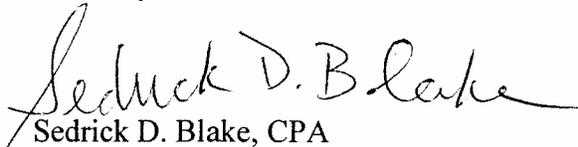
RE: Fiscal Monitoring Report of St. Louis Office for MR&DD Resources
Supportive Housing Program Grant (SHP) (#2007-HOM5)

Dear Ms. Searight:

Enclosed is a report of our fiscal monitoring review of the St. Louis Office for MR&DD Resources (Document #48727) for the periods July 1, 2004 through June 30, 2006. The scope of a fiscal monitoring review is substantially less than an audit, and as such, we do not express an opinion on the financial operations of St. Louis Office for MR&DD Resources. Our fieldwork was completed on September 27, 2006. We requested management responses, which were received October 12, 2006 and those have been incorporated into our report.

This review was made under authorization contained in Section 2, Article XV of the Charter, City of St. Louis, as revised and through an agreement with the Department of Human Services (DHS) to provide fiscal monitoring to all grant subrecipients. If you have any questions, please contact Dwayne Crandall at 613-7257.

Sincerely,


Sedrick D. Blake, CPA
Internal Audit Executive

Enclosure

cc: Honorable Darlene Green, Comptroller
Patrick Brennan, Fiscal Manager, Department of Human Services



CITY OF ST. LOUIS

***DEPARTMENT OF HUMAN SERVICES (DHS)
HOMELESS SERVICES PROGRAM***

***ST. LOUIS OFFICE FOR MR&DD RESOURCES
SUPPORTIVE HOUSING PROGRAM (SHP)
DOCUMENT #48727***

FISCAL MONITORING REVIEW

JULY 1, 2004 THROUGH JUNE 30, 2006

PROJECT #2007-HOM5

DATE ISSUED: OCTOBER 16, 2006

***Prepared by:
The Internal Audit Section***



OFFICE OF THE COMPTROLLER

Honorable Darlene Green, Comptroller

**CITY OF ST. LOUIS
DEPARTMENT OF HUMAN SERVICES (DHS)
HOMELESS SERVICES
ST. LOUIS OFFICE OF MR&DD RESOURCES
DOCUMENT #48727
FISCAL MONITORING REVIEW
JULY 1, 2004 THROUGH JUNE 30, 2006**

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DEPARTMENT OF HUMAN SERVICES (DHS)
HOMELESS SERVICES
ST. LOUIS OFFICE OF MR&DD RESOURCES
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INTRODUCTION

Background

Contract Name: St. Louis Office for MR&DD Resources

Document Number: 48727

Contract Period: July 1, 2004 through June 30, 2007

Review Period July 1, 2004 through June 30, 2006

Contract Amount: \$543,567.00

The contract provides funds from the Department of Housing and Urban Development (HUD), Supportive Housing Program (SHP) to St. Louis Office for MR&DD Resources to provide permanent housing and supportive services to disabled individuals that are homeless. Funds for this program were passed through to Horizon Housing Development Company (HHDC), a blended component unit of St. Louis Office for MR&DD Resources. Proprietary funds in the form of an enterprise fund are used to account for HHDC on the accounting records of St. Louis Office for MR&DD Resources. Observations noted in either unit are presented in this report.

Purpose

The purpose of this fiscal monitoring review was to determine St. Louis Office for MR&DD Resources' (Document #48727) compliance with federal, state and local Department of Human Services (DHS) requirements for the periods July 1, 2004 through June 30, 2006.

Scope and Methodology

We made inquiries regarding St. Louis Office for MR&DD Resources' internal controls relating to the grant administered by the Department of Human Services (DHS), tested evidence supporting the reports the Agency submitted to DHS and performed other procedures considered necessary. Our fieldwork was substantially completed on September 27, 2006. Management's responses were received October 12, 2006 and have been incorporated into this report.

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CONCLUSION AND SUMMARY OF OBSERVATIONS

Conclusion

St. Louis Office for MR&DD Resources did not fully comply with federal, state and local DHS requirements.

Status of Prior Observations

This is the first fiscal monitoring review of St. Louis Office for MR&DD Resources; therefore, there were no prior observations noted.

A-133 Status

According to a letter dated August 15, 2006 the Agency did not expend \$500,000 or more in federal funds for the year ending June 30, 2006 and an A-133 audit would not be necessary.

Summary of Current Observations

We made recommendations for the following observations, which if implemented, could assist St. Louis Office for MR&DD Resources in fully complying with federal, state, and local DHS requirements.

1. The Agency's procurement policy is not in accord with DHS policy.
2. The Agency does not have adequate fidelity bonding.
3. Property purchased with federal funds should be adequately identified.

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**DETAILED OBSERVATIONS, RECOMMENDATIONS
AND MANAGEMENT'S RESPONSES**

1. The Agency's Procurement Policy is not in accord with DHS Policy

The City of St. Louis Department of Human Services requires competitive bids for purchases in excess of \$500. St. Louis Office for MR&DD Resources only requires such bidding on amounts equal to or in excess of \$2,000.

Recommendation

We recommend the Agency comply with DHS requirements for any future purchases.

Management's Response

The St. Louis Office of MR&DD Resources concurs with the observation. The St. Louis Office of MR&DD Resources will implement a policy to obtain competitive bids, by phone or written, for purchases in excess of \$500.

2. The Agency Does Not Have Adequate Fidelity Bonding

The Department of Human Services policy guidelines require the Agency to have fidelity bonding for all employees with fiscal responsibilities that is equal to the grant amount. The Agency does not have adequate fidelity bonding coverage. The Agency has renewed the bonding policy which has a coverage limit of \$50,000.00. Since this contract is over a three year period and totals in excess of \$543,000, the minimal amount per year should be about approximately \$181,000 or about 3 ½ times the amount of present coverage. Failure to maintain adequate and current fidelity bonding increases financial risk to the Agency and potential loss of federal funds and future reimbursements.

Recommendation

We recommend the Agency obtain adequate fidelity bonding coverage.

Management's Response

The St. Louis Office of MR&DD Resources does not concur with the observation. The fidelity bonding policy of \$50,000 will adequately cover the theft of more than a

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2. (Management's Response continued)

month of reimbursements. The St. Louis Office of MR&DD Resources feels the review/oversight process in place in the fiscal department would uncover any theft before the limit of the fidelity bonding policy has been reached.

Auditor's Response

Per the City of St. Louis, Department of Human Services, Procedures Manual, page 13, the minimum required insurance coverage "must equal the amount of the grant from DHS. The insurance must be in effect for the entire contract period".

We reiterate the Agency should increase this amount or obtain a waiver from DHS in this regard.

3. Property Purchased with Federal Funds should be Adequately Identified

The Agency's inventory of equipment purchased with DHS pass-through federal funds did not contain identifying information such as the make, model and serial numbers. We found the Agency had listed items such as a snow blower, a leaf blower, microwaves, refrigerators, stoves, washers and dryers. None of these items were identified by make, model or serial number. We did test a number of items found at one location without exception. Proper safeguarding of assets require adequately identifying and recording of property and equipment to minimize potential losses.

Management's Response

The St. Louis Office of MR&DD Resources concurs with the observation. The St. Louis Office of MR&DD Resources will compile a listing of property purchased with federal funds by recording identifying information, such as the make, model and serial numbers.