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OFFICE OF THE COMPTROLLER
CITY OF ST. LOUIS



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Comptroller

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December 5, 2006

Ruth Smith, Executive Director
Human Development Corporation
929 N. Spring
St. Louis, MO 63108

RE: Fiscal Monitoring Report of Human Development Corporation, Homeless
Challenge Program (HCP) (#2007-HOM8)

Dear Ms. Smith:

Enclosed is a report of our fiscal monitoring review of the Human Development Corporation (Document #50626) for the period October 1, 2004 through September 30, 2005. 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 Human Development Corporation. Our fieldwork was completed on October 16, 2006.

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 Charles Schroeder at 589-6089.

Sincerely,

Sedrick D. Blake
Sedrick D. Blake, CPA
Internal Audit Executive

Enclosure

cc: Patrick Brennan, Fiscal Manager, Department of Human Services



CITY OF ST. LOUIS

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

*HUMAN DEVELOPMENT CORP.
HOMELESS CHALLENGE PROGRAM (HCP)
DOCUMENT #50626*

FISCAL MONITORING REVIEW

OCTOBER 1, 2004 THROUGH SEPTEMBER 30, 2005

PROJECT #2007-HOM8

DATE ISSUED: DECEMBER 5, 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
HUMAN DEVELOPMENT CORPORATION
DOCUMENT #50626
FISCAL MONITORING REVIEW
OCTOBER 1, 2004 THROUGH SEPTEMBER 30, 2005**

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**CITY OF ST. LOUIS
DEPARTMENT OF HUMAN SERVICES (DHS)
HOMELESS SERVICES
HUMAN DEVELOPMENT CORPORATION
DOCUMENT #50626
FISCAL MONITORING REVIEW
OCTOBER 1, 2004 THROUGH SEPTEMBER 30, 2005**

INTRODUCTION

Background

Contract Name: Human Development Corporation

Document Number: #50626

Contract Period: October 1, 2004 through September 30, 2005

Contract Amount: \$66,071

The contract provided funds from the Department of Housing and Urban Development (HUD) Homeless Challenge Program (HCP) to the Human Development Corporation to provide shelter and supportive services to homeless individuals and families in the City of St. Louis.

Purpose

The purpose of this fiscal monitoring review was to determine Human Development Corporation's (Document #50626) compliance with federal, state and local Department of Human Services (DHS) requirements for the period October 1, 2004 through September 30, 2005.

Scope and Methodology

We made inquiries regarding Human Development Corporation's 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 completed on October 16, 2006. Management's response was received on November 30, 2006 and has been incorporated into this report.

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CONCLUSION AND SUMMARY OF OBSERVATIONS

Conclusion

- We found there is the appearance of conflict of interest on the Agency's Board of Directors.

Status of Prior Observations

As of the most recent fiscal monitoring report dated August 4, 2005, we noted one prior observation:

- There is the appearance of conflict of interest on the Agency's Board of Directors **(Repeated – see Current Observation)**.

A-133 Status

Because it expended \$500,000 or more in federal funds for the year ended September 30, 2005, the Agency was required to file an A-133 audit report. The most recent report available, dated April 20, 2006, rendered a **qualified** opinion regarding compliance with requirements applicable to major federal awards. There were no reportable conditions considered to be material weaknesses on either the financial statements or the federal awards. There were three reportable conditions not considered to be material weaknesses on both the financial statements and the federal awards, however, none were applicable to the DHS grant specifically. IAS did review the report and noted that the Agency did not qualify as a low-risk auditee but recommended the audit be accepted.

Summary of Current Observation

We made a recommendation for the following observation, which if implemented, could assist Human Development Corporation in fully complying with federal, state and local DHS requirements.

- There is the appearance of conflict of interest on the Agency's Board of Directors.

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There is an appearance of conflict of interest on the Agency's Board of Directors.

The DHS contract and Federal guidelines prohibit any person who is an agent, consultant, officer, elected official or appointed official of the recipient (City of St. Louis) or of any designated public Agencies, or sub-recipients, from being a Member of the Board of Directors of the Operating Agency. Upon review, it was noted the Director of the Department of Human Services, the Special Assistant to the Comptroller and a City of St. Louis Alderman are on the Agency's Board of Directors. As Members of both organizations (City Government and the Agency's Board of Directors), the Board Members are in a position to directly participate, provide information and influence the decisions of both organizations. This has been noted in prior monitoring reports. Human Development Corporation's latest response, included in the last IAS report, Project 2005-HOM21, dated August 4, 2005, indicated Management would meet with the Director of Human Services to discuss this matter and consider our recommendation of requesting a waiver from HUD. When questioned, the Agency's accountant was not aware that any meeting had taken place.

We recognize the Agency is a Community Action Agency and is thus required by charter to have exactly one third of its Board composed of public officials, however, that the three members in question are in a position to directly participate, provide information and influence the decisions of the Agency's Board, as well as being directly involved in the funding of this Agency, presents an appearance of a conflict of interest.

Recommendation

We recommend the Agency either request the Board Members indicated above to resign or meet with and obtain legal written opinion from Housing and Urban Development (HUD), Department of Human Services (DHS) or the City Counselor's Office to resolve their inclusion on the Agency's Board of Directors.

Management's Response

[The] Director, Human Services, City of St. Louis, is in the process of securing a legal opinion on this matter; will forward final decision for your review upon receipt of same.