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OFFICE OF THE COMPTROLLER  
CITY OF ST. LOUIS



DARLENE GREEN  
Comptroller

*Internal Audit Section*

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March 27, 2007

Ms. Gloria Karwoski, Director  
Adequate Housing for Missourians  
2709 Woodson Rd.  
St. Louis, MO 63114

RE: Fiscal Monitoring Report of Adequate Housing for Missourians Federal Emergency Shelter Grant (FESG) (#2007-HOM25)

Dear Ms. Karwoski:

Enclosed is a report of our fiscal monitoring review of Adequate Housing for Missourians (Document #53166) for the period January 1, 2006 through December 31, 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 Adequate Housing for Missourians. Our fieldwork was completed on January 31, 2007.

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 Standards for the Professional Practice of Internal Auditing 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 H. Schroeder at 589-6089.

Sincerely,

A handwritten signature in cursive script that reads "Sedrick D. Blake".

Sedrick D. Blake, CPA  
Audit / Fiscal Executive

Enclosure

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



# CITY OF ST. LOUIS

*DEPARTMENT OF HUMAN SERVICES (DHS)  
HOMELESS SERVICES*

*ADEQUATE HOUSING FOR MISSOURIANS  
FEDERAL EMERGENCY SHELTER GRANT  
FESG 2006 CFDA 14.231  
DOCUMENT #53166*

*FISCAL MONITORING REVIEW*

*JANUARY 1, 2006 THROUGH DECEMBER 31, 2006*

*PROJECT #2007-HOM25*

*DATE ISSUED: MARCH 27, 2007*

*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**  
**ADEQUATE HOUSING FOR MISSOURIANS**  
**DOCUMENT #53166**  
**FISCAL MONITORING REVIEW**  
**JANUARY 1, 2006 THROUGH DECEMBER 31, 2006**

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**CITY OF ST. LOUIS  
DEPARTMENT OF HUMAN SERVICES (DHS)  
HOMELESS SERVICES  
ADEQUATE HOUSING FOR MISSOURIANS  
DOCUMENT #53166  
FISCAL MONITORING REVIEW  
JANUARY 1, 2006 THROUGH DECEMBER 31, 2006**

**INTRODUCTION**

**Background**

**Contract Name:** Adequate Housing for Missourians, FESG 2006,  
CFDA 14.231

**Document Number:** 53166

**Contract Period:** January 1, 2006 through December 31, 2006

**Contract Amount:** \$29,700

This contract provided funds from the Department of Housing and Urban Development (HUD), Federal Emergency Shelter Grant (FESG) to Adequate Housing for Missourians to provide rental assistance to prevent individuals from becoming homeless.

**Purpose**

The purpose of this fiscal monitoring review was to determine Adequate Housing for Missourians (Document #53166) compliance with federal, state and local Department of Human Services (DHS) requirements for the period January 1, 2006 through December 31, 2006. We will make recommendations for improvements if necessary.

**Scope and Methodology**

We made inquiries regarding Adequate Housing for Missourians' 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 January 31, 2007. Management's responses were received on March 5, 2007 and have been incorporated into this report.

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**CONCLUSION AND SUMMARY OF OBSERVATIONS**

**Conclusion**

Adequate Housing for Missourians did not fully comply with federal, state and local DHS requirements.

**Status of Prior Observations**

The Agency's most recent fiscal monitoring report dated December 21, 2004 identified the following observation:

- The Agency did not have sufficient fidelity bonding. **(Resolved.)**

**A-133 Status**

According to a letter received from Agency management dated January 24, 2007, Adequate Housing for Missourians was not required to obtain an A-133 audit for the period ending December 31, 2006 because it did not expend \$500,000 or more in Federal funds.

**Summary of Current Observations**

We made recommendations for the following observations, which if implemented could assist Adequate Housing for Missourians in fully complying with federal, state, and local DHS requirements.

1. The Agency does not require two authorized signatures on checks.
2. The Agency appears to have a going concern issue.
3. The Agency received duplicate payment for the same expenditures.

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

**1. The Agency does not Require Two Authorized Signatures on Checks**

The Department of Human Services policy guidelines require the Agency to have two authorized personnel sign checks. The Agency's policy is that checks for less than \$600 require one signature only and checks for \$600 or more require two authorized signatures. In addition, the Director signed checks payable to herself. Internal control over expenditures may be reduced when only one individual signs disbursement checks and when the Director can sign checks payable to herself.

**Recommendation**

We recommend the Agency comply with DHS policy guidelines and require two authorized signatures for all checks. In addition, we recommend a board member also sign checks that are payable to the Director.

**Management's Response**

*Per your concern, we have implemented the following procedures, effective, February 7<sup>th</sup>, 2007;*

- *Two signatures will be required on ALL checks regardless of amount  
These signatures will be either Executive Director and on Board Member  
or Two Board Members*
- *Board Member signing checks will initial all invoices that support checks.*

**2. The Agency Appears to have a Going Concern Issue**

There is a presumption that agencies funded are to provide continuing services and will have the financial wherewithal to accomplish the same. As part of our review, we examine financial records in order to assess such capabilities. Working capital is a measure of an organization's ability to realize assets and satisfy liabilities in the normal course of business. It is the excess of current assets over current liabilities. Current assets should exceed current liabilities to maintain a favorable financial condition. However, in this case, the Agency's current liabilities exceed its current assets. Although the situation may be improving, the balance sheet for September 30, 2006 showed a negative working capital of \$15,095.98. The Agency may not be able to meet its current financial obligations, and continue operations.

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

**2. Continued...**

**Recommendation**

We recommend the Agency notify DHS of this going concern issue and make attempts to increase revenues and reduce expenditures and liabilities.

**Management's Response**

*The Board of Directors recognizes the shortfall in the salary category. In order to balance our budget we have implemented the following, effective February 12<sup>th</sup>:*

- *Reduced Program Manager position to part time-potential annual savings: \$12,880.00*
- *Eliminated full health benefit coverage  
Potential annual Savings: \$6,252.00*

*In addition, the Board of Directors has enacted a full fund raising effort. To date we have raised \$3,000.00.*

**3. The Agency received Duplicate Payment for the Same Expenditure**

In an agreement between the Agency and The Department of Human Services, the Agency was to provide financial assistance in the form of rent, mortgage, security deposit, and utility assistance for individuals and/or families who are City of St. Louis residents. The Agency received a duplicate payment for \$500 for the same expenditure. The same expense was reimbursed with the September and October 2006 Disbursement Vouchers. This is a questioned cost of \$500. The Agency should not accept payment for duplicate expenditures.

**Recommendation**

We recommend the Agency repay the \$500 to the FESG program by April 30, 2007. It should submit a check for \$500 payable to the Controller's office Federal Grants Section, 1114 Market St Room 608, St. Louis MO 63101. The check should reference fund #1167, center #8008601. Please provide a copy of the check to: Comptroller's Office, Internal Audit Section Room 642, Attn. Charles Schroeder, 1114 Market

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

**4. Continued...**

Street, St. Louis, MO 63101 (copy may be faxed to 314-613-3004 Attn. Charles Schroeder). We also recommend that if the agency does not resolve this matter by April 30, 2007, \$500.00 be deducted from their next reimbursement request.

**Management's Response**

*Upon researching this it was found that we received one check from your office dated, November 30<sup>th</sup> for both invoices #9 & 10. The voucher was filled with the October Invoice Request. We received a check from your office dated, December 6<sup>th</sup>, 2006 for the amount of \$500.00. Upon filing the voucher part of the check, we saw no other voucher and assumed this was a late payment.*

*We acknowledge this overpayment an a check for \$500.00 has been issued and is awaiting final signature by one of our Board of Directors.*

**Auditor's Comment**

Please send a copy of the check to the Comptroller's Office, Internal Audit Section, 1114 Market Street, Room 642, St. Louis, MO 63101. Attn: Charles Schroeder.