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OFFICE OF THE COMPTROLLER  
CITY OF ST. LOUIS



DARLENE GREEN  
Comptroller

*Internal Audit Section*

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August 19, 2004

Ms. Irma Jenkins, Director  
Fortress Outreach  
P.O. Box 2115  
Florissant, MO 63032

RE: Fiscal Monitoring Report of Fortress Outreach, Domestic Violence Grant (DV)  
(#2004-HOM16)

Dear Ms. Jenkins:

Enclosed is a report of our fiscal monitoring review of the Fortress Outreach (Document #44610) for the period January 1, 2003 through December 31, 2003. 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 Fortress Outreach. Our fieldwork was substantially completed on July 21, 2004.

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 me at 613-7257.

Sincerely,

A handwritten signature in cursive script that reads "Dwayne Crandall".

Dwayne Crandall, MHA, CIA, CPA  
Internal Audit Supervisor

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

Enclosure



# CITY OF ST. LOUIS

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

*FORTRESS OUTREACH  
DOMESTIC VIOLENCE (DV) PROGRAM  
DOCUMENT #44610*

*FISCAL MONITORING REVIEW*

*JANUARY 1, 2003 THROUGH DECEMBER 31, 2003*

*PROJECT #2004-HOM16*

*DATE ISSUED: AUGUST 19, 2004*

*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  
FORTRESS OUTREACH  
DOCUMENT #44610  
FISCAL MONITORING REVIEW  
JANUARY 1, 2003 THROUGH DECEMBER 31, 2003**

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**CITY OF ST. LOUIS  
DEPARTMENT OF HUMAN SERVICES (DHS)  
HOMELESS SERVICES  
FORTRESS OUTREACH  
DOCUMENT #44610  
FISCAL MONITORING REVIEW  
JANUARY 1, 2003 THROUGH DECEMBER 31, 2003**

**INTRODUCTION**

**Background**

**Contract Name:** Fortress Outreach

**Document Number:** #44610

**Contract Period:** January 1, 2003 through December 31, 2003

**Contract Amount:** \$13,900

This contract provided local government funds to Fortress Outreach to provide emergency shelter and outreach services for homeless women victimized by domestic violence.

**Purpose**

The purpose of this fiscal monitoring review was to determine Fortress Outreach's compliance with local Department of Human Services (DHS) requirements for the period January 1, 2003 through December 31, 2003 and make recommendations for improvements.

**Scope and Methodology**

We made inquiries regarding Fortress Outreach'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 substantially completed on July 21, 2004. Management's responses were received on August 18, 2004 and have been incorporated into this report.

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CONCLUSION AND SUMMARY OF OBSERVATIONS

Conclusion

Fortress Outreach did not fully comply with local DHS requirements.

Status of Prior Observations

The Agency's most recent fiscal monitoring report dated September 4, 2003 identified the following observations:

1. The Agency did not provide access to financial data. **(Resolved.)**
2. The Agency did not have sufficient fidelity bonding. **(Resolved.)**
3. The Agency did not submit its monthly financial reports in a timely manner. **(We did not review the timeliness of reports because the Domestic Violence program has no such requirement. However, we noted there has been no follow-up performed since our last visit.)**

A-133 Status

According to a letter received from Agency management, the Fortress Outreach was not required to obtain an A-133 audit for the period ending December 31, 2003 because it did not expend \$300,000 or more in Federal funds.

Summary of Current Observations

We made recommendations for the following observations, which if implemented, could assist Fortress Outreach in fully complying with local DHS requirements.

1. The Agency appears to have a going concern issue.
2. The Agency's time sheets were not signed by management.
3. The Agency did not have adequate separation of grant funds.

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DETAILED OBSERVATIONS, RECOMMENDATIONS  
AND MANAGEMENT'S RESPONSES

1. 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 December 31, 2003 showed a negative working capital of \$106,062.55. The Agency has a payroll tax liability in excess of \$93,000.00. The Agency may not be able to meet its current financial obligations, and continue operations.

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

*Response: The board of directors and the executive staff are aware of our current financial situation. We had a loss of state funding within a major state budget cut two years ago but did not reduce services or staff in response. We felt these services were vital to the population we serve and that we would be able to obtain new funding which did not happen as quickly as anticipated.*

*Our attorney is working with the IRS to resolve our tax liability and should be able to report the results by the end of October.*

*We have reviewed funding for each of our programs and reduced services and/or discontinued programs that were not funded at a level that made continuing the program possible. One such effort was the withdrawal of our 2005 SHP application because of the problems and financial concerns the program has created within our funding situation. ... We will operate our original unit of housing as transitional and the other units will become low-income permanent housing. We are reviewing our emergency shelter program with the city and the current funding level funded by the City of St Louis.*

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**Management's Response (Continued)**

*Finally, we have hired a development staff to assist the director in securing new funding sources and increasing our volunteer base.*

**2. The Agency's Time Sheets were not Signed by Management**

The Department of Human Services policy guidelines require the Agency to have strong internal controls regarding time reporting. Management should sign and approve all time sheets provided by each employee. The Agency did not have management signatures on any of the five (5) time sheets reviewed. Failure for management to sign time reports shows a poor approval process for employees hours worked. This could ultimately result in non-reimbursable payroll expenses or questioned costs.

**Recommendation**

We recommend management sign all employee time sheets submitted.

**Management's Response**

*Response: The time sheets faxed to [the auditor] were copies from a file of sheets kept at the shelter. Our notebook of time sheets was at the accountant's office and contains the signature of the director or shelter director for shelter staff. It is standard policy for staff and supervisors to sign time sheets.*

**Auditor's Response**

The Agency was given adequate notice of the monitoring visit including a written list of which documents we would be requesting. This is not the first time this Agency has been monitored by our office. We suggest, if these documents are required outside the Agency's premises, copies be made. Originals should remain on site for inspection.

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3. **The Agency did not have Adequate Separation of Grant Funds**

Local guidelines mirror those of a federal nature. Federal regulations, specifically, OMB Circular A-110 (.21[b (1, 2, & 6)]) states, "recipients must have records that identify adequately the source and application of funds." and "have written procedures for determining the reasonableness, allocability, and allowability of costs." Our inspection of the Agency's financial statements showed that there was not a clear separation of grant funds in the revenue and expense accounts. This could affect future funding requests from DHS.

**Recommendation**

We recommend the Agency adopt a new set of general ledger accounts which separates all revenue sources and expenses.

**Management's Response**

*Response: We engaged the services of [a] ... CPA who is experienced in working with nonprofits. It was vital that our 2002 and 2003 financials be completed as soon as possible for our attorney working with the IRS and funders. The CPA is going to work with us on a monthly [basis] in 2004 and will be able to enter items into our [accounting system], including the separation of grant funds.*