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OFFICE OF THE COMPTROLLER  
CITY OF ST. LOUIS



DARLENE GREEN  
Comptroller

*Internal Audit Section*

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St. Louis, Missouri 63101  
(314) 622-4723  
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September 17, 2004

Ms. Sandra Norman, Director  
Northside Community Center  
4120 Maffitt  
St. Louis, MO 63113

RE: Fiscal Monitoring Report of Northside Community Center (2005-SLA3)

Dear Ms. Norman:

Enclosed is a report of our fiscal monitoring review of Northside Community Center's contracts with the Department of Human Services (Contracts #45492 and #48794) for the period June 1, 2004 through July 31, 2004. 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 Northside Community Center. Our fieldwork was substantially completed on August 6, 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 to provide fiscal monitoring to all grant sub-recipients. 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  
William Siedhoff, Director, Department of Human Services  
Patrick Brennan, Accounting Manager, Department of Human Services

Enclosure



# CITY OF ST. LOUIS

*DEPARTMENT OF HUMAN SERVICES (DHS)  
ST. LOUIS AREA AGENCY ON AGING (SLAAA)*

*NORTHSIDE COMMUNITY CENTER  
DOCUMENTS #45492 AND #48794*

*FISCAL MONITORING REVIEW*

*JUNE 1, 2004 THROUGH JULY 31, 2004*

*PROJECT #2005-SLA3*

*DATE ISSUED: SEPTEMBER 17, 2004*

*Prepared by:  
The Internal Audit Section*



# OFFICE OF THE COMPTROLLER

*HONORABLE DARLENE GREEN, COMPTROLLER*

**CITY OF ST. LOUIS  
DEPARTMENT OF HUMAN SERVICES (DHS)  
ST. LOUIS AREA AGENCY ON AGING (SLAAA)  
NORTHSIDE COMMUNITY CENTER  
FISCAL MONITORING REVIEW  
JUNE 1, 2004 THROUGH JULY 31, 2004**

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**INTRODUCTION**

**Background**

**Contract Name:** Northside Community Center

**Contract Periods:** July 1, 2003 through June 30, 2004 and July 1, 2004 through June 30, 2005

**Contract Amounts:** \$170,745 and \$161,896

**Contract Numbers:** 45492 and 48794

The funds are used to provide services such as congregate, home delivered meals and transportation for elderly and disabled residents of the City of St. Louis, in accordance with Title III of the Older Americans Act.

**Purpose**

Our purpose was to determine Northside Community Center's compliance with federal, state and local Department of Human Service (DHS) requirements for the period June 1, 2004 through July 31, 2004 and make recommendations for improvements.

**Scope and Methodology**

We made inquiries regarding Northside Community Center's internal controls relating to the grant administered by St. Louis Area Agency on Aging (SLAAA), tested evidence supporting the reports the Agency submitted to SLAAA and performed other procedures considered necessary. Our fieldwork was substantially completed on August 6, 2004. Management's responses were received on September 15, 2004 and have been incorporated into this report.

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CONCLUSION AND SUMMARY OF OBSERVATIONS

Conclusion

Northside Community Center did not fully comply with federal, state and local Department of Human Services' requirements.

Status of Prior Observations

The prior fiscal monitoring review dated November 17, 2003, noted three observations:

1. Daily receipts were not properly verified. **Resolved.**
2. Units of service were not counted accurately. **Repeated. (See Current Observation #1).**
3. The Agency appeared to have a going concern issue. **Repeated. (See Current Observation #3).**

A-133 Status

We obtained a letter from the Director of the Agency, dated August 16, 2004, stating an A-133 Audit was not required because the Agency did not expend \$300,000 or more in federal funds for the year ended December 31, 2003.

Summary of Current Observations

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

1. Units of service were not recorded accurately.
2. Signatures were not always obtained for transportation units of service.
3. Program income was not accurately recorded and deposited.
4. The Agency appeared to have a going concern issue.

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**DETAILED OBSERVATIONS, RECOMMENDATIONS,**  
**AND MANagements RESPONSES**

**1. Units of Service were not Recorded Accurately**

The Department of Human Services policy guidelines require agencies to adequately document the delivery of units of service provided. We noted the Agency underreported Congregate Meals by 60 units, and over reported Home Delivered Meals and Transportation Services by 436 and 218 units, respectively, for the month of July 2004. The monthly reports need to be accurate to ensure the Agency is reimbursed the correct amount.

**Recommendation**

We recommend the Agency ensure units are accurately reported.

**Management's Response**

*There was some confusion regarding this because an error was made in the report to SLAAA. The transportation units were inadvertently reversed with the number of recreation units. The correct [number] for Transportation units is 210. When this error was discovered, SLAAA was immediately notified. We have subsequently met with [DHS representatives] and the report was revised to reflect the correct numbers.*

**2. Signatures Were Not Always Obtained for Transportation Units of Service**

The Department of Human Service guidelines require client signatures for each unit of service provided. Each one way trip is considered a unit of service. We noted 209 out of the 218 over-reported units for Transportation consisted of client signatures which appeared to be written by the same hand. This resulted in a questioned cost of \$1,409.10. The monthly reports need to be accurate to ensure the Agency is reimbursed the correct amount. This makes it difficult to verify the service units provided by the Agency.

**Recommendation**

We recommend the Agency submit a check for the questioned costs of \$1,409.10 or request future reimbursements be offset against this amount. If a check is furnished, it should be made payable to the Comptroller, City of St Louis and submitted to:

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**DETAILED OBSERVATIONS, RECOMMENDATIONS,  
AND MANagements RESPONSES**

2. **Continued...**

City of St Louis, Federal Grants Office  
1114 Market St., Suite 642  
St. Louis, MO 63101

We also recommend the Agency ensure future client signatures for each unit of service be obtained in compliance with Federal and state policies.

**Management's Response**

*We disagree with this observation. The transportation signatures were not written by one hand. The signatures in question were the signatures obtained from James House, one of our congregate dinning sites. The manager of this site thought she was helping us out by signing in each participant so that the signatures would be legible. There are many witnesses at James House who see the participants eating lunch every day. I would also be happy to obtain the original signatures from each participant. This was a one-time anomaly that was immediately corrected when discovered. All of our other service sheets have been signed by the participants receiving our services.*

**Auditor's Comments**

The Agency must obtain the client's signature at the time of service. Federal regulations require it. In addition, the State of Missouri, in recent audits, has disallowed reimbursements for units of service when this has not occurred. DHS has and will provide training regarding this requirement. We strongly encourage this requirement be emphasized with Agency staff and volunteers and reassert repayment or offset be undertaken.

3. **Program Income was not Accurately Recorded and Deposited**

The Department of Human Services policy guidelines require the Agency to deposit program income when it reaches \$100 or weekly, whichever comes first. The Agency has a waiver which allowed it to deposit program income within five

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**DETAILED OBSERVATIONS, RECOMMENDATIONS,  
AND MANAGERMENTS RESPONSES**

**3. Continued...**

(5) to seven (7) days after the income is generated. This would require the Agency to make at least four (4) deposits per month; however, the Agency made only three deposits of program income for June 2004. This could affect the Agency's Non-Federal Other Cash (NFOC) and ultimately can affect the matching requirement.

**Recommendation:**

We recommend the Agency deposit program income at least once a week, or when it reaches \$100 in accordance with DHS policy and its waiver.

**Management's Response**

*We concur with recommendations; steps are being implemented to ensure an accurate recording and depositing of program income.*

**4. The Agency Appeared to have a Going Concern Issue**

In order to continue to provide required services an agency should be financially vibrant and financial statements should indicate a financial wherewithal for its operations. We examined financial statements to determine if there were indicators contrary to the above. One indicator is working capital defined as current assets minus current liabilities. We reviewed the Agency's balance sheet as of July 2004 and determined a deficit in working capital of \$57,354.74. The negative working capital was due to projects not associated with the Senior Center. The agency has a \$57,000 line of credit with a local bank and \$16,000 in tenant security deposits, which are recorded as current liabilities. The agency may not be able to perform the services it has contracted with DHS and may not be able to attract new funding should these items require immediate resolution.

**Recommendation:**

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DETAILED OBSERVATIONS, RECOMMENDATIONS,  
AND MANagements RESPONSES

4. Continued...

We recommend the Agency discuss with DHS this going concern issue. In addition, the Agency should seek out other sources of funding and explore means to further enhance its financial position and overall operations.

Management's Response

*The line of credit of \$57,000.00 was the result of refinancing an existing mortgage on the agency's housing properties. The line of credit no longer exists as it was converted into the existing mortgage note. No transaction has taken place to re-allocate the line of credit from current to long-term liabilities before the balance sheet currently in the comptroller's possession.*

*Security deposits are current liabilities because tenants are on a year-to-year lease. Based on the agency's tenant history, 70% of them either violate or terminate their lease and forfeit their security deposit. Because of this, the agency's actual liabilities decreased and its ability to meet its obligations as they became due increased. Additionally, as tenants move out and are refunded their deposits, the agency immediately rents out the units and collects new security deposits. This leaves little or no impact on the agency's financial statement*