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OFFICE OF THE COMPTROLLER
CITY OF ST. LOUIS



DARLENE GREEN
Comptroller

Internal Audit Section

Carnahan Courthouse Building
1114 Market St., Room 642
St. Louis, Missouri 63101
(314) 622-4723
Fax: (314) 613-3004

DR. KENNETH M. STONE, CPA
Internal Audit Executive

March 5, 2009

LaTaunia D. Kenner-Wilder, Accounting Manager
Comptroller's Office-Federal Grants Section
1114 Market Street, Room 608
St. Louis, MO 63101

RE: Follow-Up Review - City of St. Louis OMB Circular A-133 Single Audit
Report for the Year ended June 30, 2007 (Project # 2009-F1)

Dear Ms. Kenner-Wilder:

A limited follow-up review of the report noted above has been conducted. This review was made under authorization contained in Article XV, Section 2 of the Charter, City of St. Louis, as revised, and conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing*.

A limited follow-up review does not necessarily involve detailed testing or verification. The review instead relies on communications with department management and staff, as well as limited observations.

The purpose of this follow-up review is to determine the status of the finding as of October 31, 2008. This finding is related to the *Basic Financial Statements Reported in Accordance with Government Auditing Standards* in section two (2) of the report.

It was determined that the status of the following finding is **partially resolved**:

2007-01 (Schedule of Expenditures of Federal Awards) -The Federal Grants Section (FGS) has established a permanent line of communication between various city departments in an effort to reconcile the Schedule of Expenditures of Federal Awards (SEFA) to the general ledger. FGS has agreed to meet with city departments on a semi-annual basis. In addition, FGS has implemented the following procedures:

- Confirming the Catalog of Federal Domestic Assistance (CFDA) numbers listed in the SEFA by reconciling CFDA numbers to the CFDA report issued by the U. S. Office of Management and Budget and to current contracts.
- Recording accruals based on a summary report generated by the Information Technology Services Agency. This report includes all invoices based on the prior fiscal year.
- Issuing letters to all city department managers to confirm receipt of non-cash expenditures.

2007 A-133 Follow-Up Review
March 5, 2009
Page Two

The first draft of the June 30, 2008 SEFA was completed on December 23, 2008, and according to FGS, supporting documentation is maintained for any reconciling items that existed between the Comprehensive Annual Financial Report. A copy of the draft was provided for review by the Internal Audit Section (IAS). IAS has scheduled a review of the SEFA control procedures for the current year.

If you have any questions, please contact Lolita Versey at (314)-613-7457.

Respectfully,

A handwritten signature in black ink that reads "Kenneth M. Stone". The signature is written in a cursive style with a large initial "K".

Dr. Kenneth M. Stone, CPA
Internal Audit Executive

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DR. KENNETH M. STONE, CPA
Internal Audit Executive

March 5, 2009

David Daniels, Director of Budget and Finance
Police Headquarters
1200 Clark Avenue, Room 604
St. Louis, MO 63103

RE: Follow-Up Review - City of St. Louis OMB Circular A-133 Single Audit
Report for the Year ended June 30, 2007 (Project # 2009-F1)

Dear Mr. Daniels:

A limited follow-up review of the report noted above has been conducted. This follow-up review was made under authorization contained in Article XV, Section 2 of the City of St. Louis Charter, as revised, and conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing*.

A limited follow-up review does not necessarily involve detailed testing or verification. The review instead relies on communications with department management and staff, as well as limited observations.

The purpose of this follow-up review is to determine the status of the findings as of October 31, 2008. These findings are related to funds received from federal awards listed in section three (3) of the report.

It was determined that the status of the following findings is **resolved**:

- **2007-33 (Allowable Costs/Cost Principles)** - New procedures requiring file reviews and the mailing of confirmations on certifications to the recipient agencies on record at start of fiscal year have been implemented. The Annual Written Certifications are documented in the addendum of the each application or contract. The Internal Audit Section (IAS) observed certifications on file for fiscal years 2008 and 2009.
- **2007-35 (Procurement Suspension and Debarment)** - The staff in the purchasing department performs a check on the Excluded Party List System (EPLS) to ensure contractors are not debarred or suspended. If a contractor is suspended, a printout is sent to the contractor and the contract is rejected. The department has also updated its purchasing policy and procedures to require that no contract shall be made with parties listed on the General Services Administration's List of Excluded Parties.

2007 A-133 Follow-Up Review

March 5, 2009

Page Two

- **2007-36 (Reporting)** – IAS reviewed the June 30, 2008 Federal Annual Certification Report and the supporting Asset Forfeiture Activity listing. All items were properly classified. In addition, the department has implemented new procedures requiring an evaluation of the entities to determine the relationship to the City and the Police department and ensure proper reporting.

It was determined that the status of the following finding is **not resolved**:

- **2007-34 (Equipment and Real Property Management)** - The department is in the process of identifying and correcting weaknesses in its accounting for capital assets and identifying percentages of federal participation in the cost of equipment purchases.

If you have any questions, please contact Lolita Versey at (314)-613-7457.

Respectfully,



Dr. Kenneth M. Stone, CPA

Internal Audit Executive

CC: LaTaunia D. Kenner-Wilder, Accounting Manager – Federal Grants Section

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Comptroller

DR. KENNETH M. STONE, CPA
Internal Audit Executive



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Camahan Courthouse Building
1114 Market St., Room 642
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(314) 622-4723
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March 5, 2009

Charlene Deeken, Deputy Director
Department of Public Safety
1200 Market Street - Room 401
St. Louis, MO 63103

RE: Follow-Up Review - City of St. Louis OMB Circular A-133 Single Audit
Report for the Year ended June 30, 2007 (Project # 2009-F1)

Dear Ms. Deeken:

A limited follow-up review of the report noted above has been conducted. This review was made under authorization contained in Article XV, Section 2 the City of St. Louis Charter, as revised, and conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing*.

A limited follow-up review does not necessarily involve detailed testing or verification. The review instead relies on communications with department management and staff, as well as limited observations.

The purpose of this follow-up review is to determine the status of the findings as of October 31, 2008. This findings are related to funds received from federal awards listed in section three (3) of the report.

It was determined that the status of the following finding is **resolved**:

2007-48 (Procurement, Suspension and Debarment) - On April 1, 2008, the Supply Commissioner issued a statement to all elected officials, directors and appoint authorities to address 2 Code of Federal Regulation (CFR) 180. The letter informed the various departments that the Office of the Supply Commissioner has agreed to verify that vendors have not been excluded or debarred.

The Supply Commissioner uses the Federal Excluded Party List (EPLS) system, which is a web based system that identifies those parties excluded from receiving federal contracts, certain subcontracts and certain types of federal assistance and benefits.

2007 A-133 Follow-Up Review

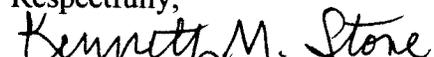
March 5, 2009

Page Two

The departments or agencies initiating a requisition or request for contract are notified of the specifics surrounding a debarred vendor. The Internal Audit Section (IAS) observed that verification of debarment checks was maintained on a *Routing Slip for Bid Award* form.

If you have any questions, please contact Lolita Versey at (314)-613-7457.

Respectfully,


Dr. Kenneth M. Stone, CPA
Internal Audit Executive

CC: LaTaulia D. Kenner-Wilder, Accounting Manager – Federal Grants Section

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DR. KENNETH M. STONE, CPA
Internal Audit Executive

March 5, 2009

Jill Claybour, Acting Executive Director
Community Development Administration (CDA)
1015 Locust, Suite 1200
St. Louis, MO 63101

RE: Follow-Up Review - City of St. Louis OMB Circular A-133 Single Audit
Report for the Year ended June 30, 2007 (Project # 2009-F1)

Dear Ms. Claybour:

A limited follow-up review of the report noted above has been conducted. This follow-up review was made under authorization contained in Article XV, Section 2 of the Charter, City of St. Louis, as revised, and conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing*.

A limited follow-up review does not necessarily involve detailed testing or verification. The review instead relies on communications with department management and staff, as well as limited observations.

The purpose of this follow-up review is to determine the status of the findings as of October 31, 2008. These findings are related to funds received from federal awards listed in section three (3) of the report.

It was determined that the status of the following findings is **resolved**:

- **2007-17 (Allowable Cost Principles)** - There is only one legal services employee whose salary is 100% grant funded. The required A-87 forms were on file. For the remaining legal service employees, bi-weekly record time sheets were revised to show hours worked on Community Development Block Grants (CDBG) programs and hours allocated to other activities.
- **2007-18 & 2007-27 (Cash Management)** - The items not drawn down at the time of KPMG's fieldwork have now been drawn down, and all draw downs are current. The Federal Grants Section (FGS) provides CDA with a spreadsheet of items paid each time there is a draw down and a print out (Grant Details) from the Integrated Disbursement and Information System (IDIS) of total drawn and draw downs pending.

- **2007-19 (Davis Bacon Act)** - The one subcontractor noted by KPMG provided copies of certified payroll to CDA and for IAS' review. CDA contends that the contractor was not required to submit certified payrolls because the contractor was the owner/employee of the company. However, CDA has revised its procedures so that subrecipient's payroll documents first go through the CDA Davis-Bacon compliance monitor before they are forwarded to CDA's fiscal section for processing reimbursement.
- **2007-20, 2007-28 & 2007-31 (Procurement Suspension and Debarment)** - The CDA Special Assistant for Development noted that KPMG's finding related to operating agencies, not subcontractors. CDA provided the Internal Audit Section (IAS) with samples of the Excluded Party List System (EPLS) printouts for operating agencies which were not on the suspended or debarred list. The EPLS printouts are now maintained in each contract file.
- **2007-21 (Reporting)** - The IDIS Financial Summary report must be printed by December 31 of each year. Procedures for completing the CDBG Financial Summary in IDIS were revised and the preparer was instructed to take the Part II, Line 16 unexpended balance of the prior year and make it the amount for Line 1 of the following year.
- **2007-30 (Special Test and Provisions-Housing Quality Standards)** - The construction secretary uses an index card filing system to notify property owners that an inspection is due. The date the property was last inspected is noted on the index card. Two to three weeks before the current inspection is due, a letter is mailed to the property owner scheduling the inspection. The dates for inspection on the index cards are compared to the spreadsheet of required inspections date, and date of actual inspection to ensure inspections are timely.

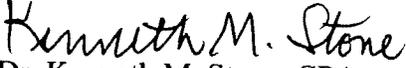
It was determined that the status of the following finding is **partially resolved**:

- **2007-22, 2007-29 & 2007-32 (Subrecipient Monitoring)** - CDA has agreements on file with IAS to perform fiscal monitoring for January through December of 2007 and 2008. A risk assessment was performed July 1, 2008 for fiscal year 2009. In addition:
 - IAS observed the corrected CFDA number on the report for Section 108.
 - The Grants Risk Analysis Worksheet documented how the risk assessment was calculated for each CDA subrecipient. However, the risk assessment does not address programmatic risks relative to compliance requirements having a direct and material effect on the programs, as well as risks unique to individual subrecipients.

2007 A-133 Follow-Up Review
March 5, 2009
Page Three

If you have any questions, please contact Lolita Versey at (314)-613-7457.

Respectfully,


Dr. Kenneth M. Stone, CPA
Internal Audit Executive

CC: LaTania D. Kenner-Wilder, Accounting Manager – Federal Grants Section

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DR. KENNETH M. STONE, CPA
Internal Audit Executive

March 5, 2009

Michael K. Holmes, Executive Director
St. Louis Area Training & Employment (SLATE)
1017 Olive Street, 1st Floor
St. Louis, MO 63101

RE: Follow-Up Review - City of St. Louis OMB Circular A-133 Single Audit
Report for the Year ended June 30, 2007 (Project # 2009-F1)

Dear Mr. Holmes:

A limited follow-up review of the report noted above has been conducted. This follow-up review was made under authorization contained in Article XV, Section 2 of the City of St. Louis Charter, as revised, and conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing*.

A limited follow-up review does not necessarily involve detailed testing or verification. The review instead relies on communications with department management and staff, as well as limited observations.

The purpose of this follow-up review was to determine the status of the findings as of October 31, 2008. These findings are related to funds received from federal awards listed in section three (3) of the report.

It was determined that the status of the following finding is **resolved**:

- **2007-37 & 2007-40 (Cash Management)** – SLATE has excess cash on hand at various times of the year due to timing issues. This occurs when the state re-allocates pools of money after accruals are paid.

However, SLATE has implemented procedures to reduce excess cash by requiring weekly draw downs which are reconciled to reimbursement requests and monthly to funds received from the Division of Workforce Development as recommended.

2007 A-133 Follow-Up Review
March 5, 2009
Page Two

It was determined that the status of the following findings is **partially resolved**:

- **2007-38 & 2007-41 (Reporting)** - The Federal Grants Section (FGS) has agreed to meet with SLATE on a semi-annual basis to reconcile grants for these programs to the Schedule of Expenditures of Federal Award (SEFA). The first meeting for the fiscal year 2009 was scheduled for January 2009.
- The first draft of the June 30, 2008 SEFA was completed on December 23, 2008, and according to FGS, supporting documentation is maintained for any reconciling items that exist between the Contract Progress Report (CPR), general ledger and the SEFA. A copy of the draft was provided for review by the Internal Audit Section (IAS). IAS has scheduled a review of the SEFA control procedures for the current fiscal year.
- **2007-39 & 2007-42 (Subrecipient Monitoring)** - The agreement between SLATE and the (IAS) to perform fiscal monitoring is in the process of being updated to include budget amounts for staff salary, and training.

A risk assessment was performed for FY 2009 SLATE subrecipients in September 2008. However, the risk assessment does not address programmatic risks relative to compliance requirements having a direct and material effect on the Workforce Investment Act program, as well as risks unique to individual subrecipients.

If you have any questions, please contact Lolita Versey at (314)-613-7457.

Respectfully,



Dr. Kenneth M. Stone, CPA
Internal Audit Executive

CC: LaTaunia D. Kenner-Wilder, Accounting Manager - Federal Grants Section

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DR. KENNETH M. STONE, CPA
Internal Audit Executive

March 5, 2009

Melba Moore, Commissioner of Health
Department of Health (DOH)
634 N. Grand 9th Floor
St. Louis, MO 63103

RE: Follow-Up Review - City of St. Louis OMB Circular A-133 Single Audit
Report for the Year ended June 30, 2007 (Project # 2009-F1)

Dear Ms. Moore:

A limited follow-up review on the report noted above has been conducted. This follow-up review was made under authorization contained in Article XV, Section 2 of the City of St. Louis Charter, as revised, and conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing*.

A limited follow-up review does not necessarily involve detailed testing or verification. The review instead relies on communications with department management and staff, as well as limited observations.

The purpose of this follow-up review is to determine the status of the findings as of October 31, 2008. These findings are related to funds received from federal awards listed in section three (3) of the report.

It was determined that the status of the following finding is **resolved**:

- **2007-43 (Allowable Costs/Cost Principles)** – The Department of Health (DOH) has established an effective system of internal controls to ensure compliance for time and effort certifications required by OMB Circular 87.

The Internal Audit Section (IAS) reviewed a sample of A-87s on file for employees whose salaries were 100% grant funded, and noted that the A-87 were properly completed. There were also time reports on file for each pay period documenting how time was allocated among different programs as required.

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March 5, 2009
Page Two

- **2007-44 (Cash Management)** - DOH stated that in December 2007 it began coordinating reconciliations efforts, on a monthly basis, with the Federal Grants Section (FGS) for all grants to ensure that the draw downs are consistent with the city general ledger. IAS observed a reconciliation of FGS' August 19, 2008 draw down to DOH's ledger and expenses paid for the period of April thorough June 2008.
- **2007-45 (Matching, Level of Effort, and Earmarking)** - DOH has revised the maintenance of effort calculation for indirect costs to match the grant year March 1, 2006 through February 28, 2007. In addition:
 - An adjustment was made to adequately reflect the percentage of salaries of the three management employees' time and effort worked on the program.
 - Beginning with the Health Resources and Services Administration's fiscal year, March 1, 2008 through February 28, 2009, DOH has implemented an effective system of internal controls to ensure compliance as it related to monitoring the administrative costs incurred by subcontractors.

It was determined that the status of the following finding is **partially resolved**:

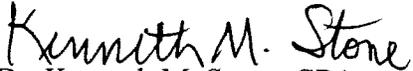
- **2007-47 (Subrecipient Monitoring)** – The IAS over-hauled the subrecipient monitoring process during FY 2007. IAS now performs a risk based assessment of all subrecipients and the assessment is documented. However, the risk assessment does not address programmatic risks relative to the compliance requirements having a direct and material effect on the HIV program.

It was determined that the status of the following finding is **not resolved**:

- **2007-46 (Reporting)** - FGS assumed responsibility for quarterly Federal Cash Transaction Reports for the Human Immunodeficiency Virus (HIV) grant. DOH has agreed to coordinate reconciliation efforts with FGS, on a monthly basis, for all grants to ensure that the quarterly reports are consistent with the city general ledger. However, IAS saw no evidence that the June 2008 Federal Cash Transaction Report was reconciled to the DOH's ledgers.

If you have any questions, please contact Lolita Versey at (314)-613-7457.

Respectfully,


Dr. Kenneth M. Stone, CPA
Internal Audit Executive

CC: LaTaunia D. Kenner-Wilder, Accounting Manager – Federal Grants Section

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(314) 622-4723
Fax: (314) 613-3004

DR. KENNETH M. STONE, CPA
Internal Audit Executive
March 9, 2009

William Seidhoff, Director
Department of Human Services (DHS)
634 N. Grand, Room 720
St. Louis, MO 63103-1002

RE: Follow-Up Review - City of St. Louis OMB Circular A-133 Single Audit
Report for the Year ended June 30, 2007 (Project # 2009-F1)

Dear Mr. Seidhoff:

A limited follow-up review of the report noted above has been conducted. This follow-up review was made under authorization contained in Article XV, Section 2 of the City of St. Louis Charter, as revised, and conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing*.

A limited follow-up review does not necessarily involve detailed testing or verification. The review instead relies on communications with department management and staff, as well as limited observations.

The purpose of this follow-up review is to determine the status of the findings as of October 31, 2008. These findings are related to funds received from federal awards listed in section three (3) of the report.

It was determined that the status of the following finding is **partially resolved**:

- **2007-26 (Subrecipient Monitoring)** – The Internal Audit Section (IAS) has performed risk assessment of all DHS subrecipients for FY 08 and FY 09. The risk assessment calculations were explained and documented on a Grants Risk Analysis Worksheet in August 2007 and August 2008. However, the risk assessment does not address programmatic risks relative to compliance requirements having a direct and material effect on the program, as well as risks unique to individual subrecipients.

2007 A-133 Follow-Up Review
March 5, 2009
Page Two

It was determined that the status of the following findings is **not resolved**:

- **2007-23 (Cash Management)** – The Federal Grants Section (FGS) has filled the staff vacancies, implemented control procedures to ensure allowable expenditures are being drawn down and reduced the back log of draw downs. However, improvements are needed to reduce \$1,510,088.66 not drawn as of September 30, 2008 under the Supportive Housing Program.
- **2007-24 (Procurement Suspension and Debarment)** - The Homeless Services Program Manager is in the process of developing procurement, suspension and debarment procedures using the Excluded Party List System, and is working with DHS Fiscal Section to have procedures implemented soon.
- **2007-25 (Reporting)** – DHS and FGS has implemented an agreement and internal procedures for processing the Annual Progress Reports (APRs). The agreement includes timelines for reporting the APRs for each agency and the U.S. Department of Housing and Urban Development (HUD). An APR schedule and APR tracking sheets were developed to ensure the 24 CFR, Section 583 deadlines are met for the Supportive Housing Program contracts. However, the system is not operating effectively. The review of the September 2008 APR schedule revealed that:
 - Five (5) of the eighteen (18) APRs on the schedule were not sent to HUD within the required period of 90 days of contract end.
 - Eleven (11) APRs were not submitted to FGS timely. The average number of days late was (27).
 - The APR schedule was incomplete.
 - The dates in which APRs were sent to FGS for review and distribution were missing for six (6) contracts. FGS submitted one to HUD. Documentation for the remaining five (5) was not maintained in FGS.
 - The dates for which five (5) APR were submitted to FGS did not agree to the tracking sheets.

If you have any questions, please contact Lolita Versey at (314)-613-7457.

Respectfully,

Kenneth M. Stone

Dr. Kenneth M. Stone, CPA
Internal Audit Executive

CC: LaTania D. Kenner-Wilder, Accounting Manager - Federal Grants Section

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DR. KENNETH M. STONE, CPA
Internal Audit Executive

March 10, 2009

LaTaunia D. Kenner-Wilder, Account Manager
Comptroller's Office – Federal Grants Section
1114 Market Street, Room 608
St. Louis, MO 63101

RE: Follow-Up Review - City of St. Louis OMB Circular A-133 Single Audit
Report for the Year ended June 30, 2007 (Project # 2009-F1)

Dear Ms. Kenner-Wilder:

A limited follow-up review of the report noted above has been conducted. This follow-up review was made under authorization contained in Article XV, Section 2 of the City of St. Louis Charter, as revised, and conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing*.

A limited follow-up review does not necessarily involve detailed testing or verification. The review instead relies on communications with department management and staff, as well as limited observations.

The purpose of this follow-up review was to determine the status of the findings as of October 31, 2008. These findings represent those reported in section two (2) of the report (*Basic Financial Statements Reported in Accordance with Government Audit Standards*) and section (3) of the report (*Findings and Questioned Costs relating to Federal Awards*).

It was determined that the status of the following finding is **resolved**:

2007-17 (Allowable Cost Principles) - There was only one legal services employee whose salary was 100% grant funded. The required A-87 forms were on file. For the remaining legal services employees, bi-weekly record time sheets were revised to show hours worked on Community Development Block Grants (CDBG) programs and hours allocated to other activities.

2007-18 & 2007-27 (Cash Management) - The items not drawn down at the time of KPMG's fieldwork have now been drawn down, and all draw downs are current. The Federal Grants Section (FGS) provides the Community Development (CDA) with a spreadsheet of items paid each time there is a draw down. A print out (Grant Details) from the Integrated Disbursement and Information System (IDIS) of the total drawn and draw downs pending.

2007-19 (Davis Bacon Act) - The one subcontractor noted by KPMG provided copies of the certified payroll to CDA and for Internal Audit Section's (IAS') review. CDA contends that the contractor was not required to submit certified payrolls because the contractor was the owner/employee of the company. However, CDA has revised its procedures so that subrecipient's payroll documents first go through the CDA Davis-Bacon compliance monitor before they are forwarded to the fiscal section for processing reimbursement.

2007-20, 2007-28 & 2007-31 (Procurement Suspension and Debarment) - The CDA Special Assistant for Development noted that KPMG's finding related to operating agencies, not subcontractors. CDA provided IAS with samples of the EPLS printouts for operating agencies which were not on the suspended or debarred list. The EPLS printouts are now maintained in each contract file.

2007-21 (Reporting) - The IDIS Financial Summary report must be printed by December 31 of each year. Procedures for completing the CDBG Financial Summary in IDIS were revised and the preparer was instructed to take the Part II, Line 16 unexpended balance of the prior year and make it the amount for Line 1 of the following year.

2007-30 (Special Test and Provisions-Housing Quality Standards) - The construction secretary uses an index card filing system to notify property owners that an inspection is due. The date the property was last inspected is noted on the index card. Two to three weeks before the current inspection is due, a letter is mailed to the property owner scheduling the inspection. The dates for inspection on the index cards are compared to the spreadsheet of required inspections date, and date of actual inspection to ensure inspections are timely.

2007-33 (Allowable Costs/Cost Principles) - New procedures requiring file reviews and the mailing of confirmations on certifications to the recipient agencies on record at start of fiscal year have been implemented. The Annual Written Certifications are documented in the addendum of the each application or contract. IAS observed certifications on file for fiscal years 2008 and 2009.

2007-35 (Procurement Suspension and Debarment) - The staff in the purchasing department performs a check on the Excluded Party List System (EPLS) to ensure contractors are not debarred or suspended. If a contractor is suspended, a printout is sent to the contractor and the contract is rejected. The department has also updated its purchasing policy and procedures to require that no contract shall be made with parties listed on the General Services Administration's List of Excluded Parties.

2007-36 (Reporting) - IAS reviewed the June 30, 2008 Federal Annual Certification Report and the supporting Asset Forfeiture Activity listing. All items were properly classified. In addition, the department has implemented new procedures requiring an evaluation of the entities to determine the relationship to the City and the Police department to ensure proper reporting.

2007-37 & 2007-40 (Cash Management) - SLATE has excess cash on hand at various times of the year due to timing issues. This occurs when the state re-allocates pools of money after accruals are paid.

However, SLATE has implemented procedures to reduce excess cash by requiring weekly draw downs which are reconciled to reimbursement requests and monthly to funds received from the Division of Workforce Development as recommended.

2007-43 (Allowable Costs/Cost Principles) - The Department of Health (DOH) has established an effective system of internal controls to ensure compliance for time and effort certifications required by OMB Circular 87.

The Internal Audit Section (IAS) reviewed a sample of A-87s on file for employees whose salaries were 100% grant funded, and noted that the A-87s were properly completed. There were also time reports on file for each pay period documenting how time was allocated among different programs as required.

2007-44 (Cash Management) - DOH stated that in December 2007 it began coordinating reconciliations efforts, on a monthly basis, with FGS for all grants to ensure that the draw downs are consistent with the city general ledger. IAS observed a reconciliation of FGS' August 19, 2008 draw down to DOH's ledger and expenses paid for the period of April through June 2008.

2007-45 (Matching, Level of Effort, and Earmarking) - DOH has revised the maintenance of effort calculation for indirect costs to match the grant year March 1, 2006 through February 28, 2007. In addition:

- An adjustment was made to adequately reflect the percentage of salaries of the three management employees' time and effort worked on the program.
- Beginning with the Health Resources and Services Administration's fiscal year, March 1, 2008 through February 28, 2009, DOH has implemented an effective system of internal controls to ensure compliance as it related to monitoring the administrative costs incurred by subcontractors.

2007-48 (Procurement, Suspension and Debarment) - On April 1, 2008, the Supply Commissioner issued a statement to all elected officials, directors and appoint authorities to address 2 Code of Federal Regulation (CFR) 180. The letter informed the various departments that the Office of the Supply Commissioner has agreed to verify that vendors have not been excluded or debarred.

The Supply Commissioner uses EPLS, which is a web based system that identifies those parties excluded from receiving federal contracts, certain subcontracts and certain types of federal assistance and benefits.

The departments or agencies initiating a requisition or request for contract are notified of the specifics surrounding a debarred vendor. IAS observed that verification of debarment checks was maintained on a *Routing Slip for Bid Award* form.

It was determined that the status of the following findings is **partially resolved**:

2007-01 (Schedule of Expenditures of Federal Awards) - FGS has established a permanent line of communication between various city departments in an effort to reconcile the Schedule of Expenditures of Federal Awards (SEFA) to the general ledger. FGS has agreed to meet with city departments on a semi-annual basis. In addition, FGS has implemented the following procedures:

- Confirming the Catalog of Federal Domestic Assistance (CFDA) numbers listed in the SEFA by reconciling CFDA numbers to the CFDA report issued by the U. S. Office of Management and Budget and to current contracts.
- Recording accruals based on a summary report generated by the Information Technology Services Agency. This report includes all invoices based on the prior fiscal year.
- Issuing letters to all city department managers to confirm receipt of non-cash expenditures.

The first draft of the June 30, 2008 SEFA was completed on December 23, 2008, and according to FGS, supporting documentation is maintained for any reconciling items that existed between the Comprehensive Annual Financial Report. A copy of the draft was provided for review by IAS. IAS has scheduled a review of the SEFA control procedures for the current year.

2007-22, 2007-29 & 2007-32 (Subrecipient Monitoring) - CDA has agreements on file with IAS to perform fiscal monitoring for January through December of 2007 and 2008. A risk assessment was performed July 1, 2008 for fiscal year 2009. In addition:

- IAS observed the corrected CFDA number on the report for Section 108.

- The Grants Risk Analysis Worksheet documented how the risk assessment was calculated for each CDA subrecipient. However, the risk assessment does not address programmatic risks relative to compliance requirements having a direct and material effect on the programs, as well as risks unique to individual subrecipients.

2007-26 (Subrecipient Monitoring) - IAS has performed risk assessment of all Department of Human Services' (DHS') subrecipients for FY 08 and FY 09. The risk assessment calculations were explained and documented on a Grants Risk Analysis Worksheet in August 2007 and August 2008. However, the risk assessment does not address programmatic risks relative to compliance requirements having a direct and material effect on the program, as well as risks unique to individual subrecipients.

2007-38 & 2007-41 (Reporting) - FGS has agreed to meet with SLATE on a semi-annual basis to reconcile grants for these programs to the SEFA. The first meeting for the fiscal year 2009 was scheduled for January 2009.

The first draft of the June 30, 2008 SEFA was completed on December 23, 2008, and according to FGS, supporting documentation is maintained for any reconciling items that exist between the Contract Progress Report (CPR), general ledger and the SEFA. A copy of the draft was provided for review by IAS. IAS has scheduled a review of the SEFA control procedures for the current fiscal year.

2007-39 & 2007-42 (Subrecipient Monitoring) - The agreement between SLATE and IAS to perform fiscal monitoring is in the process of being updated to include budget amounts for staff salaries, and training.

A risk assessment was performed for FY 2009 SLATE subrecipients in September 2008. However, the risk assessment does not address programmatic risks relative to compliance requirements having a direct and material effect on the Workforce Investment Act program, as well as risks unique to individual subrecipients.

2007-47 (Subrecipient Monitoring) -The IAS over-hauled the subrecipient monitoring process during FY 2007. IAS now performs a risk based assessment of all subrecipients and the assessment is documented. However, the risk assessment does not address programmatic risks relative to the compliance requirements having a direct and material effect on the HIV program.

It was determined that the status of the following findings is **not resolved**:

2007-23 (Cash Management) -FGS has filled the staff vacancies, implemented control procedures to ensure allowable expenditures are being drawn down and reduced the back log of draw downs. However, improvements are needed to reduce \$1,510,088.66 not drawn as of September 30, 2008 under the Supportive Housing Program.

2007-24 (Procurement Suspension and Debarment) - The Homeless Services Program Manager is in the process of developing procurement, suspension and debarment procedures using the EPLS, and is working with DHS' fiscal section to have procedures implemented soon.

2007-25 (Reporting) - DHS and FGS has implemented an agreement and internal procedures for processing the Annual Progress Reports (APRs). The agreement includes timelines for reporting the APRs for each agency and the U.S. Department of Housing and Urban Development (HUD). An APR schedule and APR tracking sheets were developed to ensure the 24 CFR, Section 583 deadlines are met for the Supportive Housing Program contracts. However, the system is not operating effectively. The review of the September 2008 APR schedule revealed that:

- Five (5) of the eighteen (18) APRs on the schedule were not sent to HUD within the required period of 90 days of contract end.
- Eleven (11) APRs were not submitted to FGS timely. The average number of days late was (27).
- The APR schedule was incomplete.
 - The dates in which APRs were sent to FGS for review and distribution were missing for six (6) contracts. FGS submitted one to HUD. Documentation for the remaining five (5) was not maintained in FGS.
 - The dates for which five (5) APR were submitted to FGS did not agree to the tracking sheets.

2007-34 (Equipment and Real Property Management) - The department is in the process of identifying and correcting weaknesses in its accounting for capital assets and identifying percentages of federal participation in the cost of equipment purchases.

2007-46 (Reporting) - FGS assumed responsibility for quarterly Federal Cash Transaction Reports for the HIV grant. DOH has agreed to coordinate reconciliation efforts with FGS, on a monthly basis, for all grants to ensure that the quarterly reports are consistent with the city general ledger. However, IAS saw no evidence that the June 2008 Federal Cash Transaction Report was reconciled to the DOH's ledgers.

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If you have any questions, please contact the Internal Audit Section at (314) 622-4723.

Respectfully,

A handwritten signature in black ink that reads "Kenneth M. Stone". The signature is written in a cursive style with a large, stylized "K" and "S".

Dr. Kenneth M. Stone, CPA
Internal Audit Executive