



OFFICE OF THE COMPTROLLER
CITY OF ST. LOUIS



FILE COPY

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DR. KENNETH M. STONE, CPA
Internal Audit Executive

November 5, 2009

Tom Wickenhauser, Executive Director
Harris House Foundation
8327 South Broadway
St. Louis, MO 63111

RE: Harris House Foundation (Project #2009-AHC05)

Dear Mr. Wickenhauser:

Enclosed is a report of our fiscal monitoring review of Harris House Foundation, a not-for-profit organization for the period April 1, 2008 through March 31, 2009. The scope of a fiscal monitoring review is less than an audit, and as such, we do not express an opinion on the financial operations of Harris House Foundation. Fieldwork was completed on May 19, 2009.

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 Affordable Housing Commission (AHC) to provide fiscal monitoring to grant sub-recipients.

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

Sincerely,

Dr. Kenneth M. Stone, CPA
Internal Audit Executive

Enclosure

cc: Angela Conely, Executive Director, AHC



CITY OF ST. LOUIS

AFFORDABLE HOUSING COMMISSION (AHC)

**HARRIS HOUSE FOUNDATION
CONTRACT #59-08G**

**FISCAL MONITORING REVIEW
APRIL 1, 2008 THROUGH MARCH 31, 2009**

PROJECT #2009-AHC05

DATE ISSUED: NOVEMBER 5, 2009

**Prepared by:
The Internal Audit Section**



OFFICE OF THE COMPTROLLER

HONORABLE DARLENE GREEN, COMPTROLLER

**CITY OF ST. LOUIS
AFFORDABLE HOUSING COMMISSION (AHC)
HARRIS HOUSE FOUNDATION
FISCAL MONITORING REVIEW
APRIL 1, 2008 THROUGH MARCH 31, 2009**

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INTRODUCTION

Background

Contract Name: Harris House Foundation

Contract Numbers: 59-08G

Contract Periods: April 1, 2008 through March 31, 2009

Contract Amounts: \$32,000

The contract provided funds from the Affordable Housing Commission (AHC) to the Harris House Foundation (Agency) to provide housing, structure, guidance and education to alcoholic and chemically dependent individuals 21 years or older.

Purpose

The purpose of the review was to determine the Agency's compliance with federal, state and local AHC requirements for the period April 1, 2008 through March 31, 2009 and make recommendations for improvements as considered necessary.

Scope and Methodology

Inquiries were made regarding the Agency's internal controls relating to the contract administered by AHC. Evidence was tested supporting the reports the Agency submitted to AHC and other procedures were performed as considered necessary. Fieldwork was completed on May 19, 2009.

Exit Conference

The Agency was offered the opportunity for an exit conference on October 29, 2009, but the Agency declined.

Management Responses

The management's responses to the observations and recommendations identified in the draft report were received from the Agency on November 4, 2009. These responses have been incorporated into this report.

SUMMARY OF OBSERVATIONS

Conclusion

The Agency did not fully comply with federal, state and local AHC requirements.

Status of Prior Observations

There were no previous audits performed on the Agency.

Summary of Current Observations

Recommendations were made for the following observations, which if implemented, could assist the Agency in fully complying with federal, state and local AHC requirements.

1. Opportunity to maintain and safeguard records
2. Opportunity to develop written policies and procedures

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

1. Opportunity To Maintain And Safeguard Records

Due to employee turnover, the Agency could not locate the files for the months of April, May, June and August of 2008 to support eligibility and clients served.

Section 11 of the contract requires the Agency to maintain supporting documentation for at least three years from the date of final payment under the contract. As a result, the Agency was not in compliance with the terms of the contract.

As noted in observation #2, the Agency did not have adequate control procedures in place to ensure records were maintained in accordance with the contract provisions and properly safeguarded. When records are not properly maintained, the Agency cannot provide supporting documentation for program functions performed.

Recommendation

It is recommended that the Agency:

- Maintain proper documentation in accordance with the terms of the contract
- Establish and communicate control procedures to all employees regarding the safekeeping of records which includes limited access and other security controls

Management's Responses

Harris House has developed the following control procedures to ensure the safeguarding of records:

The files are now kept alphabetically by vendor name and forward filed by date. Files are kept under lock and key in the Business Administrator's office by a regular door lock and also a deadbolt. The file cabinet is fireproof and has a master pad lock. The Executive Director has a key to access these files, as well as, the Business Administrator and Administrative Assistant. The Administrative Assistant has been cross-trained to file and recover bills, as well as accounting records.

In addition, the Treasurer on the Board of Directors has full access to all files and accounting records. Our current board treasurer is a CPA. There is an increased standard for Board Oversight and involvement in everyday Harris House accounting functions. There are also two other members (CPAs) on this board that make up an advisory team for accounting procedures improvements and revisions. These pre-

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

1. Continued...

mentioned actions have increased the security of important records and documents and increased the transparency of the Business Office.

2. Opportunity To Develop Written Policies And Procedures

The Agency uses the Quick Book system in accounting for its financial records, however it does not have written policies and procedures addressing the accounting and procurement processes.

Written policies and procedures assist in ensuring that control procedures and job junctions are:

- Effectively communicated and understood by all staff
- Approved by management
- Consistently performed
- In accordance with management's goals and objectives

In addition, written polices and procedures are essential in communicating the Agency's internal controls regarding procurement, financial reporting, access to records, cross-training, and compliance with contractual and other legal obligations. Written policies and procedures also provide a basis for the development of performance standards and measures.

The lack of written policies and procedures increases the risk that control procedures may not be performed or may be over-ridden. Also employees will not be properly trained, and appropriate performance standards and measures may not be implemented when written procedures are not developed.

Recommendation

IAS recommends that the Agency develop internal written policies and procedures for all significant function performed. The policies and procedures should be:

- Approved by management and dated
- Formally communicated to the staff, and the communication documented
- Reviewed and updated periodically

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

2. Continued...

Management's Responses

The Executive Director, Business Administrator and Board Treasurer are currently working on a written policy and procedure manual for the accounting and procurement process. The target date is 12/31/09. Harris House will furnish the Affordable Housing Commission with the final product.

There have been many positive changes and improvements. Recommendations from our 2008 audit (and other audits by miscellaneous grantors) have been addressed and rectified.