



OFFICE OF THE COMPTROLLER
CITY OF ST. LOUIS



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DARLENE GREEN
Comptroller

Internal Audit Section

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DR. KENNETH M. STONE, CPA
Internal Audit Executive

September 30, 2009

Laura McCallister, President and Chief Executive Officer
Community Alternatives, Inc.
3738 Chouteau
St. Louis, MO 63110

RE: Supportive Housing Program (SHP) and Federal Emergency Shelter Grant (FESG)
(Project #2009-HOM3)

Dear Ms. McCallister:

Enclosed is a report of our fiscal monitoring review of Community Alternatives, Inc., a not-for-profit organization, SHP and FESG, for the period November 1, 2007 through September 30, 2008. 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 Community Alternatives, Inc. Fieldwork was completed on December 5, 2008.

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 City of St. Louis Department of Human Services (DHS) to provide fiscal monitoring to all grant sub-recipients.

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

Sincerely,

Dr. Kenneth M. Stone, CPA
Internal Audit Executive

Enclosure

cc: Patrick Brennan, Fiscal Manager, DHS
Antoinette Triplett, Manager II – Homeless Services, DHS



CITY OF ST. LOUIS CITY OF ST. LOUIS

**DEPARTMENT OF HUMAN SERVICES (DHS)
SUPPORTIVE HOUSING PROGRAM (SHP)
FEDERAL EMERGENCY SHELTER GRANT (FESG)**

**COMMUNITY ALTERNATIVES, INC.
DOCUMENT #57366 AND #53198
CFDA #14.231 AND #14.235**

FISCAL MONITORING REVIEW

NOVEMBER 1, 2007 THROUGH SEPTEMBER 30, 2008

PROJECT #2009-HOM3

DATE ISSUED: SEPTEMBER 30, 2009

**Prepared by:
The Internal Audit Section**



OFFICE OF THE COMPTROLLER OFFICE OF THE COMPTROLLER

HONORABLE DARLENE GREEN, COMPTROLLER

**CITY OF ST. LOUIS
DEPARTMENT OF HUMAN SERVICES (DHS)
SUPPORTIVE HOUSING PROGRAM (SHP)
FEDERAL EMERGENCY SHELTER GRANT (FESG)
COMMUNITY ALTERNATIVES, INC.
FISCAL MONITORING REVIEW
NOVEMBER 1, 2007 THROUGH SEPTEMBER 30, 2008**

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INTRODUCTION

Background

Contract Name: Community Alternatives, Inc.

Document Numbers: 57366 and 53198

CFDA Numbers: 14.235 (#57366)
14.231 (#53198)

Contract Periods: November 1, 2007 through October 31, 2010 (#57366)
January 1, 2008 through December 31, 2008 (#53198)

Contract Amounts: \$618,923 (#57366)
\$25,740 (#53198)

The contract provided Supportive Housing Program (SHP) and Federal Emergency Shelter Grant (FESG) funds from the Department of Human Services (DHS) to the Community Alternatives, Inc. (Agency) to provide supportive services to families who are at risk of becoming homeless.

Purpose

The purpose of the review was to determine the Agency's compliance with federal, state and local DHS requirements for the period November 1, 2007 through September 30, 2008, and make recommendations for improvements as considered necessary.

Scope and Methodology

Inquiries were made regarding Agency's internal controls relating to the grant administered by DHS. Evidence was tested supporting the reports the Agency submitted to DHS and other procedures were performed as considered necessary. Fieldwork was completed on December 5, 2008.

Exit Conference

The Agency declined a formal exit conference.

Management's Responses

The management's responses to the observations and recommendations identified in the draft report were received from the Agency on Friday, September 25, 2009. These responses have been incorporated into this report.

SUMMARY OF OBSERVATIONS

Conclusion

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

Status of Prior Observations

The Agency's previous fiscal monitoring report, Project #2008-HOM29, issued September 24, 2008, contained one observation:

- The Agency did not require two signatures for checks under \$5,000 (**Repeated, see current observations**)

A-133 Status

The Agency expended \$500,000 or more in federal funds for the year ended December 31, 2007; therefore, it was required to have a single audit in accordance with OMB Circular A-133.

The report, dated May 1, 2008, rendered an unqualified opinion on internal control over financial reporting. The report did not identify any material weaknesses, significant deficiencies that were considered to be material weaknesses, or any noncompliance material to financial statements noted.

The report rendered an unqualified opinion on compliance for major programs. The report did not identify any material weaknesses, significant deficiencies that were considered to be material weaknesses and did not note any audit findings that are to be reported in accordance with section 510(a) circular A-133. The Agency qualified as a low-risk auditee.

The Internal Audit Section's review of the A-133 audit report identified two technical deficiencies. The first deficiency was that there was a significant variance between the amount report on the SEFA and the amount on the City's general ledger. The SEFA stated that expenditures totaled \$229,414, which is a difference of \$32,752 or 16.65%.

IAS recommended that DHS inform the Agency the importance of ensuring the SEFA is prepared accurately and require the Agency to prepare an amended SEFA.

Summary of Current Observations

A recommendation has been made for the following observation, which if implemented could assist the Agency in fully complying with federal, state, and local DHS requirements.

- Opportunity to require two signatures on checks for under \$5,000 (**Repeated**)

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

Opportunity to Require Two Signatures on Checks for Under \$5,000 (Repeated)

The Agency required only one duly authorized signature on the checks for the grant-funded expenditures under \$5,000.

DHS Homeless Services procedures manual states, "Disbursements shall be made by pre-numbered checks that are signed by two duly authorized officers."

The Agency did not comply with the check signing requirements of the DHS Homeless Services procedures manual.

Non-compliance with DHS requirements may lead to the misuse/appropriation of federal funds.

Recommendation

It is recommended the Agency comply with DHS guidelines and require two authorized signatures for all checks or request a waiver for this requirement from DHS.

Management's Response

Community Alternatives has attempted to obtain a waiver for this requirement from the Supervisor of the Division of Homeless Services several time, without a response to our request. This request has not been submitted recently, however, so a letter will be sent formally requesting that a waiver be granted for this requirement. Once a waiver approval is received, a copy will be forwarded to your office for our file. As stated in previous management letters, due to the volume of checks written and the small number of management staff authorized to sign checks, it would be extremely time-prohibitive to require that all checks have two signatures. Other internal controls are in place such as an automated computer system and clinical and financial supervisors reviewing and approving all requests for funds in advance of purchase or payment.

Community Alternatives does not require a formal exit conference to be held.