



OFFICE OF THE COMPTROLLER
CITY OF ST. LOUIS



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DARLENE GREEN
Comptroller

DR. KENNETH M. STONE, CPA
Internal Audit Executive

Internal Audit Section

February 8, 2010

Lynne Cooper, President and Chief Executive Officer
Interfaith Residencies/Doorways
4385 Maryland
St. Louis, MO 63108

RE: Supportive Housing Program (SHP) (Project #2009-HOM2)

Dear Ms. Cooper:

Enclosed is a report of our fiscal monitoring review of the Interfaith Residencies d/b/a Doorways, a not-for-profit organization, SHP, for the period November 1, 2007 through December 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 the Interfaith Residencies d/b/a Doorways. Fieldwork was completed on November 25, 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 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

**DEPARTMENT OF HUMAN SERVICES (DHS)
SUPPORTIVE HOUSING PROGRAM (SHP)**

**INTERFAITH RESIDENCIES d/b/a DOORWAYS
DOCUMENT #57550, #57551 AND #57544
CFDA #14.235**

FISCAL MONITORING REVIEW

NOVEMBER 1, 2007 THROUGH DECEMBER 30, 2008

PROJECT #2009-HOM2

DATE ISSUED: FEBRUARY 8, 2010

**Prepared by:
The Internal Audit Section**



OFFICE OF THE COMPTROLLER

HONORABLE DARLENE GREEN, COMPTROLLER

**CITY OF ST. LOUIS
DEPARTMENT OF HUMAN SERVICES (DHS)
SUPPORTIVE HOUSING PROGRAM (SHP)
INTERFAITH RESIDENCIES/DOORWAYS
FISCAL MONITORING REVIEW
NOVEMBER 1, 2007 THROUGH DECEMBER 30, 2008**

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INTRODUCTION

Background

Contract Name: Interfaith Residencies d/b/a Doorways

Document Numbers: 57544 (Jumpstart)
57551 (Delmar)
57544 (Maryland)

CFDA Number: 14.235

Contract Periods: October 1, 2007 through September 30, 2010 (Jumpstart)
November 1, 2007 through October 31, 2010 (Delmar)
January 1, 2008 through December 31, 2009 (Maryland)

Contract Amounts: \$705,818 (Jumpstart)
\$298,690 (Delmar)
\$1,469,527 (Maryland)

These contracts provided Supportive Housing Program (SHP) funds from the Department of Human Services (DHS) to the Interfaith Residencies d/b/a Doorways (Agency) to provide supportive services to assist homeless persons in the transition from homelessness to independency and permanent housing.

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 December 30, 2008, and make recommendations for improvements as considered necessary.

Scope and Methodology

Inquiries were made regarding the 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 November 25, 2008.

Exit Conference

The Agency was offered an exit conference on December 29, 2009, but it declined.

Management's Responses

The management's responses to the observations and recommendations identified in the draft report were received from the Agency on January 8, 2010. 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-HOM30, issued October 15, 2008, contained one observation:

- The Agency did not meet its contract objectives. **(Repeated, see current observation #4)**

A-133 Status

The Agency expended \$500,000 or more in federal funds for the fiscal year ended June 30 2008; therefore, it was required to have a single audit in accordance with OMB Circular A-133.

The report was dated October 21, 2008 and rendered an unqualified opinion on internal control over financial reporting. There were no material weaknesses identified, no significant deficiencies identified that are considered to be material weaknesses, and no noncompliance material to financial statements noted.

The report rendered an unqualified opinion on compliance for major programs. There were no material weaknesses identified, no significant deficiencies identified that are considered to be material weaknesses, and there were no audit findings disclosed that are to be reported in accordance with section 510(a) of circular A-133. The Agency qualified as a low-risk auditee.

The IAS review of the A-133 audit report identified two technical deficiencies. The first deficiency was that four of the eight grant expenditures reported on the Agency's SEFA did not correspond with the City of St. Louis general ledger. The SEFA total amounts reported were out of balance by as much as \$411,518.00. The other technical deficiency was that the SEFA was not arranged in CFDA numerical order, which is required per the OMB Circular A-133 guidelines.

IAS recommended this audit be accepted and the corrections be made to the SEFA.

SUMMARY OF OBSERVATIONS

Summary of Current Observations

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

1. Opportunity to use two (2) authorized signatures on checks.
2. Opportunity to improve internal controls over time reporting.
3. Opportunity to meet the contract objective for capacity rate. **(Repeated)**
4. Opportunity to submit Annual Progress Reports (APR) in a timely manner.
5. Opportunity to request reimbursement for only allowable expenditure items, Questioned costs of \$510.
6. Opportunity to ensure reimbursement requests do not exceed the contract budget, Questioned costs of \$3,951.60.

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

1. Opportunity To Use Two (2) Authorized Signatures on Checks

A review of the Agency's checks indicated the Agency does not require 2 signatures on all checks; however, one check that was sampled in the amount of \$7,077.47 did not have two signatures. We also noted that 4 checks were not signed at all, but were honored by the bank.

Section VI of the DHS manual states "an Agency must have two authorized personnel sign all SHP grant disbursement checks." Also, the Agency's Cash Disbursement Policy states "all checks in excess of \$5,000 require two signatures."

A system of internal controls was not in place to ensure all checks had two signatures.

The Agency is neither in compliance with DHS nor its own policy on check signatures, which can result in misappropriation of the grant funds.

Recommendation

Recommendations are for the Agency to comply with DHS policy and require two signatures on all checks.

Management's Responses

We do concur with this observation only in part. No corrective action is necessary. All Doorways checks are signed in accordance with our internal cash disbursement policy. Checks are often copied prior to signing. If you provide the numbers for referenced checks, we can provide copies of the signed checks. Our cash disbursement policy is in order with industry best practices and federal regulations and includes recommended separation of duties. We do not require two signatures on all checks due to the impracticality of such a policy.

Auditor's Comment

The requirement is clearly stated in the DHS manual. If the Agency wants to continue with its own policy, it should request a waiver from DHS.

2. Opportunity To Improve Internal Controls Over Time Reporting

Time sheets for the following months of January, April, and June 2008 (Maryland) April and May 2008 (Delmar), January and June 2008 (Jumpstart) were reviewed and contained the following:

- Timesheets were not signed/approved by management, signed by the employee, or dated by the employee or supervisor
- Employees signed off on their own timesheets

Section VII of the DHS manual "Recordkeeping Requirements" states "each employee must maintain and submit a time report for each pay period. The time report must display actual hours worked and/or time off for each working day. The time report also must be signed by the employee and the supervisor or authorized representative".

Agency management did not provide adequate administrative support over time reporting.

Ineffective internal controls regarding time reporting could result in erroneous payroll expenses or suspension or termination of the federal award.

Recommendation

It is recommended that the Agency improve its internal controls, and sign/approve all time sheets, and ensure that all time sheets are completed accurately.

Management's Responses

We do concur with this observation. Doorways was unaware of a requirement for two signatures on timesheets. All time sheets are signed by staff supervisors. As of October 2008, all timesheets are signed by at least two individuals.

Auditor's Comment

The requirement is clearly stated in the DHS manual. It is still recommended that the Agency comply with the requirement and ensure all time sheets are completed accurately.

3. Opportunity To Meet The Contract Objective For Capacity Rate (Repeated)

The Agency did not fully meet its capacity rate of 95% for the Maryland facility. According to the Agency's Annual Progress Report submitted to DHS on January 30, 2009, the agency maintained an occupancy rate of only 86%.

The Scope of Service and Objectives, Supplements A and B, of the contract agreement between the Agency and DHS, provides for the housing (beds) for up to 36 HIV positive individuals at 100% occupancy for 95% of the time, during the contract period, as long as there are clients requesting housing.

When clients enroll in the program and do not have medicaid waivers, they are denied entrance to the program, which keeps the agency from meeting their capacity rate.

Not meeting the capacity rates defined in the contract, can result in clients not being able to receive services and potential loss of federal funding.

Recommendation

It is recommended that the Agency develop and implement procedures to identify organizations that provide services to HIV positive individuals and solicit referrals from them by making them aware of the availability of housing for the eligible individuals.

Management's Responses

We concur with this observation only in part. Doorways maintains the maximum occupancy based on referrals received and client eligibility. We continue to work with Ryan White case managers and other area service providers to identify eligible individuals. We have also petitioned the City to expand our service area to include non-St. Louis City residents because there is a demonstrated need and no comparable facility in the region.

4. Opportunity To Submit Annual Progress Reports (APR) In A Timely Manner

Agency did not submit APR reports for the Jumpstart and Delmar facilities in a timely manner. The APR report for the Jumpstart facility was submitted 58 days late and the APR for the Delmar facility was submitted 14 days late.

Section 3 of the Supportive Housing Program contract states "the Contractor shall submit an Annual Progress Report, HUD Form 40118 and the Homeless Management Information System generated report no more than 30 days following the end of the operating year".

A system of internal control is not in place to ensure compliance with the APR submission requirements of the grant agreement.

Late APR reports may cause a delay in reimbursements and can result in the suspension or termination of the federal award.

Recommendation

It is recommended that the Agency submit APR reports no more than 30 days following the end of the operating year.

Management's Responses

We do not concur with this observation. No corrective action is necessary. The APR for Jumpstart was originally submitted on November 28, 2007 within the 30 days allowed. At the City's request, an amended version was submitted at a later date. The Delmar APR was originally submitted November 1, 2007 and at the City's request an amended version was submitted at a later date. We apologize for this two-day delay and are committed to submitting all reports in a timely fashion.

Auditor's Comment

For all future reports, the Agency should provide all APR documents and ensure that the reports are properly labeled as "original" or "amended."

5. Opportunity To Request Reimbursement for Only Allowable Expenditure Items, Questioned Costs Of \$510

The Agency claimed reimbursement for daycare services for the Jumpstart facility program in the month of April that was not included in the contract budget. The total reimbursement for these items was \$510.

Exhibit 4 of the Jumpstart contract supportive services budget does not allow for child-care expenses in the contract.

The Agency did not adhere to the budget and requested reimbursement for an unallowable expenditure according to the contract.

The effect of reimbursement for unpaid items can result in questioned costs and may lead to the suspension or termination of the federal award.

Recommendation

It is recommended that the Agency pay back \$510.00 for the unallowable items billed to the grant. It is also recommended that the Agency only request reimbursement for what is allowed in the contract.

Management's Responses

We do not concur with this observation. No corrective action is necessary. Doorways did not receive the contract for the referenced Jumpstart contract until April 2008, more than six months into the first grant year. In order to avoid disruption of service and at the instruction of the City, Doorways provided services and invoiced for such services based on the grant's technical submission. When the contract was received, the contract budget was markedly different from the technical submission budget, including the elimination of funds for child care. As soon as Doorways was aware of the revised budget, we stopped invoicing for these charges. Since the charges were made in good faith, in accordance with our technical submission and are for eligible SHP expenses, Doorways requests repayment not to be required.

Auditor's Comment

The Agency cannot request reimbursement for program expenses until the contract is fully executed. In this executed contract, there is an approved budget that the Agency should have been aware of before requesting reimbursement for items only documented in the technical submission.

6. Opportunity To Ensure Reimbursement Requests Do Not Exceed The Contract Budget, Questioned Costs Of \$3,951.60

The Agency exceeded the budgeted amounts for salary expense in Operations for the Delmar and Maryland contracts. The exceeded budget amounts are listed in the table below.

Contract	Category	Salary Actual Expense	Budgeted Salary Expense	Questioned Cost
Delmar	Operations	\$25,778.60	\$23,000.00	\$2,778.60
Maryland	Operations	\$242,666.00	\$241,493.00	\$1,173.00
TOTAL				\$3,951.60

Exhibits 4, 5, and 7 of the operating budget defines FTE amounts for each position for each line-item amount, which is totaled and summarized in the above table.

The Agency uses an annual budget amount and does not use a monthly budget amount due to their needs varying monthly.

Payroll expenditures which are necessary for the operation of the organization are allowable costs; however, where there is over-reimbursement for these costs it can result in questioned costs, or suspension or termination of the federal award.

Recommendation

It is recommended that the Agency repay \$3,951.60 in over billed payroll amounts. A check should be submitted to the Comptroller's office, Federal Grants Section, 1114 Market Street, St. Louis, Mo. 63101.

Management's Responses

We do not concur with this observation. No corrective action is necessary. In previous contract years, it was Doorways' understanding, based on the City's instruction, federal regulations and the City's consistent reimbursement, that it was permissible to move up to 10% of a given line item between lines, not to exceed the total amount submitted in the program budget (versus the 80% SHP budget included in the contract). We have since received clarification from the City, and any budget changes are made only with the advance approval of the City. Since these reimbursement requests were made based on this past understanding and the City received reimbursement from HUD for these expenses, Doorways requests repayment not to be required.

Auditor's Comment

DHS requires that all changes to budget line items be approved in writing. It is recommended that the Agency repay the funds, or provide the documentation for the budget changes.