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CITY OF ST. LOUIS



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FILE COPY

DR. KENNETH M. STONE, CPA
Internal Audit Executive

December 9, 2009

Michelle Darden, Executive Director
St. Louis MR&DD Resources
2334 Olive
St. Louis, MO 63101

RE: Supportive Housing Program (SHP) (Project #2009-HOM14)

Dear Ms. Darden:

Enclosed is a report of the fiscal monitoring review of the St. Louis MR&DD Resources, a not-for-profit organization, SHP, for the report period August 1, 2008 through December 31, 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 St. Louis MR&DD Resources. Fieldwork was completed on April 10, 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 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)**

**ST. LOUIS MR&DD RESOURCES
CONTRACTS #55947 AND #58332
CFDA #14.235**

FISCAL MONITORING REVIEW

AUGUST 1, 2008 THROUGH DECEMBER 31, 2008

PROJECT #2009-HOM14

DATE ISSUED: DECEMBER 9, 2009

**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
ST. LOUIS MR&DD RESOURCES
FISCAL MONITORING REVIEW
AUGUST 1, 2008 THROUGH DECEMBER 31, 2008**

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INTRODUCTION

Background

Contract Name: St. Louis MR&DD Resources

Contract Numbers: 55947
58332

CFDA Number: 14.235

Contract Periods: July 1, 2008 through December 31, 2008

Contract Amounts: \$580,686 (55947)
\$530,625 (58332)

These contracts provided funds from the Department of Human Services (DHS) Supportive Housing Program (SHP) to the St. Louis MR&DD Resources (Agency) to provide supportive services to families who were 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 August 1, 2008, through December 31, 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 April 10, 2009.

Exit Conference

The Agency was offered an exit conference on October 26, 2009, but was declined.

Management's Responses

The management's responses to the observations and recommendations identified in the draft report were received from the Agency on November 3, 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-HOM17, issued October 21, 2008, contained three observations:

1. Agency did not comply with DHS' procurement policy (**Repeated - see current observation #2**)
2. Agency did not maintain inventory of grant funded equipment (**Repeated- see current observation #1**)
3. The Agency does not require two authorized signature on all grant funded disbursement checks (**Resolved**)

A-133 Status

According to a letter received from the Agency, it did not expend \$500,000 or more in federal funds in its fiscal year ended June 30, 2008, and was not required to have an A-133 audit.

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 DHS requirements.

1. Opportunity to maintain inventory of grant funded equipment (**Repeated**)
2. Opportunity to comply with DHS' procurement policy (**Repeated**)
3. Opportunity to submit annual progress reports in a timely manner
4. Opportunity to ensure reimbursement request for only allowable expenditures, questioned costs of \$5,482.96

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

1. Opportunity To Maintain Inventory Of Grant Funded Equipment (Repeated)

The prior fiscal monitoring report dated October 21, 2008, noted that the Agency did not maintain adequate records for equipment and real property purchased with federal grant funds.

The report also noted during review of the July 2007 reimbursement request submitted for payment, the Agency purchased one heavy duty washer and electric dryer but did not maintain inventory records for each item purchased. In addition, the Agency scrapped the washer and dryer without notifying DHS. As of the end of the report date the Agency had not started maintaining records of equipment and real property purchased with federal funds.

DHS policies require an Agency to maintain adequate records for equipment and real property purchased with federal funds. Such records should include contract number, description, acquisition cost, acquisition date, model/serial numbers, location and condition for each item of the equipment and the real property.

The Agency was not aware of procedures and specific records required to be maintained for equipment and real property purchased with federal grant funds.

If the required records are not maintained for grant funded equipment, the Agency may not be able to properly safeguard and account for the equipment and real property.

Recommendation

It is recommended that the Agency maintain adequate records for equipment and real property purchased with federal funds, and update the inventory list for new purchases. In the future, the agency should notify DHS before discarding of any equipment that has been purchased with federal grant funds.

Management's Response

Our Agency concurs and will comply with DHS recommendation to maintain adequate records and notify DHS before discarding any equipment that has been purchased with federal grant funds.

2. Opportunity To Comply With DHS Procurement Policy (Repeated)

The prior fiscal monitoring report dated October 21, 2008, noted that the Agency's written procurement policy provided required competitive bids only for purchases of \$2,000 or more.

DHS Homeless Services policies and procedures require all agencies to develop written procurement guidelines in conformance with Title 24 CFR 85, which requires a minimum of three bids must be solicited for all procurements over \$500.

As of the end of the field visit date, the Agency had not implemented the change recommended in the prior report that the Agency revise its procurement policy to conform to Title 24 CFR 85.

Non-compliance with DHS procurement policy and procedures may cause inefficient use of grant funds for obtaining supplies and services needed by the Agency. Also, processing of reimbursement requests by the Agency may be delayed or suspended by DHS.

Recommendation

It is recommended that the Agency comply with DHS requirements for procurements by updating its written policies and procedures to require competitive bids for purchases over \$500. In addition, the Agency should ensure the updated procurement policy is available for reference by employees and available for review as requested.

Management's Response

Our Agency does not concur as we changed our policies and procedures on procurement in September 2008.

Auditor's Comment

Upon receipt of the draft report, the Agency provided Internal Audit Section with the updated procurement policy to conform with Title 24 CFR 85. This observation is considered resolved and no further action is considered necessary.

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

The Agency submitted its APR 16 days late.

The reporting requirements of Section 3 of the Supportive Housing Program contract states that the Agency shall submit an APR, HUD Form 40118, and the Homeless Management Information System generated report no more than 30 days following the end of the contract(s) operating year.

The Agency did not have internal controls in place to ensure submission of the APR by the required due date.

Non-compliance with the reporting requirements of the contract may result in delays in the processing of the reimbursement requests or suspension of the Agency's funding.

Recommendation

It is recommended that the Agency comply with DHS requirements of the SHP contract and submit the APR by the required due date.

Management's Response

Our agency concurs and will comply with the DHS requirements of the SHP contract and submit the APR by the required due date.

4. Opportunity To Ensure Reimbursement Request Do Not Exceed Contract Budget, Questioned Costs of \$5,482.96

The Agency exceeded the contract personnel budget by \$5,482.96.

The Agency requested and received reimbursements for four facility monitors instead of three that were allowed under the grant contract resulting in unsupported payroll expenses of \$5,482.96 as follows:

A	B	C	D	E
Month	Position Title	Budgeted Amount	Amount Reimbursed	Questioned Cost (D-C)
August 2008	Facility Monitor	-	\$2,741.48	\$2,741.48
September 2008	Facility Monitor	-	\$2,741.48	\$2,741.48
Total		-	\$5,482.96	\$5,482.96

Expenses claimed for reimbursement should not exceed the contract budget. Changes to the budget must be supported by a duly executed amendment to the contract.

The Agency did not have a system of internal control in place to ensure all requests for reimbursement comply with the terms and conditions of the contract.

Non-compliance with the requirements of the grant contract agreement may result in suspension or termination of the agreement.

Recommendation

It is recommended that the Agency

- Establish a system of internal control to ensure that the expenses requested for reimbursement do not exceed the grant budget
- Repay DHS \$5,482.96 for the salaries reimbursed in excess of the grant budget.

Management's Response

DD Resources concurs and will comply with and make sure that we only bill for three facility monitors and repay DHS \$5,482.96.