CITY OF ST. LOUIS

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

CATHOLIC FAMILY SERVICES – PLACES FOR FATHERS
CONTRACT #63485
CFDA #14.235

FISCAL MONITORING REVIEW

NOVEMBER 1, 2011 THROUGH SEPTEMBER 30, 2012

PROJECT #2013-HOM02

DATE ISSUED: MARCH 5, 2013

Prepared by:
The Internal Audit Section

OFFICE OF THE COMPTROLLER

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FILE COPY

March 5, 2013

Dr. Jack Krings, Executive Director
Catholic Family Services – Places for Fathers
9200 Watson Rd., G101
St. Louis, MO 63108

RE: Supportive Housing Program (SHP) (Project #2013-HOM02)

Dear Dr. Krings:

Enclosed is the report of the fiscal monitoring review of Catholic Family Services – Places for Fathers, a not-for-profit organization, SHP program, for the period November 1, 2011 through September 30, 2012. 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 Catholic Family Services – Places for Fathers. Fieldwork was completed on November 19, 2012.

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

If you have any questions, please contact the Internal Audit Section at 314-657-3490.

Sincerely,

Kenneth M. Stone

Dr. Kenneth M. Stone, CPA, CGMA
Internal Audit Executive

Enclosure

cc: Antoinette Triplett, Manager II - DHS
Parimal Mehta, Fiscal Manager - DHS

CITY OF ST. LOUIS
DEPARTMENT OF HUMAN SERVICES (DHS)
HOMELESS SERVICES
SUPPORTIVE HOUSING PROGRAM (SHP)
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INTRODUCTION

Background

Contract Name: Catholic Family Services – Places for Fathers

Contract Number: 63485

CFDA Number: 14.235

Contract Period: November 1, 2011 through September 30, 2012

Contract Amount: $1,016,205

The contract provided Supportive Housing Program (SHP) funds to Catholic Family Services – Places for Fathers (Agency) to promote the delivery of supportive housing and supportive services to assist homeless persons in the transition from homelessness to independency and permanent housing who currently reside in the City of St. Louis.

Purpose

The purpose of the review was to determine the Agency's compliance with federal, state, and local Department of Human Services (DHS) requirements for the period November 1, 2011 through September 30, 2012, and make recommendations for improvements, as considered necessary.

Scope and Methodology

Inquiries were made regarding the Agency's internal controls relating to the grants 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 19, 2012.

Exit Conference

The Agency declined an exit conference.

Management's Response

Management's response to the observation and recommendation noted in the report was received on December 27, 2012 and has been incorporated into the 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 #2012-HOM24, issued February 7, 2012 contained one observation.

- Opportunity to maintain timesheets for grant funded employees (Questioned Costs, $3,894.20) **(Resolved)**

A-133 Status

The Agency is part of the Archdiocese of St. Louis, which expended $500,000 or more in federal funds in its fiscal year ended June 30, 2011; therefore, it was required to have a single audit in accordance with OMB Circular A-133.

The report dated December 19, 2011, rendered an unqualified opinion on internal control over financial reporting and compliance for major programs. There was no material weaknesses identified.

The auditee did not qualify as a low-risk auditee.

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 properly inventory equipment
2. Agency received reimbursement for unallowable expenses concerning idle facilities and idle capacity, questioned cost $6,300.
3. Opportunity to comply with Supportive Housing Programs (SHP) Contract Guidelines.

DETAILED OBSERVATIONS, RECOMMENDATIONS, AND MANAGEMENT'S RESPONSES

1. Opportunity To Properly Inventory Equipment

The Agency did not maintain adequate inventory records. The Agency provided inventory records but the records did not have the following information:

1. Serial number or other identification number
2. Source or owner of title
3. Acquisition date
4. Acquisition cost
5. Condition of inventory
6. Ultimate disposition data (including date of disposal if applicable)

In addition, the Agency did not submit an inventory list to DHS per contract agreement. The following equipment was purchased, using grant funds, but not reported to DHS:

#	Description	Cost
1	Samsung Plasma TV	$896
2	Samsung LED TV	$502
3	Samsung Blu Ray Disc Player	$69
4	TV Flat Mount	$102
5	Dell Computers (Four Total)	$5,010
6	Bed Mattress (Seven Total)	$973
	Total Amount	**$7,552**

OMB A-133 Section F Equipment and Real Property Management states "Identify equipment acquired under Federal awards and trace selected purchases to the property records. Verify that the property records contain the following information about the equipment:

1. Serial number or other identification number
2. Source or owner of title
3. Acquisition date
4. Acquisition cost
5. Condition of inventory
6. Ultimate disposition data (including date of disposal if applicable)"

Contract #63485 Section 7 Special Conditions – Program Requirements states "All office equipment, real property, supplies, materials and other property purchased in whole or in part with supportive housing funds and used for the implementation and conduct of this project shall be the sole property of the City of St. Louis. The Contractor must submit to DHS an Equipment Inventory List and Real Property Inventory List of all equipment and real property purchased with supportive housing grant funds during each year of the contract, no later than 30 days after the end of each contract year."

The Agency was not aware of the requirement to give DHS an updated inventory list.

Without effective policies and procedures over the care and custody of fixed assets, equipment purchased with federal funds is not safeguarded against loss, damage, or theft. When such losses occur, DHS's interests may be affected, because the property is not available for essential activities or to be claimed by DHS.

Recommendation

It is recommended that the Agency:

- Develop and implement an inventory control system that provides reasonable assurance that grant funded fixed assets are safeguarded and are accounted for.
- Update their equipment inventory report whenever a fixed asset is added, or disposed.
- Notify DHS of the updated Inventory list.

Management's Response

Catholic Family Services (CFS) does not concur with this observation. Catholic Family Services was not informed by any member of the City of St. Louis Department of Human Services Staff that an inventory list was required. As recommended by this audit, CFS has and will continue to provide an inventory of equipment purchased using grant funds to DHS. CFS does maintain an inventory database of all equipment at all locations, at the CFS administration offices. Acquisition and costs are maintained by our finance department.

2. Agency Received Reimbursement For Unallowable Expenses Concerning Idle Facilities And Idle Capacity, Questioned Cost $6,300.

The Agency received leasing reimbursement for rooms that were never occupied. The Agency has received reimbursement for rent expenses for Safe Haven Room #1 and #2 in the amount of $450 per month per room. The Agency was reimbursed for the months from January 2012 through July 2012. The total questioned cost is $900 x 7 = $6,300. These rooms are used temporarily for homeless people until a permanent room is available for their use.

OMB A-122 Regulation Section 22 Idle Facilities and Idle Capacity states "Idle facilities mean completely unused facilities that are excess to the organization's current needs. The costs of idle facilities are unallowable…"

The Agency was waiting for contract issues to be completed before allowing people to occupy the Safe Haven rooms.

Contract #63485 Section 19 Sanctions states "The Contractor is in default of this contract for a purpose other than as authorized by the Contract…..Upon due notice to the Contractor of the occurrence of any such default and the provision of a reasonably opportunity to respond, HUD may take one or more of the following actions:

- Direct the Contractor to suspend, discontinue or not incur cost for the affected activity;
- Direct the Contractor to establish and maintain a management plan that assigns responsibilities for carrying out remedial actions;

Recommendation

It is recommended that the Agency reimburse DHS $6,300. The Agency should set internal control procedures that would allow the Agency to comply with OMB A-122 Section 22 regulation.

Management's Response

CFS does not concur with this observation. CFS was informed by DHS of allowable cost of two units to be used as part of the drop-in center. The drop-in center was placed on hold per DHS instructions and due to the alteration of the apartments to be used for the drop-in center, DHS indicated CFS should in fact be reimbursed for the units. Furthermore, the grant contract stipulates those units not be occupied or used for leasing and should in fact be used for the drop-in center.

CFS will work with DHS to open the drop-in center and get clarification, in writing, on the reimbursement for the cost of the units. An email requesting clarification was sent to Janet Scurlock, DHS, and copied to CFS administration and city auditor Chance Key requesting clarification and no response as date.

3. Opportunity To Comply With Supportive Housing Programs (SHP) Contract Guidelines.

Testing was completed concerning the lease agreement between the landlord and the tenant. Twenty four (24) out of twenty four (24) lease agreements were tested and all twenty four (24) lease agreements, or 100%, did not have a rent amount on the lease agreements.

HUD's Supportive Housing Program (SHP) Lease Arrangements Section states "Any lease arrangement must be at arm's length and include the following items in the contract:

- Names of tenant and owner;
- Unit address;
- Rent amount;
- Terms of the lease;
- Renewal provisions;

The Agency was not aware of the requirement that each contract must have a rent amount on the contract.

Non-compliance with internal controls concerning the lease agreements may result in misappropriation of federal funds. In addition, the lack of internal controls may increase the risk of errors that might not be detected and corrected in a timely manner.

Recommendation

It is recommended that:

- The Agency complies with HUD's Supportive Housing Program (SHP) Lease Arrangements Section and maintains adequate internal controls concerning the lease agreements.

Management's Response

CFS concurs with this observation. As recommended by this audit, CFS has informed the landlord of the guidelines. The landlord has supplied an updated lease agreement to include rent amounts to be used going forward. The rent amounts for the tenants were listed in the lease agreement between CFS and the landlord for use of the building to operate the project. The landlord was under the impression that having the tenants lease amounts listed in that lease was sufficient.