



OFFICE OF THE COMPTROLLER  
CITY OF ST. LOUIS



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Internal Audit Executive

September 21, 2012

FILE COPY

Emily Smith, Chief Financial Officer  
St. Louis Office for Developmental Disability Resources  
2334 Olive Street  
St. Louis, MO 63101

RE: Supportive Housing Program (SHP) (Project #2012-HOM23)

Dear Ms. Smith:

Enclosed is a report of the fiscal monitoring review of the St. Louis Office for Developmental Disability Resources, a not-for-profit organization, SHP Program, for the period July 1, 2011 through April 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 DD Resources. Fieldwork was completed on July 26, 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 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) 657-3490.

Respectfully,

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

Enclosure

cc: Paul Mehta, Fiscal Manager, DHS  
Antoinette Triplett, Program Manager, DHS



# CITY OF ST. LOUIS

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

**ST. LOUIS OFFICE FOR DEVELOPMENTAL DISABILITY  
RESOURCES  
CONTRACT #62883 & #62869  
CFDA #14.235**

**FISCAL MONITORING REVIEW**

**JULY 1, 2011 THROUGH APRIL 30, 2012**

**PROJECT #2012-HOM23**

**DATE ISSUED: SEPTEMBER 21, 2012**

**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)  
ST. LOUIS OFFICE FOR DEVELOPMENTAL DISABILITY RESOURCES  
FISCAL MONITORING REVIEW  
JULY 1, 2011 THROUGH APRIL 30, 2012**

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## INTRODUCTION

### Background

**Contract Name:** St. Louis Office for Developmental Disability Resources

**Contract Numbers:** 62883 and 62869

**Contract Periods:** July 1, 2011 through June 30, 2012

**CFDA Number:** 14.235

**Contract Amounts:** \$175,194 (62883)  
\$193,557 (62869)

These contracts provided Supportive Housing Program (SHP) funds to the St. Louis Office for Developmental Disability Resources (Agency) to promote the delivery of supportive housing and supportive services to assist homeless persons who are disabled in the transition from homelessness to independency and permanent housing. These services were provided to individuals who currently reside in the City of St. Louis or in locations that are within 100 miles from 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 July 1, 2011 through April 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 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 July 26, 2012.

### Exit Conference

The exit conference was conducted on September 11, 2012. The Agency was represented by the Executive Director and the Chief Financial Officer. The Internal Audit section was represented by the Auditor-in-charge and an Auditor II.

## 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 #2011-HOM19 issued November 1, 2011 noted no observations.

### 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, 2011; therefore, it was not required to have a single audit in accordance with OMB Circular A-133.

### Summary of Current Observations

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

- 1 Opportunity to comply with contract terms (Questioned cost \$175,194)
- 2 Opportunity to supply adequate supporting documentation (Questioned cost \$2,867.92)

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

### **1. Opportunity To Comply With Contract Terms (Questioned Cost \$175,194)**

The Agency's contracts were reviewed; there were several items which were not in compliance with the contract. These items are described in detail below.

#### **Monthly Rents**

The Agency did not charge monthly rents, when applicable, in accordance with 24 CFR 583.315 using HUD predetermined amounts.

Section 10 of the contract states "If rents are charged, the contractor must calculate rent as required in 24 CFR 583.315, utilizing the worksheet in the HUD SHP Desk Guide, Section K. This worksheet must be maintained in each client file."

#### **Subcontracting**

The Agency subcontracted with Horizon Housing without proper approval from DHS.

Section 11 of the contract states "Contractors may not make any changes to an approved program or Contract without prior written approval from the Department of Human Services. Significant changes include, but are not limited to, a change in the recipient ..."

#### **Time Reporting**

The Agency maintained timesheets, but sub contractor (Horizon Housing) did not.

OMB Circular A-122 Section 8, subparagraph M.2 states that "the reports reflecting the distribution of activity of each employee must be maintained for all staff members whose compensation is charged, in whole or in part, directly to awards. The reports must be signed by the individual employee to ensure the activity fairly represents a reasonable estimate of the actual work performed by the employee during the periods covered by the reports."

The CFO said the Agency does not keep or maintain timesheets since all employees are salaried.

#### **Insurance**

The sub-contractor, Horizon Housing, does not have the required bonding insurance required by DHS. There was no employee dishonesty policy which is defined as "the loss sustained by any of the employees, acting alone or in collusion with others during the bond period." The Agency's policy does not cover Horizon Housing.

Section III of the Procedures Manual requires each Agency to have bonding insurance coverage for all persons employed or authorized to perform functions related to the execution of the project funded by DHS. The minimum amount of total coverage must be equal to the amount of the grant from DHS.

### **Recommendation**

It is recommended that the Agency repay \$175,194 in questioned costs to DHS. It is also recommended that the Agency become familiar with the contract terms and conditions to better understand and fully execute the contract to better serve those needing assistance.

### ***Management's Response***

#### ***Monthly Rent***

*Our Agency concurs with the Section 10 of the contract "If rents are charged the contractor must calculate rent as required", utilizing the HUD SHP worksheet, in accordance with 24 CFR 583.315 using HUD predetermined amounts. The worksheet will be placed in each consumer file.*

*DD Resources will inform Horizon Housing Development Company (HHDC) of this matter to make sure they properly calculate rents with the HUD SHP worksheet and that the worksheet must be in each consumer file.*

*DD Resources does not concur with the statement, "The contractor must also maintain records of rents collected, portions applied to the program cost and/or portions set aside for clients."*

*DD Resources provided proof that HHDC kept records of all rents collected and that the rents are applied to the program the cost on their financial statement.*

#### ***Subcontracting***

*DD Resources does not concur with this reported observation, "DD Resources subcontracted with HHDC without proper approval from DHS."*

*DD Resources provided proof that HUD and DHS knew the DD Resources subcontracted with HHDC for the Great Horizon program since its inception.*

### **Auditor's Comment**

The Agency is not allowed to subcontract without written permission from DHS; no such written approval was supplied to auditor.

### ***Time Reporting***

*DD Resources partially concurs with this reported observation. It was brought to our attention in the previous year's audit that the documentation on time keeping be signed by the employees and verified and signed by the supervisors.*

*The Horizon Club employees are in compliance with this observation. As of August 16, 2012 DD Resources implemented an agency wide time-sheet requirements and informed HHDC to implement this requirement for the Great Horizon program.*

### **Auditor's Comment**

In order to be compliant the Agency must keep timesheets for all employees who are charged to the grant; the Agency did not have timesheets for all employees.

### ***Insurance***

*DD Resources does not concur with this reported observation. DD Resources provides 75% of the HHDC funding and the remaining 25% comes from DD Resources via the SHP grant. DD Resources carried the bond on the SHP Grant. If any misappropriation of funds occurs on the behalf of HHDC, DD Resources will collect from them.*

### **Auditor's Comment**

The employees of Horizon Housing are employed through a separate entity (agency); therefore those employees are required to have the same coverage as DD Resources since they are not directly employed through DD Resources.

## **2. Opportunity To Provide Adequate Supporting Documentation (Questioned Cost \$2,867.92)**

Contracts #62883 and #62869 were tested to ensure expenses had proper supporting documentation.

Contract #62883

There were two individuals along with Bi-state Development Agency who were paid from August 2011 through March 2012 in the amount of \$1,337.92. These items noted did not have any supporting documentation such as invoices, receipts, etc. Without supporting documentation, it was undetermined when or if these items were in fact purchased.

Contract #62869

It was discovered that Bi-state Development Agency was paid \$1,530.00 from July 2011 and June 2012.

The total questioned costs for both contracts is \$2,867.92

Section VII of the DHS Fiscal Procedures Manual states "Agencies must maintain adequate supporting documentation for all transactions. Supporting documentation includes invoices, bills, contracts, time reports, and any other documentation that helps validate transactions."

The Agency did not have a system of internal controls in place to ensure that all grant related expenses claimed for reimbursement had adequate supporting documentation.

The lack of supporting documentation for the expenses billed to the grant may result in questioned costs, termination, or suspension of the grant.

### **Recommendation**

It is recommended that the Agency repay the City \$2,867.92 in questioned cost as well as implement procedures to ensure that adequate supporting documentation is maintained to substantiate expenses which have been billed to the grant.

### ***Management's Response***

*DD Resources does not concur with this reported observation. Since inception of the program our check request forms were considered adequate supporting documentation, but DD Resources will inform HHDC that an invoice will be required if SHP funds will be accessed from this point forward.*

*DD Resources and HHDC as of August 2012, will start including the number of bus ticket/passes purchased on the checks and keeping a log of all the consumers receiving bus tickets/passes for each month.*